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The World Bank

Report No: ICR00001031

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-H1680)

ON A

CREDIT

IN THE AMOUNT OF SDR 3.7 MILLION
(US\$ 5.5 MILLION EQUIVALENT)

TO THE

UNITED NATIONS INTERIM ADMINISTRATION MISSION IN KOSOVO FOR
THE BENEFIT OF KOSOVO

FOR A

PUBLIC EXPENDITURE MANAGEMENT TECHNICAL ASSISTANCE PROJECT

December 21, 2009

Poverty Reduction and Economic Management
Europe and Central Asia Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective January 11, 2005)

Currency Unit = Euro

1.00 = US\$ 1

1.52US\$ 1.00 = SDR 1

FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

DFID	Department for International Development
EAR	European Agency for Reconstruction
ECA	Europe and Central Asia
EU	European Union
FMM	Family Medicine Model
GDP	Gross Domestic Product
HDM4	Road Information Database
HMIS	Health Management Information System
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion and Results Report
IDA	International Development Association
IMF	International Monetary Fund
IP	Implementation Progress
ISN	Interim Strategy Note
ISR	Implementation Status Report
KPIs	Key Performance Indicators
KTA	Kosovo Trust Agency
LPP	Law on Public Procurement
M&E	Monitoring and Evaluation
MFE	Ministry of Finance and Economy
MLSW	Ministry of Labor and Social Welfare
MLSW	Ministry of Labor and Social Welfare
MoH	Ministry of Health
MoJ	Ministry of Justice
MPS	Ministry of Public Services
MTC	Ministry of Transport and Communications
MTEF	Medium Term Expenditure Framework
MTR	Mid-Term Review
MU	Moderately Unsatisfactory
NGOs	Non Government Organizations
OED	Operation Evaluation Department
PAD	Project Appraisal Document

PBCP	Performance-based Capitation Payment
PDO	Project Development Objectives
PEFA	Public Expenditure and Financial Accountability
PEIR	Public Expenditure and Institutional Review
PEM	Public Expenditure Management
PEMTAG	Public Expenditure Management Technical Assistance Grant
PFM	Public Financial Management
PHC	Primary Health Care
PISG	Provisional Institutions of Self Government
PIU	Project Implementation Unit
PPA	Public Procurement Agency
PSMP	Public Sector Modernization Project
RF	Results Framework
RID	Road Information Database
RID	Road Information Database
TSS	Transitional Support Strategy
TTL	Task Team Leader
UK	United Kingdom
UN	United Nation
UNMIK	United Nations Interim Administration Mission
US	United States
USAID	United States Agency for International Development

Vice President: Philippe H. Le Houerou
 Country Director: Jane Armitage (ECCU4)
 Sector Manager: Ronald E. Myers (ECSPE)
 Project Team Leader: William R. Dillinger (ECSPE)
 ICR Main Author: Yoko Kagawa (ECSPE)

COUNTRY
Project Name

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A. Basic Information			
Country:	Kosovo	Project Name:	Economic Policy & Public Expenditure Management Technical Assistance Project (PEMTAG)
Project ID:	P078674	L/C/TF Number(s):	IDA-H1680
ICR Date:	12/30/2009	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	UNMIK
Original Total Commitment:	XDR 3.7M	Disbursed Amount:	XDR 3.5M
Revised Amount:	XDR 3.5M		
Environmental Category: C			
Implementing Agencies: Ministry of Economy and Finance (MFE) Ministry of Transport and Communication (MTC) Ministry of Health (MoH)			
Cofinanciers and Other External Partners:			

B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	11/04/2004	Effectiveness:		10/12/2005
Appraisal:	03/28/2005	Restructuring(s):		
Approval:	06/14/2005	Mid-term Review:	10/05/2007	02/12/2008
		Closing:	03/31/2009	03/31/2009

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Moderately Satisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Moderately Satisfactory
Borrower Performance:	Moderately Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	Ratings	Borrower	Ratings
Quality at Entry:	Moderately Unsatisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Moderately Satisfactory	Implementing Agency/Agencies:	Moderately Satisfactory

Overall Bank Performance:	Moderately Satisfactory	Overall Borrower Performance:	Moderately Satisfactory
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C.3 Quality at Entry and Implementation Performance Indicators

Implementation Performance	Indicators	QAG Assessments (if any)	Rating
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA):	Unsatisfactory
DO rating before Closing/Inactive status:	Moderately Satisfactory		

D. Sector and Theme Codes

	Original	Actual
Sector Code (as % of total Bank financing)		
Central government administration	69	50
Compulsory health finance	9	15
Roads and highways	3	35
Sub-national government administration	19	
Theme Code (as % of total Bank financing)		
Health system performance	20	15
Infrastructure services for private sector development	20	35
Injuries and non-communicable diseases	20	
Public expenditure, financial management and procurement	40	50

E. Bank Staff

Positions	At ICR	At Approval
Vice President:	Philippe H. Le Houerou	Shigeo Katsu
Country Director:	Jane Armitage	Orsalia Kalantzopoulos
Sector Manager:	Ronald E. Myers	Deborah L. Wetzel
Project Team Leader:	William R. Dillinger	William R. Dillinger
ICR Team Leader:	William R. Dillinger	
ICR Primary Author:	Yoko Kagawa	

F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document)

The project's overall development objective is to improve the PISG (Provisional Institutions of Self Government)'s ability to use public resources more effectively, efficiently and transparently through strengthened public expenditure management.

Revised Project Development Objectives (as approved by original approving authority)

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Sectoral allocation of annual budget is in line with sectoral priorities identified in Kosovo Development Strategy and Plan (KDSP) and subsequently in Medium-term Expenditure Framework (MTEF).			
Value quantitative or Qualitative)	No national and sectoral strategies available to guide strategic resource allocation. MTEF was prepared after annual budget preparation and with little strategic consideration.	Policy priorities in KDSP are fully reflected in MTEF and annual budget resource allocation.	None	Budget for 2009 is in line with sectoral priorities identified in MTEF (2009-2011) although budget allocation for some sectors (e.g., transport) is considerably above MTEF figure for 2009.
Date achieved	12/31/2005	03/31/2009	03/31/2009	03/31/2009
Comments (incl. % achievement)	Partially achieved.			
Indicator 2 :	Total amounts of annual budget and actual spending are within overall macro/fiscal framework in MTEF.			
Value quantitative or Qualitative)	2005 budget was in line with deficit target agreed with IMF and actual spending was about 94% of budget.	Continue to maintain fiscal target outlined in MTEF and IMF recommendations.	None	Total expenditures in the Kosovo Consolidated Budget 2009 are 1.3 percent lower than the ceiling set in the MTEF 2009-2011. Actual expenditures in 2008 were 22.6 percent below

				MTEF ceiling.
Date achieved	12/31/2005	03/31/2009	03/31/2009	12/31/2008
Comments (incl. % achievement)	Fully achieved.			
Indicator 3 :	Effective monitoring of Primary Health Center (PHC) provider performance and development of concept to adjust payment and staffing toward greater efficiency.			
Value quantitative or Qualitative)	Reforms to institute new payment system for PHC providers not yet underway. No identification of performance indicators and no performance measurement in PHC centers.	The Ministry of Health (MoH) conducts quarterly analysis to monitor and evaluate provider performance in PHC centers, and uses results to adjust provider payments and staffing to improve efficiency.	None	A percentage earmarked for performance payment introduced in the Budget Law. The MoH finalized the performance and governance frameworks. It is not yet decided whether this would be at the same level as for 2009 (5%) or whether it will change.
Date achieved	12/31/2005	03/31/2009	03/31/2009	03/04/2009
Comments (incl. % achievement)	Partially achieved.			

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Treasury manual: Consistent application of international accounting and reporting standards by all ministries and municipalities.			
Value (quantitative or Qualitative)	No treasury manual for ministries and municipalities, thus, different accounting and reporting standards are used.	Treasury manual with international accounting and reporting methods is being applied by all ministries and municipalities.	None	The treasury manual was used for FY08 and expected to be used for FY09 budget execution.
Date achieved	12/31/2005	03/31/2009	03/31/2009	12/31/2007
Comments (incl. % achievement)	Fully achieved.			
Indicator 2 :	Budget formulation: Number of transfers (virements) finished from line ministries during budget execution.			

Value (quantitative or Qualitative)	210 transfers requested.	Less than 120 transfers requested.	None	161 transfers requested for FY 2008.
Date achieved	12/31/2005	03/31/2009	03/31/2009	03/04/2009
Comments (incl. % achievement)	Partially (65%) achieved.			
Indicator 3 :	Fiscal impact analysis: Number of draft laws that have sufficient fiscal impact analysis before presented to the Government decision meetings.			
Value (quantitative or Qualitative)	58 draft laws were processed for fiscal analysis before sending to the Government during FY 2006 but quality of analysis was poor.	All draft legislation has fiscal impact analysis of acceptable quality using the agreed framework by MoF & proposing ministries.	None	All 72 laws that were presented to the Government in 2008 had fiscal analyses. LPFMA amendments in 2008 made this obligatory. This legal requirement is now fully observed.
Date achieved	12/31/2005	03/31/2009	03/31/2009	03/04/2009
Comments (incl. % achievement)	Fully (100%) achieved.			
Indicator 4 :	Health: Performance-based capitation payment - Payment - concept of payment reform developed and performance measured in all PHC centers in 4 pilot municipalities.			
Value (quantitative or Qualitative)	Payment reform not yet developed.	Payment reform developed and implemented. Evaluation finalized and adjustments made where necessary to scale up reform to all PHC centers in Kosovo.	None	Performance Framework (performance indicators and targets) developed and pilot tested in 4 pilot municipalities.
Date achieved	08/31/2006	03/31/2009	03/31/2009	03/04/2009
Comments (incl. % achievement)	Fully achieved.			
Indicator 5 :	Health: Skill development : Health management and communication course developed and institutionalized.			
Value (quantitative or Qualitative)	None	At least 1 one - year course for (i) management and (ii) communication finished in local university)	This component was cancelled.	
Date achieved	12/31/2005	03/31/2009	08/31/2007	

Comments (incl. % achievement)	Not achieved.			
Indicator 6 :	Health: Family Medicine Restructuring - Treatment guidelines for preventive care developed and used by staff in FM health centers.			
Value (quantitative or Qualitative)	No treatment guidelines developed yet.	At least 20 treatment GL for most common diseases developed and implemented in all PHC centers in Kosovo.	None	16 treatment protocols for most common diseases developed and piloted. MoH formally approved implementation in all PHC centers in Kosovo.
Date achieved	12/31/2005	03/31/2009	03/31/2009	03/04/2009
Comments (incl. % achievement)	Partially (80%) achieved.			
Indicator 7 :	Transport: Urban Traffic Management of Prishtina - Traffic Signal Installation (No. of Junctions with new traffic signals).			
Value (quantitative or Qualitative)	0	7	None	5--The original target was 7 traffic signal installation. However, the investment and improvements are much greater on the five junctions.
Date achieved	12/31/2005	03/31/2009	03/31/2009	03/04/2009
Comments (incl. % achievement)	Partially (70%) achieved.			
Indicator 8 :	Transport: Road Database established.			
Value (quantitative or Qualitative)	Not established.	Fully established.	None	Road Database is fully established and operational.
Date achieved	12/31/2005	03/31/2009	03/31/2009	03/13/2008
Comments (incl. % achievement)	Fully achieved.			
Indicator 9 :	Transport - Urban Traffic Management of Prishtina - Traffic model installed.			
Value (quantitative or Qualitative)	Not Installed.	Installed.	None	The Traffic model has been fully established. The Municipality needs to buy a software license. The Mayor's confirmation for the

				purchase of a software license has been received.
Date achieved	12/31/2005	03/31/2009	03/31/2009	03/04/2009
Comments (incl. % achievement)	Fully achieved.			
Indicator 10 :	Transport: Number of staff trained in HDM4 (Road Information Database).			
Value (quantitative or Qualitative)	0	12	None	8 staff (5 trained by consultants and 3 by earlier regional training) were trained in HDM4.
Date achieved	12/31/2005	03/31/2009	03/31/2009	03/04/2009
Comments (incl. % achievement)	Partially (67%) achieved.			
Indicator 11 :	Transport: Number of traffic counters installed.			
Value (quantitative or Qualitative)	0	40	None	All 40 traffic counters were installed successfully (20 fixed counters placed on the network; 20 mobile counters available for use).
Date achieved	12/31/2005	03/31/2009	03/31/2009	03/13/2008
Comments (incl. % achievement)	Fully (100%) achieved.			
Indicator 12 :	Transport: Road Safety Improvement Study - Detailed designs produced to address 14 accident black spots.			
Value (quantitative or Qualitative)	0	14	None	At least 14 accident blackspots have been identified and addressed.
Date achieved	12/31/2005	03/31/2009	03/31/2009	03/04/2009
Comments (incl. % achievement)	Fully (100%) achieved.			
Indicator 13 :	Transport: Road Safety Improvement Study - Accident Database Established.			
Value (quantitative or Qualitative)	Not established.	Fully established.	None	The database is fully operational.
Date achieved	12/31/2005	03/31/2009	03/31/2009	03/13/2008
Comments (incl. % achievement)	Fully achieved.			

achievement)				
Indicator 14 :	Public Sector: Procurement Capacity Building Prioritized contracts in line ministries (MH, MTC, MJ) awarded (% of total).			
Value (quantitative or Qualitative)	N/A (Project not started)	MH: 100% MTC: 100% MJ: 100%	None	MH: 100% MTC: 80% MJ: 100%
Date achieved	03/06/2008	03/31/2009	03/31/2009	03/06/2008
Comments (incl. % achievement)	Partially (93%) achieved.			
Indicator 15 :	Health: Collect patient data with patient information tools to measure performance (new activity using the resources for cancelled contract)			
Value (quantitative or Qualitative)	0	Patient data and information tools to measure performance are collected.	None	Patient data has been collected and now in the process of being put into the information system.
Date achieved	03/07/2008	03/31/2009	03/31/2009	03/04/2009
Comments (incl. % achievement)	Fully achieved.			

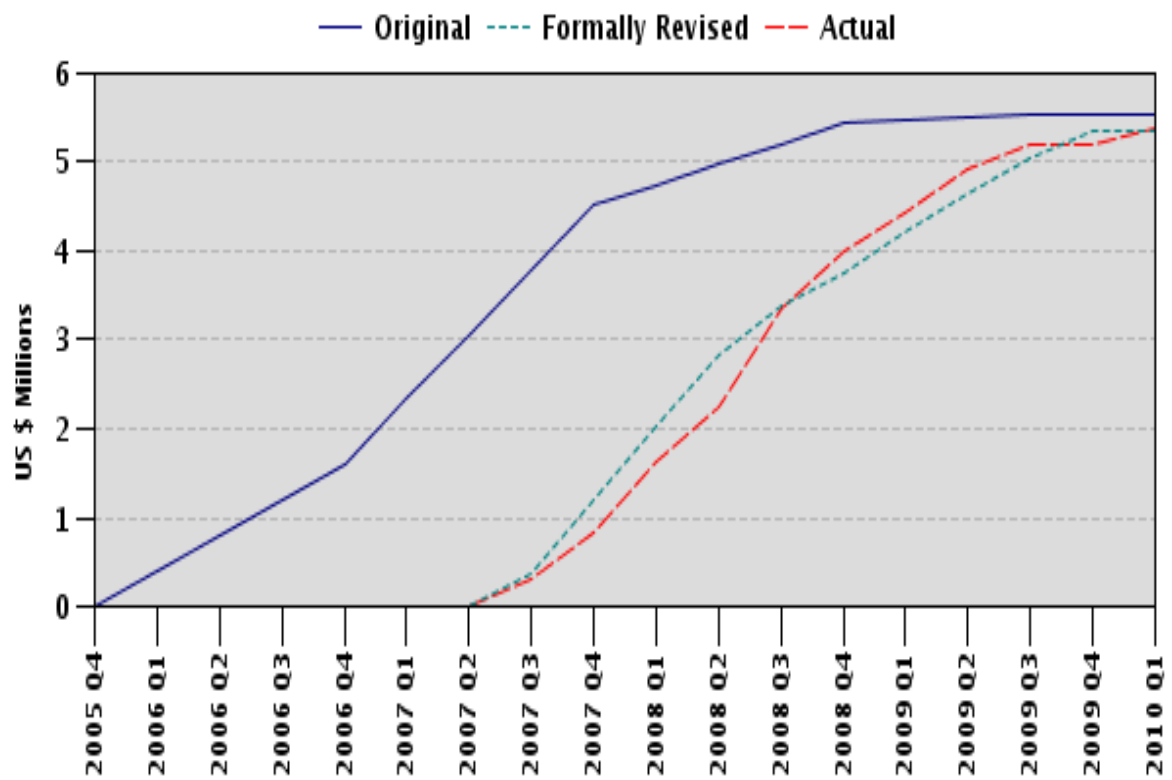
G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	05/17/2006	Moderately Satisfactory	Moderately Satisfactory	0.00
2	03/13/2007	Moderately Satisfactory	Moderately Unsatisfactory	0.04
3	09/04/2007	Moderately Satisfactory	Moderately Unsatisfactory	1.54
4	03/18/2008	Moderately Satisfactory	Moderately Satisfactory	3.33
5	09/16/2008	Moderately Satisfactory	Moderately Satisfactory	4.31
6	03/17/2009	Moderately Satisfactory	Moderately Satisfactory	5.21

H. Restructuring (if any)

Not Applicable

I. Disbursement Profile



1. Project Context, Development Objectives and Design

(this section is descriptive, taken from other documents, e.g., PAD/ISR, not evaluative)

1.1 Context at Appraisal

(brief summary of country and sector background, rationale for Bank assistance)

Kosovo was emerging from a post-conflict environment at the time the project was prepared. At the end of the conflict, in 1999, the United Nations Interim Administration Mission (UNMIK) was established as the interim administration of Kosovo. The governance structure in Kosovo was complex. In 2001, a Constitutional Framework established the legal framework for the transfer of responsibilities to the Provisional Institutions of Self Government (PISG). Since then the handover gradually took place. At the time of project appraisal, the PISG was responsible for the provision of education, health, social welfare, energy, telecommunications, and some forms of transport services.

Under a policy of “Standards before Status” UNMIK and the PISG were working on a specific series of reforms aimed at strengthening democratic institutions. The UN review of Kosovo’s progress toward these standards was expected, in 2005, to determine the timing and path for initiating discussions on Kosovo’s final status. Progress in the development of capable public sector institutions was a critical factor in that decision.

Following the end of the conflict in 1999, there was a substantial inflow of funds from the diaspora and donor communities, which resulted in a one-time spurt in economic growth. According to IMF estimates, real GDP growth, reflecting high levels of public and private investment, reached approximately 30 percent in 2001. Growth slowed to an average of around 4 percent per year at the time of the Project preparation. Despite general improvements in economic activity, poverty, and formal unemployment, the economy’s structural performance remained a concern and the authorities needed to manage a potentially difficult economic transition as the level of support from the international community declined.

In the face of declining donor receipts, the key public expenditure management problem facing the PISG was to maintain fiscal balance while improving the quantity and quality of essential public services. To accomplish this, weak systems of budget formulation, budget execution, auditing, and procurement needed to be strengthened. Specific sectoral reforms, particularly health and road sectors were also urgent.

A number of donors were already providing technical assistance to the PISG in Kosovo. USAID was providing extensive support to the Ministry of Economy and Finance (MFE) particularly for macroeconomic forecasting, budget formulation, and treasury operations. The EU, through the European Agency for Reconstruction (EAR), was financing major programs of technical assistance in public investment planning, internal audit, and procurement. But donor efforts to improve public expenditure management (PEM) were largely confined to the MFE. They had yet to extend to the sectoral

ministries. Moreover, little attention had been directed to policy and procedural reforms in key sectoral ministries, which were essential to overall improvement in public sector management. A major source of inefficiency in Kosovo's health care system was its weak primary health care and its excessive use of secondary and tertiary facilities. For the transport sector, road maintenance was persistently under-funded, while funds were exhausted on new works, some of which were not economically justified.

The Public Expenditure Management Technical Assistance Grant (PEMTAG), under review in this ICR, was an International Development Association (IDA) Grant. The PEMTAG aimed at contributing to a key objective identified in the Bank's Transitional Support Strategy (TSS) for Kosovo (April, 2004): building capacity to strengthen economic and public expenditure management.

1.2 Original Project Development Objectives (PDO) and Key Indicators (as approved)

The Project Development Objective defined in the Project Appraisal Document (PAD) (Report No: 31658-XK) reads:

The project's development objective is to improve the PISG's ability to use public resources more effectively, efficiently and transparently through strengthened public expenditure management.

The above project development objective is identical to the one defined in the Development Grant Agreement agreed between the UNMIK and the World Bank on July 27, 2005.

An outcome indicator for this development objective indicated in the PAD is: Strategic allocation of public resources through an improved budget preparation process within an overall medium term macro and fiscal framework.

1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification

No revisions were made to the PDO. The hierarchy of objectives and key performance indicators in the Results Framework and Monitoring (PAD-Annex 3) is shown in Table 1 below:

Table 1: PEMTAG Results Framework (Annex 3)	
PDO	Outcome Indicators
Kosovo uses public resources more effectively, efficiently and transparently	Strategic allocation of public resources through an improved budget preparation process within an overall medium term macro and fiscal framework.
Intermediate Results One Per Component	Results Indicators for Each C o m p o n e n t

Component One: PEM (i) Sectoral budgets reflect UNMIK/PISG priorities. (ii) Public procurement is increasingly transparent, competitive	Component One: (i) Difference between ceilings established in budget circular and budget user's initial proposed budgets (ii) Number of external audit findings of material violations of procurement rules*
Component Two: Health Scope of medical care is expanded under the family medicine model in demonstration municipalities	Component Two : (i) Number of patients registered with family medicine practitioners (ii) Proportion of health care worker remuneration paid in form of incentive payments.
Component Three: Transport PISG spending on roads becomes increasingly cost effective as road data is improved and staff become adept at prioritization software	Component Three: Number of traffic counters installed; Number of staff trained in prioritization software

*The indicator was replaced because the Office of the Auditor General was not able to conduct regular procurement audits during the lifetime of the Project except for once in 2007.

More key performance indicators were added to the RF during the project implementation in order to better measure changes in performance. The revised results framework (RF) with additional key performance indicators is presented in the Section F of the Datasheet of this ISR.

1.4 Main Beneficiaries,

(original and revised, briefly describe the "primary target group" identified in the PAD and as captured in the PDO, as well as any other individuals and organizations expected to benefit from the project)

The “primary target groups” of the project as identified in the PAD were as follows:

- Three major spending ministries, namely the Ministry of Health (MoH); Ministry of Transport and Communications (MTC); and Ministry of Labor and Social Welfare (MLSW) were the targets for subcomponent 1 of component 1 of the Project: capacity building in budget formulation. Additionally, the budget analysts of the Ministry of Finance and Economy (MFE) and their counterparts in the above three ministries, the municipalities and the Kosovo Trust Agency (KTA) were intended beneficiaries of the same subcomponent.
- Major line ministries were the targets for the budget execution subcomponent of component 1.
- The MoH, the Ministry of Public Services (MPS)¹ and the Public Procurement Agency (PPA) were the targets for the procurement subcomponent of component 1.
- The MoH and MTC were the targets of the support for sectoral policy and procedural reforms provided by component 2 and component 3 respectively.

1.5 Original Components (as approved)

Component 1: The Public Expenditure Management-US\$2.44 million

This component intended to improve public expenditure management through three subcomponents:

- (i) Budget formulation—providing consultancy and training programs with a main focus on capacity building in budget preparation in the selected three line ministries; and capacity building among budget analysts in the MFE, including the counterparts of the same major line ministries.
- (ii) Budget execution—providing technical support to the PISG's cash management unit, drafting a set of comprehensive written procedures for bookkeeping, accounting and financial reporting to improve the quality of financial information produced by the line ministries.
- (iii) Public procurement—providing one-on-one mentoring by experienced procurement specialists to ensure that the new procurement system based on the recently-enacted Law on Public Procurement (LPP) was implemented as intended.

Component 2: Health Sector Reforms-US\$1.26 million

This component intended to shift spending toward primary care and to improve mechanisms for allocating resources to health care providers through the three subcomponents:

¹ The Ministry of Justice (MoJ) became a beneficiary of this subcomponent instead of MPS.

- (i) Family medicine--implementing the family medicine model in four municipalities, including support to: an initial review of legislation; technical assistance to municipal health departments; the development of guidelines, protocols and standards; a media campaign to inform the family medicine reform; and a study tour.
- (ii) Performance-based capitation payment--establishing payment mechanism to provide a financial incentive to improve patient care at the primary level and to reduce unnecessary referrals.
- (iii) Skill development--providing training for the Ministry of Health on management, policy development and planning, and communication skills in collaboration with the U.K.'s Department for International Development (DFID).

Component 3: Transport Sector Reforms- US\$2.17 million

To revise road user charge policies and to strengthen mechanisms for prioritizing and allocating expenditures on road construction and maintenance with the four subcomponents:

- (i) Expenditure allocation--facilitating the prioritization of recurrent and capital expenditures and providing technical assistance to review and strengthen the current Road Information Database (HDM4), provide basic data on current traffic levels by purchasing automatic traffic counters and produce an assessment of the current expenditure priorities on the primary and secondary road network.
- (ii) Financial sustainability--developing a detailed action plan to implement some of the key recommendations of the recent road user charges study.
- (iii) Road safety--providing (a) technical assistance to identification of 'black spots' and appropriate remedial actions (b) a review of the recently-produced manual on road design; (c) technical assistance for the establishment of an Inter-Ministerial Road Safety Council; (d) technical assistance to develop capacity in road accident reconstruction and purchase of suitable software for an Accident Information System.
- (iv) Traffic management by Pristina Municipality--providing technical assistance to improve traffic management capacities and practices in the Municipality of Pristina, financing a few defined high priority traffic management measures (signage and traffic signals), the purchase of appropriate software, and the collection of necessary data to establish a tactical traffic assignment model, and a review of both current road investment plans in the area, and an assessment of the need and scope of an 'urban outreach unit' in the MTC, to disseminate best urban transport policy and practice.

1.6 Revised Components

The original components were not revised.

1.7 Other significant changes

(in design, scope and scale, implementation arrangements and schedule, and funding allocations)

A reallocation of the Grant proceeds from the Health to the PEM component was made in June 2008. The reallocation was done according to the due procedure and did not affect PDO or create new risks. The funds were reallocated for the extension of activities already foreseen under the PEM component in the PAD and the Grant Agreement.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

(including whether lessons of earlier operations were taken into account, risks and their mitigations identified, and adequacy of participatory processes, as applicable)

Soundness of the background analysis: The Project drew lessons and recommendations from the sectoral and country reviews of World Bank assistance, published in the OED report, *Evaluating Public Sector Reform*, 2001. The report argues that such efforts to improve public management systems were compromised, inter alia, by

- A pattern of under-investing in governance sector work;
- A bias toward supplying capacity inputs (such as training and equipment) before reforming governance structures; and
- Weak coordination among donors, which leads to duplication and an improper sequencing of reforms.

The PEM component of the Project was able to draw on the extensive existing diagnostic and analytical work for Kosovo, such as the Economic Memorandum, Operational Procurement Review, Operational Financial Accountability Review and the IMF's Preliminary Findings on Budget Processes, as an analytical base for project preparation and design.

Preparation of the Project coincided with an ongoing Bank Public Expenditure and Institutional Review (PEIR), which helped to identify underlying structural issues and to narrow the project scope to focus on the priority needs of the Government.

The problem of donor coordination was addressed by deliberately designing the Project to focus on gaps in assistance provided by other development partners.

Overall project design: Given the fundamental capacity constraints in Kosovo, hands-on technical assistance and on-the-job mentoring were the core of the project design for the PEM component.

Because of the limited IDA resources allocated to Kosovo and the consequent limited number of prospective Bank operations there, two other, somewhat unrelated, components were added to the Project--one in health the other in transport. This weakened the coherence of project design, which ultimately came to comprise three rather loosely connected components related to different sectors, and created difficulties for monitoring and supervision. In particular, the dual role of the Ministry of Health (MoH) and the Ministry of Transport and Communications (MTC) as beneficiaries under the PEM component and as implementing agencies for the Health and Transport components, respectively, complicated the task of the Project Coordinator (an MFE official). It also complicated Bank supervision, which was exercised by teams from three different sectors.

Overall risks to the Project: There was no overall risk rating for the Project, though most risks were rated as moderate. Three risks that might hinder the attainment of the project development objectives were identified. However, the measures suggested to mitigate these risks were either beyond the reach of the Project or were too limited to effectively mitigate the risks:

- The risk of declining political support due to heightened tension over Kosovo's political status: The Project expected this risk to be mitigated by the PISG's desire to be seen to be making progress on the steps required for successful resolution of Kosovo's status.
- The risk of loss of trained staff: The Project had no leverage over salary or career development policy in Kosovo's public administration. Reforms that might have offset the risk of staff departures were therefore not addressed by the Project, although they were subsequently incorporated in a follow-on project. (See details in Section 4--Assessment of Risk to Development Outcome).
- The risk of insufficient transfer of knowledge from consultants to civil servants. The envisaged mitigation measure was to explicitly include handover provisions in terms of reference and to closely monitor the consultant recruitment process.

The decision meeting suggested that the risk section of the PAD be revised to include the risks to implementation posed by the complexity of the Project. However, the suggested revision was never made. Furthermore, no risks concerning implementation

capacity were identified despite the fact that the Project was the first Bank operation without a PIU in Kosovo.

2.2 Implementation

(including any project changes/restructuring, mid-term review, Project at Risk status, and actions taken, as applicable)

The Project became effective less than three months after signing. Weak capacity in the implementing agencies and the Public Procurement Agency (PPA) delayed the procurement processes and the launch of Project activities. Although a launch workshop was conducted to present the overall Project and explain the Bank's procedures and guidelines, the majority of the participants were high-level officials. As a result most of the technical staff who would ultimately be responsible for Project implementation were left uninformed, causing confusion and delay at the initial stage of the Project.

The first disbursement was made 18 months behind the original schedule. Consequently, the disbursement schedule was revised. Because of the slow disbursements, the Project was considered a "Project at Risk" for a year, beginning in the third quarter of FY08, with a rating on Implementation Progress (IP) of Moderately Unsatisfactory (MU).

To address this problem, a local consultant knowledgeable in World Bank Procurement processes was hired and made available to the PPA and implementing agencies. This expedited the procurement process, resulting in steady progress in disbursements during the latter half of the Project period. Disbursement rates also varied among components. The accuracy of disbursement projections was compromised due to insufficient contract oversight (See details in the Section 2.4-Safeguards and Fiduciary Compliance). A more rapid rate of disbursement could have been achieved through more timely re-allocations among components and more accurate disbursement projections for each of the Project activities. By the end of the Project, funds committed exceeded the total grant proceeds, with the difference covered by counterpart co-financing (under the Transport component). The final disbursement rate was 94 percent of Grant proceeds.

The Mid-Term Review (MTR) confirmed the PDO as relevant and found that substantial progress had been made especially in the technical assistance for budget formulation subcomponent of the PEM component. Even so, the assistance provided to one particular ministry--the MLSW--was considered unsuccessful largely due to lack of interest and commitment from the Ministry. The Bank team suggested to the MFE that the resources be reallocated from MLSW to another ministry and utilized in its budget for FY09.

The MTR showed the implementation progress varied extensively among the three components. Progress on the Health component was particularly problematic, in part because changes in Government resulted in the dismissal of key MoH officials involved in the project. The project team discussed the option of cancelling the

component with the Government. However, the new leaders of the MoH confirmed their commitment to the Project and decision to cancel was postponed.

The progress of the Transport component was also slow at the beginning. However, by the time of the MTR, the component started advancing with accelerating disbursements.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

The analytic framework for monitoring and evaluation was poorly developed under the project. The results framework in the PAD was not adequately formulated, lacking baseline data and target values. The PDO was too broadly formulated without strong correspondence with intermediate outcome indicators and Project activities. It provided a basis for tracking overall progress only toward the outcome of improvements in the allocation of public resources.

Moreover, the PDO related primarily to the outcomes and activities of the PEM component. The Health and Transport component activities were, in effect, pursuing a secondary PDO, which was not explicitly articulated, i.e. to support policy and procedural reforms in these two sectors, health and transport.

During Project implementation the results framework was further developed with additional or substitute indicators both at the PDO and intermediate outcome levels. Even after more indicators were added, the revised outcome indicators were rather disjointed and their connection to the overall PDO seemed unclear (especially for the Health and Transport components). The revised third PDO indicator under the Health component seemed to relate to the implicit objective rather than the main PDO. No PDO indicator for the Transport component was developed.

M&E was jointly conducted by the Bank team and the counterparts. A systematic approach to the M&E was not developed nor was clear responsibility for M&E defined in the Project Implementation Manual. As a result reporting on Project activities and outcomes was rather fragmented.

The role of the Project Coordinator in M&E was largely limited to the PEM component, not least due to a lack of adequate information and reporting to the MFE (as the primary implementing agency with overall M&E responsibility) by the implementing agencies in charge of the Health and Transport components. While the MFE produced all the required financial monitoring reports, project progress reports were submitted from each Project Supervisor to the Bank task team member of the corresponding sector, bypassing the Project Coordinator. As a result, no consolidated progress reports were produced to review implementation status of the entire Project.

2.4 Safeguard and Fiduciary Compliance *(focusing on issues and their resolution, as applicable)*

No safeguard issues were identified for the Project. There were no special financial management, procurement or disbursement requirements under the Project. Fiduciary compliance was in line with Bank procedures.

No issues were raised in the project audit reports and financial management reports were produced regularly. In regard to procurement, while the ex-post review found no infringement of Bank guidelines in awarding contracts, the PPA did not exercise contract management oversight functions as required by the Project Operational Manual. As a result, neither the Borrower nor the Bank had timely, comprehensive information on updated procurement plans, contract amendments and contract implementation under different components. This impaired the accuracy of disbursement projections.

2.5 Post-completion Operation/Next Phase

(including transition arrangement to post-completion operation of investments financed by present operation, Operation & Maintenance arrangements, sustaining reforms and institutional capacity, and next phase/follow-up operation, if applicable)

The impact of the Project's PEM component will be reinforced by the upcoming the Public Sector Modernization Project (PSMP), which will continue the PEMTAG approach of PEM support to selected budget organizations, while supporting new reform priorities, particularly civil service reform.

The PSMP aims to improve the quality of budget preparation and the accuracy of budget execution. Employing the same approach as the PEMTAG undertook, emphasis will be placed on budget formulation with a focus on aligning annual and medium term budget submissions with sector strategies and on overall budget constraints defined by the MFE. The PSMP also aims to increase cost-efficiency in public procurement.

The lessons learned from the PEMTAG are reflected in the PSMP design, particularly in its use of on-the-job mentoring in line ministries and the selection of these ministries. The arrangements for monitoring and evaluation under the new project have also been improved. To address the risk of losing qualified civil servants, the new project will support efforts to strengthen career stability and development in the civil service.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

(to current country and global priorities, and Bank assistance strategy)

The objectives of PEMTAG, focusing on effective, efficient and transparent public resource use through strengthened public expenditure management, remain highly relevant for Kosovo. As a newly independent country, Kosovo needs to further improve and consolidate institutional capacity in public financial management. As a low middle-income country (among the poorest in ECA) with limited resources, the

country needs to secure budget support from international donors and make more efficient use of scarce budget resources, especially as budget revenues might be negatively affected by the global economic crisis. That is why the Government of Kosovo has placed improving public financial management (PFM) as one of the reform priorities that the country needs to undertake. The Government's commitment to PFM reform has been evidenced in recent key developments, including a self-assessment of the PFM system based on the Public Expenditure and Financial Accountability (PEFA) methodology. The PEFA self-assessment, which was finalized in June 2009, has served as the basis for a PFM Reform Action Plan. It identifies underlying causes of current weaknesses in the PFM system and includes specific reform measures, timeframes, and target results for each indicator as well as institutional responsibilities.

The Bank's assistance strategy for Kosovo is laid out in the draft Interim Strategy Note (ISN) for FY10-FY11, expected to be presented to the Board in January 2010. The draft ISN emphasizes, as one of the pillars, the importance of "supporting governance reform and social inclusion to modernize Kosovo's public sector within an equal, inclusive, multi-ethnic society." This confirms the continued relevance of PEMTAG's objective.

3.2 Achievement of Project Development Objectives

(including brief discussion of causal linkages between outputs and outcomes, with details on outputs in Annex 2)

It has to be acknowledged that the formulation of the Project's PDO reflects primarily the activities of the PFM component, while the contribution of the Health and Transport components of the Project to the overall PDO was at best indirect. Though the activities of the Health and Transport components were indeed designed to improve allocation of public expenditure in these two sectors, the results indicators for these components were rather loosely connected to the overall PDO.

Nonetheless, the targets of most key performance indicators (intermediate outcome indicators) were fully (9 out of 15 indicators) or partially (5 out of 15 indicators) met despite delays in implementation at the start of the Project. It appears that the Project's PDO indicators have been at least partially achieved (one out of three PDO indicators was fully met; two were partially met).

According to the Kosovo Government's own assessment of the status of PFM system, considerable progress in the quality of PFM systems and processes was achieved between 2007 and 2009, as measured by the PEFA methodology. The first PEFA assessment of 2007 was conducted by the World Bank. The second assessment of 2009 was conducted by the PEFA Secretariat composed of the MFE officials with guidance and support by the consultants provided by the World Bank and other development partners, namely DFID and USAID. Although a few scores seem to be too high, e.g., the ratings for budget classification (PI-5) and procurement (PI-18), the World Bank task team and other development partners as well as the PEFA Secretariat believe the ratings reflect the current status of the PFM systems in Kosovo.

The assessment shows improvements in the PFM system. The most significant improvements were made in the budget execution system, where the PEFA scores improved in Cash management and Accounting Recording and Reporting.

In view of the significant levels of support provided by other development partners for the improvement of the PFM system during the lifetime of the Project, it is not possible to attribute the improvements in the overall PFM performance indicators to PEMTAG alone. However, as the PEFA assessment shows, progress has been made in the quality of Kosovo PFM systems and procedures. The Project contributed especially to the improvement of the areas of the budget formulation (PEFA items PI-5; PI-6; PI-12); accounting and reporting (PI-22; PI-23; PI-24) through one-on-one mentoring assisting the beneficiary ministries in the budget submissions for the fiscal years 2008 and 2009, and development of the Budget and Treasury manuals. The Project also contributed to the improvement in controls in procurement (PI-19) by working with beneficiary line ministries (Health, Transport, and Justice) on developing standard bidding documents in accordance with the new Public Procurement Law of 2007 and by providing on-the-job training to these beneficiaries' procurement officers.

Table 3: Summary Comparison of PEFA Scores 2007 and 2009			
A. PFM-OUT-TURNS: Credibility of the budget		Score 2007	Score 2009
PI-1	Aggregate expenditure out-turn compared to original approved budget	N\A	C
PI-2	Composition of expenditure out-turn compared to original approved budget	N\A	A
PI-3	Aggregate revenue out-turn compared to original approved budget	A	A
PI-4	Stock and monitoring of expenditure payment arrears	D+	B+
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency			
PI-5	Classification of the budget	D	A
PI-6	Comprehensiveness of information included in budget documentation	D	B
PI-7	Extent of unreported government operations	C+	A
PI-8	Transparency of inter-governmental fiscal relations	A	B
PI-9	Oversight of aggregate fiscal risk from other public sector entities.	C+	C+
PI-10	Public access to key fiscal information	A	B
C. BUDGET CYCLE			
C(i) Policy-Based Budgeting			
PI-11	Orderliness and participation in the annual budget process	B+	B
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+	C
C(ii) Predictability and Control in Budget Execution			
PI-13	Transparency of taxpayer obligations and liabilities	B+	B
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	C	D+
PI-15	Effectiveness in collection of tax payments	C+	D+
PI-16	Predictability in the availability of funds for commitment of expenditures	B+	A
PI-17	Recording and management of cash balances, debt and guarantees	A	A
PI-18	Effectiveness of payroll controls	D+	D+
PI-19	Competition, value for money and controls in procurement	D+	B
PI-20	Effectiveness of internal controls for non-salary expenditure	C+	B
PI-21	Effectiveness of internal audit	C	B+
C(iii) Accounting, Recording and Reporting			
PI-22	Timeliness and regularity of accounts reconciliation	B	B+
PI-23	Availability of information on resources received by service delivery units	D	D
PI-24	Quality and timeliness of in-year budget reports	B+	B +
PI-25	Quality and timeliness of annual financial statements	A	A
C(iv) External Scrutiny and Audit			
PI-26	Scope, nature and follow-up of external audit	D+	B
PI-27	Legislative scrutiny of the annual budget law	B+	C+
PI-28	Legislative scrutiny of external audit reports	D	C+
D. DONOR PRACTICES			
D-1	Predictability of Direct Budget Support	N\A	D
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	N\A	D
D-3	Proportion of aid that is managed by use of national procedures	N\A	D

Public Expenditure Management Component:

The Project contributed to improving budget formulation and budget execution through technical assistance for the development of clear procedural guidelines and training provided to the budget and finance officials in the MFE as well as the counterparts of the three major line ministries (MoH, MTC and MLSW).

In particular, progress in budget formulation progress was made in the following areas:

- Clarification of process of budget preparation; and
- Analytical capacities for budgeting in a consistent manner (in line with the new budget manual produced under the Project) developed in the beneficiary budget organizations.

The Project also helped lay the basis for policy-based budgeting. (The PEFA score for the relevant indicator [PI-12] improved from D+ in 2007 to C in 2009). The 2007 PEFA assessment clearly identified the lack of long term direction as one of the fundamental weaknesses of Kosovo PFM system. At the nascent stage of the Medium Term Expenditure Framework (MTEF), the Project helped create momentum for the MTEF process through technical assistance focusing on the costing and evaluation of new policies and investments.

The methodologies and materials developed for budget formulation were incorporated into the official Government budget preparation manual, which was adopted by the MFE and distributed to all budget organizations in 2009. Although the manual primarily consolidated procedural guidelines previously fragmented into various regulations (rather than new guidelines), the manual has served as a mechanism to ensure the sustainability of institutional capacity for budget formulation - not only in the three ministries that were direct Project beneficiaries but in all budget organizations that are now using the manual.

The Project assisted the target budget organizations to prepare 2008 and 2009 budget submissions. Multi-year-costing for capital and recurrent expenditures was achieved by the MTC and – with somewhat lower success – by the MoH.

In terms of budget execution, the treasury manual developed under the Project further strengthened the treasury system. Before the Project, line ministries were not utilizing an existing special software system to streamline procedures of budget execution. The treasury manual was distributed to all budget organizations in late 2007, shortly after the software system had been extended to the line ministries. Along with training, the treasury manual based on international accounting and reporting standards increased capacity for streamlining procedures for budget execution, cash management and debt

management. As a result, close linkages between the central Treasury Department and all budget organizations were established.

This is reflected in improved budget credibility. One of key performance indicators of the Project compares actual expenditures to initially approved budget appropriations. Under the project, the number of in-year transfers (virements) across budget lines decreased from the baseline of 210 in 2005 to 161 in 2008 – an improvement of 23 percent.

Additionally, the PFM component provided a framework and capacity building activities in fiscal impact assessment for the analysts of the budget department of the MFE. As a result, by the end of the Project, all draft legislation was subjected to fiscal impact analysis, using the agreed framework, before being submitted to Parliament. The institutionalization of fiscal impact analysis of draft legislation has the potential to significantly improve the fiscal sustainability of public expenditure in the medium term, as previously there was a tendency for new policies and legislation to be developed without regard for their full cost implications.

The Project also increased procurement capacity in three line ministries (MoH, MTC and MoJ) by providing one-on-one mentoring to their procurement officers. The clients assessed this hands-on approach to training in the procurement process (the consultants financed by the Project led the process for the first year; the procurement officers undertook the process with consultant support for the second year) as useful, particularly at the time when the new the Law on Public Procurement enacted in 2007 lacked any secondary legislation. The sustainability of the results was compromised by the high turnover among procurement officers. However, the standard bidding documents developed under the Project, which continues to be used after the end of the Project activities, have contributed significantly to streamlining the procurement process in these ministries.

Health Sector Reform Component:

Most of the planned outputs of this component were completed. Nonetheless, the outcome targets have been met only partially due to delays in implementation and the rather ambitiously formulated design of the component combined with a lack of ownership and management changes at the MoH. At the time of Project preparation, the MoH demonstrated a strong ownership of the Project as the Ministry was creating momentum for improving policy design and setting of standards in the health sector. However, the ownership waned because of the frequent turnover of high level officials, particularly Permanent Secretaries, who hold significant influence over the Project.

Initially, the Project contributed to creating an enabling environment for the Family Medicine Model (FMM) and the performance-based capitation payment (PBCP) health care reforms in Kosovo. There is some evidence that technical assistance financed by the Project contributed to the improvement of public expenditure

management in the health sector, including the inclusion of five percent performance based payments in the health grant allocations to municipalities and the introduction of the concept and theory of performance-based payment. Development of 16 clinical protocols produced by the Project has a potential to strengthen disease prevention which could eventually improve efficiency of health spending.

Over time, and with the change in the Permanent Secretary, the interest in family medicine training faded at the MoH as well as among the consultancy team. The Director of Health Policy at the MoH was solely in charge of procurement of the international consultants and supervising their tasks. Procurement was thus extremely slow and it took about one year before consultants could start their work. Consequently the task was not fully implemented and disbursed. Its impact on policy and procedures has yet to be demonstrated. Although all protocols developed by the Project were formally adopted by Ministry of Health for nation-wide implementation, the lack of a functional HMIS (Health Management Information System) prevented them from being successfully introduced and monitored at the time of Project completion. The impact of the performance-based payment system is also not clear. The MoH has limited capacity to oversee the implementation of the procedures developed by the Project. It appears unlikely that the Government will maintain the present (2009) level of funding for performance payments in 2010.

Transport Sector Component:

This component met nearly all of its outcome indicators. The Project supported procedural and institutional reforms, together with necessary capacity building, in the transport sector, contributing to the enhancement of public resource management, road safety, and the capacity in the City Transport Department of Pristina Municipality.

The Project considerably strengthened the ability of the Ministry to allocate recurrent and capital expenditures within the road sector on economic grounds by improving the Road Information Database (RID) and establishing processes to update and upgrade it. The investment priorities identified by the RID were incorporated in the MTC budget request for 2009, and the database was also used by the European Union-funded Multimodal Strategy Study to identify the priorities in the road sector on the existing network.

The Financial Sustainability Report estimated the financing needs of the road sector, noting that routine, scheduled periodic and winter maintenance were underfunded, and although the proportion of the primary and secondary network in fair or better condition was high at the moment, this, and the financial needs to rehabilitate those roads, were likely to change markedly over the next few years. The report made a number of recommendations to change the scale and structure of road user charges, to increase revenues, and a joint MTC and MFE working group was established to examine the recommendations. At the time of high gasoline prices, there was little political will to impose further increases, but the recent moderation of prices may make this option more attractive.

The management of road safety has improved substantially as a result of the project in a number of ways:

- The establishment of accident analysis software and a database in the headquarters and regional offices of the traffic police, with a link to the MTC. This state of the art system has considerably strengthened the capacity of the police to record accidents and prosecute miscreants, but also allows analysis of the location and nature of accidents to allow appropriate mitigation to be undertaken;
- In addition, two working groups were established, one on ‘accident blackspot’ identification and alleviation. The budget allocated to road safety was significantly increased (Euro 2.5 million per annum for accident black spot alleviation based on technical assistance provided by the Project), and a number of critical accident blackspots were addressed.
- The new emphasis on road safety was also underlined by the establishment of a new Road Safety Coordinator position, and the plan is for a further eight support staff to be hired, to act as the secretariat to the Road Safety Council; and
- Manuals and training were provided in a number of key road safety areas.

The Project also contributed to the strengthening of capacity in the City Transport Unit in the areas of traffic management, parking policy and management and public transport and management. The number of staff of the Traffic Unit was increased by the recommendation specified in the Report on the Functional Review of the Traffic Unit. The Project also provided additional training and established a traffic model for modeling and testing interventions on the City road network.

3.3 Efficiency

(Net Present Value/Economic Rate of Return, cost effectiveness, e.g., unit rate norms, least cost, and comparisons; and Financial Rate of Return)

Not applicable.

3.4 Justification of Overall Outcome Rating

(combining relevance, achievement of PDOs, and efficiency)

Rating: *Moderately Satisfactory*

The PFM component of the Project has improved the capacity of the Government to formulate budgets and the capacity of the Treasury to execute them. The Project was successful in improving the quality of budget submissions. The total expenditures in the budget 2009 were lower than the budget ceilings and in line with sectoral priorities set in the MTF (2009-2011). However, the impact of the budget formulation

component of the project was limited by the failure of two of the target entities (the MLSW and the KTA) to take full advantage of it.

Technical assistance for public procurement capacity in line ministries (MoH, MTC and Ministry of Justice) was highly appreciated by the beneficiaries, although the sustainability of the results has been compromised to some extent by the turnover of trained procurement officers.

The sectoral components (Health and Transport) succeeded in laying the foundations for fundamental reforms, although the results of the components are mixed, reflecting the differences in relevance to the priorities, implementation capacity and ownership of the Project in each ministry.

3.5 Overarching Themes, Other Outcomes and Impacts *(if any, where not previously covered or to amplify discussion above)*

(a) Poverty Impacts, Gender Aspects, and Social Development

None

(b) Institutional Change/Strengthening *(particularly with reference to impacts on longer-term capacity and institutional development)*

The two manuals produced by the Project have strengthened the Government's institutional capacity in terms of budget formulation and execution. The budget preparation manual has served as a mechanism to ensure the sustainability of institutional capacity for budget formulation—not only in the ministries that directly participated in the project but in all budget organizations that are now using the manual. The treasury manual developed by the Project further strengthened the treasury system by ensuring the consistent application of international accounting and reporting standards in all ministries and municipalities. The project also succeeded in institutionalizing the analysis of pending legislation's fiscal impact. Over the course of the Project, the number of draft laws for which fiscal impact analyses were conducted steadily increased. By the end of the Project, all draft legislation was subjected to fiscal impact analysis. Also, the capacity built by the Project in the MFE laid the foundation for the PEFA self assessment of 2009, which then led to the development of the current PFM reform action plan. The standard bidding documents developed with support by the Project improved efficiency in the procurement processes of some of the major spending ministries.

The improvement and establishment of the updating process for the Road Information Database (RID) provides as a fundamental basis for procedural and institutional reform in the transport sector by enhancing public resource management and road safety.

(c) Other Unintended Outcomes and Impacts (positive or negative)

None

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops
(optional for Core ICR, required for ILI, details in annexes)

None were carried out.

4. Assessment of Risk to Development Outcome

Rating: *Moderate*

The sustainability of the impact of the Project's PEM component is fairly well assured. As noted earlier, staff turnover could result in the loss of some of the human capital created under the project, although procedures and policies introduced by the project will remain in place. There is also a risk that key managerial positions in the MFE could become increasingly politicized, which could in turn increase the risk of politically-driven spending. These risks are offset by the Government's commitment to PEM reforms, as evidenced by its recent adoption of the 2009 PFM reform action plan. It will be reinforced by follow-on activities supported by the PSMP project and by parallel efforts supported by other donors.

The sustainability of the impacts of the health component is more difficult to assess. The clinical protocols developed by the Project have not yet been implemented, and may not be for some time, in the absence of a functional Health Management Information System (HMIS) (The EU planned to finance the HMIS but later backed out). The revised primary healthcare legislation for which the Project reviewed has not yet been adopted. While the performance-based payment system was introduced into the municipal grant system, the MoH has limited capacity to oversee its implementation. The Government, moreover, appears likely to reduce the budget allocation for performance payments in 2010.

At the central level, the achievements of the transport component are likely to be sustained. The long term impact of reforms in Pristina municipality will be more limited, however, as the City failed to provide necessary counterparts to be trained to use the traffic model developed by the Project.

5. Assessment of Bank and Borrower Performance
(relating to design, implementation and outcome issues)

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry
(i.e., performance through lending phase)

Rating: *Moderately Unsatisfactory*

The Project was designed quickly and responsively in line with Kosovo's needs. The objective of the Project--to strengthen public resource management--was highly relevant, particularly as UNMIK was in the process of transferring increasing responsibilities to the PISG. The Project design followed logically from the various analytical studies that preceded it. Its focus on gaps in the assistance provided by other development partners ensured that Bank funds were applied strategically.

But the project design was too complex. It involved too many sectors, implementing agencies and participating organizations. Foregoing a PIU also created difficulties. The decision to have the Project executed by regular civil servants was intended to strengthen ownership and build capacity within the government. However, it imposed a heavy burden on civil servants and led to weak coordination and oversight among project activities. Civil servants in Kosovo have little experience in managing Bank projects--the PEMTAG was the first Bank operation without a PIU in Kosovo and public sector capacity is notoriously weak. This should have been reflected in the risks assessment and addressed in the project design.

The absence of a clear results framework made it difficult to keep track of how the activities were contributing the objectives of the Project.

(b) Quality of Supervision

(including of fiduciary and safeguards policies)

Rating: *Moderately Satisfactory*

The dialogue between the Bank and the clients, particularly between the task team leader (TTL) and Project Coordinator was maintained on a regular (nearly day-to-day) basis after long initial delay. Management and Country office of the Bank supported the Project with adequate attention and guidance. The visit to the country by the Sector Manager of the Public Sector Reform cluster, the unit responsible unit for the Project, helped solidify the relationship with the Government.

The supervision missions were conducted consistently but should have begun earlier. The first supervision mission did not occur until one year after Board approval. An earlier mission could have helped counterparts to understand the Project and Bank processes better which would have avoided delays in implementation.

Because of the complex design of the Project, extra supervisory effort was required. The three components were quite independent, with each component requiring intense supervision by a different Bank team. The TTL who was a Public Sector Specialist relied heavily on other specialists for managing the Health and Transport components.

Although the Bank managed to provide well-staffed supervision missions, task team members were not able to attend the same mission most of the time due to the multi-sectoral composition of the team. Moreover the team was divided among multiple

locations (fiduciary oversight was initially conducted by staff in the Bank office in Tirana, Albania). This fragmented supervision team imposed an extra coordination burden on the part of the TTL. For example, the TTL needed to compile ISRs--key documents in the communication of project progress--by pulling together various reports made at different times. The important documents, such as annual work plans and quarterly progress reports of the three implementing agencies as well as consolidated procurement plans, were not properly filed.

The Mid-Term Review flagged implementation problems especially with unsatisfactory implementation by particular ministries, especially the MLSW for component one and MoH for component two. Although both ministries gave assurance of their commitment to the Project, remedial actions to expedite the implementation of Project activities were not fully implemented. The Bank and the MFE should have been quicker to reallocate funds from these two entities once problems became apparent. Assistance to the KTA was directed at specific publicly owned enterprises managed by the KTA. However, the progress of this Project activity with regard to the KTA is not adequately documented in supervision documents (ISRs, Mid-Term Review). Neither was this support adequately monitored by the MFE.

The Bank provided considerable technical assistance through the task team and consultants in core substantive areas, going beyond the Project description. Additionally efforts to guide the implementing agencies through the Bank's fiduciary process were highly appreciated by the Client counterparts.

(c) Justification of Rating for Overall Bank Performance

Rating: *Moderately Satisfactory*

Despite significant delay, the project succeeded in completing almost all activities. Engendering the needed coordination among multiple sectors and numerous ministries in practice was quite difficult and time consuming especially in the absence of a PIU. Nonetheless, the task team helped the Government to achieve (fully or partially) most project objectives by providing extra supervision efforts to meet the challenges imposed by the project design.

The project design had shortcomings, but the Project interventions were well suited to the Government's needs: the task team provided assistance to the Government in meeting extraordinary challenges such as the preparation for the PFM Legislation on the eve of independence.

The Project was managed with the standard allocation of supervision budget despite the fact that more resources were necessary due to the involvement of the three different sectors.

Because of the multiplicity of challenges in many different sectors in Kosovo with limited IDA resources, the different operations were combined into the single project, which inevitably undermined coherence and complicated implementation.

5.2 Borrower Performance

(a) Government Performance

Rating: *Moderately Satisfactory*

The Government maintained the course of PFM reform through a transitional period with uncertainty about Kosovo's political status. A change in the government leadership with new Prime Minister and President in March 2006 caused some delay in implementation of the Project. However, the Government under the new leadership maintained its commitment to the development objectives of the Project and overall public sector reform.

Implementation of the Project was overseen by a Steering Committee, comprised of high-level representatives assigned by the three implementing ministries and two more ministries: the Ministry of Public Services (MPS) and the Ministry of Labor and Social Welfare (MLSW), as participants in the PEM component of the Project. A representative of the UNMIK was also a member of the Steering Committee. Being convened on a quarterly basis, the Committee was responsible for monitoring progress on the Project as a whole. At the beginning of project implementation the Steering Committee was active in solving the problems with the Project. A memorandum of understanding was signed between the Steering Committee and participating ministries to facilitate project implementation. However, these actions were mainly initiated by the Project Director, appointed by the MFE. The Steering Committee became inactive after a few meetings. As a result, it was not effective in addressing the recalcitrance of certain participating ministries, namely the MoH, the MLSW and the KTA. To compensate for the disengagement of the Steering Committee, the Project Director convened meetings of Project Supervisors and other members of working groups. The meetings were held frequently until momentum for the implementation was built.

(b) Implementing Agency or Agencies Performance

Rating: *Moderately Successful*

The MFE undertook complex programs for budget reform utilizing the PENTAG. The Project Coordinator was effective in bringing in the expertise of the Bank and international consultants working for the Project to support a broader reform agenda. While PFM reform was accelerating, coordination and oversight of the overall Project including procurement was difficult for the MFE. The Grants Unit of the MFE carried out financial management for the entire Project with due diligence and efficiency.

The MoH had a difficult time over the life of the Project because of the frequent changes in senior management. Even though the Project achieved some improvements in key systemic issues in the pilot areas, the envisaged implementation of fundamental

reforms were minimized due to the limited institutional capacity of the Ministry and several changes in heads and key staff appointed for the Project implementation.

Most of the civil servants who were appointed as the members of the implementing agencies in the MTC remained same from the beginning through the end of the Project. Their previous experience in a Bank operation helped accelerate the implementation after a significant delay. Delay was mainly caused by the procurement process, which was centralized in the PPA. This arrangement was a backward step for the Ministry because the MTC had successfully undertaken procurement with earlier Bank projects. MTC staff was cooperative and dedicated, utilizing the Project as an opportunity for increasing their capacity for project management.

Last but not least, diligent and efficient conduct of the day-to-day operations carried by civil servants at the IMs contributed to the achievement of the Project objectives.

(c) Justification of Rating for Overall Borrower Performance

Rating: *Moderately Satisfactory*

Given the transitional period when the Government just began building its own capacities the initial difficulties in the Project implementation are understandable. The Government was successful in making progress on the PFM reform working with the Bank and other development partners. Through the Project, the MFE was proactive in utilizing the Bank's knowledge and experience to help push the reform forward, evidenced in the PFM Legislation and the PEFA self-assessment

The ownership and sustainability of the Project achievements varied among participating ministries and agencies. Nonetheless, institutional implementation capacity was improved by the project execution by regular civil servants.

6. Lessons Learned

(both project-specific and of wide general application)

Bank support for public sector reforms in Kosovo has been most effective when closely coordinated with major development partners. Given the high levels of international assistance for Kosovo, such coordination is necessary to ensure that Bank-funded operations add value and avoid placing an unnecessary burden on counterpart institutions. Intensive coordination to ensure synergy with the interventions of key development partners is required.

Multi-sector projects are extremely difficult to supervise. Because of the limited IDA funds, the Project attempted to combine support for three different sectors that were considered as priorities for the country. This weakened the coherence of project design,

which comprised three rather loosely connected components related to different sectors, and created difficulties for prompt coordination, monitoring and supervision. In small countries with limited lending programs, multi-sectoral projects may be unavoidable. In such cases, more supervision budget is necessary for a complex project.

PFM Reforms should extend beyond the Ministry of Finance to sectoral ministries

The impact of operations aimed at boosting the capacity of central budgetary authorities such as the ministry of finance will have limited impact. Prior to the Project, assistance by other development partners had been focused on the Ministry of Finance and Economy. The Project provided technical assistance to the selected line ministries as well as to the MFE, aiming at building sustainable capacity across government institutions in public financial management, including procurement. While the results of the assistance to line ministries were mixed, the approach appears to have been the correct one.

An accurate assessment of institutional implementation capacity is required in a country where weak institutional capacity is identified as a constraint to implementing a project.

The PEMTAG was the first project implemented without a PIU in Kosovo. This was a deliberate decision on the part of the task team, which felt that local civil servants would gain the ability and confidence to take charge of program management. This approach, however, led to problems in project coordination and procurement, resulting in a significant delay in implementation. The Bank should work closely with a Client especially before the effectiveness of a project to establish functional implementation arrangements. The Bank team should ensure that the project objectives and implementation mechanisms (duties and responsibilities) are well understood and acceptable to all the parties (not only high level officials but also technical level staff) prior to the project launch.

Project management without dedicated project implementation staff can place a heavy burden on civil servants in implementing agencies, especially in view of their limited familiarity with Bank operational procedures.

Project implementation arrangements should be designed based on extensive consultations with implementing agencies. The hiring of consultants, especially those responsible for project financial management and procurement, can be a mitigating measure. Training in Bank operational procedures for implementing agencies with no previous experience of working with the Bank will also help mitigate fiduciary risk and project smooth implementation.

If a decision is made to forgo a free-standing PIU, some sort of separate project implementation support mechanism is essential in fragile or post conflict environments, especially for multi-sectoral projects involving multiple ministries and implementing agencies. Even though it is the Bank's overall strategy to mainstream implementation capacity, the project management work (coordination of consultants and various beneficiary ministries; reporting of project results framework) should be carried out by a consultant(s) dedicated to a project.

The Results Framework (RF) should be prepared with the Borrower's active participation to improve project design and M&E, not just as a compliance requirement of the Bank. A task team should work closely with a Borrower to develop appropriate indicators for project development objectives as well as intermediate performance indicators (KPIs) to measure the outcomes. Without appropriate KPIs, it is difficult to judge the activities funded by the inputs are achieving results.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/implementing agencies

As below:



REPUBLIKA E KOSOVËS/REPUBLIKA KOSOVA/ REPUBLIC OF KOSOVA

QEVERIA E KOSOVËS / VLADA KOSOVA /GOVERNMENT OF KOSOVA

**MINISTRIA E EKONOMISË DHE FINANCËVE
MINISTARSTVO ZA PRIVREDU I FINANSIJE
MINISTRY OF ECONOMY AND FINANCE**

ZYRA E MINISTRIT / KANCELARIJA MINISTRA / OFFICE OF THE MINISTER

DATE/A:	24.11.2009
PËR/ZA/TO:	Mr. Ranjit Nayak, World Bank's Representative in Republic of Kosovo
NGA/OD/FROM:	z. Bedri Hamza, Deputy Minister of the MEF <i>Hamza</i>
TEMA/SUBJEKAT/SUBJECT:	Draft of the Final World Bank Report on implementation of the PEMTAG project
PËR INFORMIMIN TUAJ/ZA VASU INFORMACIJU/FOR YOUR INFORMATION	X
VËMENDJA JUAJ/VASA PAZNJA/YOUR ATTENTION	X

Dear Mr. Nayak

I would like to inform you that the Ministry of Finance and Economy has received the Draft of the Final World Bank Report on implementation of the PEMTAG project – IDA Grant H1680.

The Ministry of Finance and Economy has reviewed this Draft Report and since this project was managed by this ministry, together with Ministry of Health and the Ministry of Transport and Communications, has accepted its content and expresses its gratitude for achieved results of PEMTAG.

Generally, PEMTAG project has proven to be a proper undertaking of the Government of Kosovo and the World Bank, despite some difficulties and delays that occurred during its implementation, PEMTAG has achieved meaningful results in Public Expenditure Management.

This Project has offered continuous support for the Government, particularly regarding the Reform of Management of Public Finances.

(b) Cofinanciers

(c) Other partners and stakeholders
(*e.g. NGOs/private sector/civil society*)

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Cross-cutting Public Sector Management	2,435	2,903.715	
Health	1,260	856.392	
Transport	2,165	1,632.344	
Total Baseline Cost	6,010	5,392.451	
Physical Contingencies	0.00	0.00	0.00
Price Contingencies	0.139	0.139	0.00
Total Project Costs	6,149	5,392.590	
Front-end fee PPF	0.00	0.00	.00
Front-end fee IBRD	0.00	0.00	.00
Total Financing Required	0.00	0.00	

(b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
IDA	Bank	5.50	5.39	98
KCB	Borrower	0.30	0.00	
Pristina Municipality	Borrower	0.35	0.076	22
Total		6.15	5.47	89

Annex 2. Outputs by Component

Component 1: The Public Expenditure Management

Subcomponent 1: Budget formulation (completed)

A consultancy (6 international consultants and 6 local consultants) was contracted to build capacity in budget preparation in Ministry of Health (MoH); Ministry of Transport Communications (MTC); and Ministry of Labor and Social Welfare (MLSW); and Ministry of Finance and Economy (MFE). It:

- Developed training courses on:
 - Basic Budgeting
 - Budget Control
 - Training of Trainers
 - Budget Manual Training Course;
- Provided training courses and seminars, and produced and distributed budget manual, “Guide to Kosovo’s Budget and Planning Process” to all ministries and municipalities;
- Provided training on the budget manual; and
- Provided training on Fiscal impact analysis

Subcomponent 2: Budget execution (completed)

- Consultants provided technical support to the PISG's cash management unit, drafting a set of comprehensive written procedures for bookkeeping, accounting and financial reporting to improve the quality of financial information produced by the line ministries; and
- Produced the budget manual

Subcomponent 3: Public procurement (completed)

Procurement consultants provided one-on-one mentoring to counterparts in the MoH, MTC and Ministry of Justice to assist them in preparing complex tender documents, thereby ensuring that the new procurement system based on the enacted Law on Public Procurement (LPP) was implemented as intended.

Component 2: Health Sector Reforms

Subcomponent 1- Family Medicine Model (completed)

- 16 treatment guidelines (protocols) for the most common diseases were developed.
- Family medicine centre doctors from pilot municipalities received training on the use of these protocols in day-to-day work.
- As part of increasing awareness and understanding of the family medicine model, several focus group discussions and community interactions were organized in the four pilot sites. In addition, information material was made available via local radios and TV stations broadcasts.

Subcomponent 2- Performance-based Payment (completed)

- The Grants Commission and Assembly approved the budget law which stipulates that a certain percentage of the Primary Health Care Grant, going to each recognized municipality, will include a percentage (%) earmarked for performance payments. In 2009, this was 5% of the PHC Grant.
- MoH finalized the Performance Framework, including performance indicators and targets, and pilot-tested those in four municipalities.
- MoH completed the Governance Framework that clearly sets out the roles and responsibilities of MoH, MFE and Municipalities in implementing performance-based capitation payments. These were specified in a three-way Memorandum of Understanding, Operating Agreements, Performance Declaration Templates etc.).

Subcomponent 3- Skill Development (cancelled and funds reallocated to the PEF component)

Transport Sector Component

Subcomponent 1 - The Financial Sustainability Study (completed)

The study identified the financial needs of the sector and made the following recommendations: (i) to increase recurrent expenditures on routine and scheduled periodic maintenance towards the estimated annual requirement of Euro 22 million per year; (ii) to increase capital expenditures on rehabilitation and reconstruction to clear the maintenance backlog; (iii) to restructure and gradually increase the vehicle taxes and road user charges by 15 percent, and introduce a transit fee; (iv) to reorganize the vehicle registration procedure and database; (v) to consider the introduction multi-year performance based contracting to improve the efficiency of spending; and (vi) to strengthen the functions and capacity of the Road Directorate.

Subcomponent 2 - Technical Assistance to strengthen the Road Database
(completed)

- The improved Road Database and Highway Development and Management Software were established and remain fully operational. Eight staff from the Directorate of Roads and the MTC has been trained in data entry, the use of the use of the database, and the HDM-4 software to perform network analysis.

Twenty permanent and twenty mobile traffic counters installed. The data from the first twelve months was collected, and entered into the Road Database, and the process for collection and updating in future years established.

Subcomponent 3 - Technical Assistance to improve Road Safety (completed)

- The visual survey of the road network was undertaken and noted the poor road safety situation on the network, reflecting limitations in the design standards and the poor quality of supervision of works.
- A number of Working Groups within the MTC, but with representation from a broad base of stakeholder groups, was established and remain operational, including blackspot identification and alleviation, and road safety audits. In addition, fourteen blackspots were identified, and corrected with budget support. In addition, manuals and training were provided in a number of key road safety areas, and considerable support provided to the establishment of the Road Safety Council, and the development and implementation of road safety campaigns.
- The establishment of Road Accident and Analysis Software was achieved at the headquarters of the Traffic Police. Initial training at installation was provided by the provider of the software. In addition, new forms for the collection and recording of accident data were introduced for use by the Traffic Police.

Component 4 - The Urban Traffic Management Study for Pristina Municipality
(completed)

- A report on Parking Policy and proposed Action Plan, which recommends: (i) to increase number of regulated on-street spaces to 1,500-2,000; (ii) to select a single parking operator in a concession type arrangement; (iii) to redesign traffic arrangements to introduce more one-way streets; (iv) to increase hourly fee by zone to increase turnover and parking; (v) to introduce at-grade off-street parking lots, and (vi) if demand continues, construct multi-level parking.
- A report on Functional Review of the Traffic Unit at Pristina Municipality, which recommended increasing the staffing of the Traffic Unit to 9 people (from 3 currently), and strengthening their capacity with additional training. A

Transcad model was established to allow the modeling of traffic, and to test different interventions, on the road network in Pristina.

- A Preliminary Transport Strategy for Pristina City, which proposes an indicative 5 year investment program amounting to some Euro 15 million encompassing: (i) Simple traffic management measures (signing and marking); (ii) the replacement of all traffic lights; (iii) the improvement of some dangerous and problematic intersections (without traffic lights); (iv) improvements in road safety by introducing traffic and speed calming; and (v) improved infrastructure for public transport, including bus shelters, bus bays, bus lanes and priority at intersection.

Annex 3. Economic and Financial Analysis
(including assumptions in the analysis)

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/Specialty
LENDING			
Ahmeti, Shpend			
Christensen, Olav Rex	Senior Public Finance Specialist	HDNED	Public Finance
Clarke, Roland N.	Sr Country Economist	ECSP2	
Dillinger, William R.	Lead Public Sector Management Specialist	ECSP4	Public Sector/ Task Team Leader
Gorcaj, Mirlinda	Team Assistant	ECCKO	Program Support
Hanan, Betty	Consultant	EASHD	Health
Humphreys, Richard Martin	Senior Transport Economist	ECSS5	Transport
Jaganjac, Nedim	Sr Health Spec.	ECSH1	Health
Kervyn De Lettenhove, Pascale N.	Sr Financial Management Specialist	ECSC3	Financial Management
Krasniqi, Zana Hoxha			
Le Ber, Olivier P.	Lead Transport Specialist	MNSTR	Transport
Mishra, Devesh Chandra	Manager	ECSC2	Procurement
Moss, John Oliver	Manager	EAPPR	Procurement
Osmani, Mentor			
Podolske, Richard C.	Consultant	ECCU1	
Qoli, Bardhyl			
Salli, Muhamet			
Stenbaek Madsen, Johannes			
Unidentified			
Walker, Mark	Chief Counsel	LEGAF	Legal
Wang, Elizabeth C.	Senior Financial Officer	ECSS5	Financial
SUPERVISION			
Ahmeti, Adnan			
Ahmeti, Shpend			
Berroa, Diomedes	Senior Operations Officer	LCSPT	Procurement
Bliss, Anthony G.	Lead Road Safety Specialist	ETWTR	Transport
Chesheva, Elena Y.	Operations Officer	ECSS5	
Cho, Junghun	Sr Public Sector Spec	SASGP	Public Sector
Christensen, Olav Rex	Senior Public Finance Specialist	HDNED	Public Finance
Constantinescu, Bogdan Constantin	Sr Financial Management Specialist	ECSC3	Financial Management
Crnomarkovic, Aleksandar	Financial Management	ECSC3	Financial Management

	Specialist		
Davies-Cole, Nancy Sabina	Program Assistant	ECSP1	Program Support
Dillinger, William R.	Lead Public Sector Management Specialist	ECSP4	Public Sector/ Task Team Leader
EL Nakat, Ziad Salim	Transport Specialist	MNSTR	Transport
Emini, Leonora	Program Assistant	FPDFP	Program Support
Fernandes, Angelica A.	Procurement Analyst	ECSC2	Procurement
Gjika, Elona			
Gorcaj, Mirlinda	Team Assistant	ECCKO	Program Support
Guxho, Artan	Projects Officer	ECSS5	
Hawke, Lewis Raymond	Sr Financial Management Specialist	ECSC3	Financial Management
Humphreys, Richard Martin	Senior Transport Economist	ECSS5	Transport
Kagawa, Yoko	Operations Officer	ECSP4	
Kelmendi, Flora	Operations Officer	ECSH2	
Kirov, Plamen Stoyanov	Senior Procurement Specialist	ECSC2	Procurement
Kosumi, Lindita	Accounting Assistant	ECCAL	Accounting
La Ferrara, Gianni			
Lalik, Zeynep	Financial Management Specialist	ECSC3	Financial Management
Lane, Tracey M.	Senior Economist	AFTP2	
Manka, Belita	Procurement Analyst	ECSC2	Procurement
Mishra, Devesh Chandra	Manager	ECSC2	Procurement
Moss, John Oliver	Manager	EAPPR	Procurement
Mueller, Imelda	Operations Analyst	ECSH2	
Muhoho, Ida N.	Sr Financial Management Specialist	ECSC3	Financial Management
Muzira, Stephen	Young Professional	ECSSD	
Oliveros-Miranda, Benedicta T.	Procurement Analyst	ECSC2	Procurement
Pirraku, Habib			
Podolske, Richard C.	Consultant	ECCU1	
Pustina, Aferdita			
Rontoyanni, Clelia Kalliopi Helena	Public Sector Specialist	ECSP4	Public Sector
Schneider, Pia Helene	Sr Economist	ECSH1	Health
Selmanmusaj, Ilir			
Sorgho, Gaston	Sr Public Health Spec.	WBIHS	Health
Stenbaek Madsen, Johannes			
Teju, Dolly Elizabeth	Program Assistant	ECSPE	Program Support
Unidentified			
Xerxa, Shefqet			

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only	
	No. of Staff Weeks	USD Thousand (including travel and consultant costs)
Lending		
FY05	39.25	229.28
Supervision		
FY05	0.00	00.02
FY06	24.81	79.63
FY07	32.66	99.81
FY08	30.21	95.70
FY09	31.89	136.70

Annex 5. Beneficiary Survey Results
(if any)

Annex 6. Stakeholder Workshop Report and Results
(if any)

Annex 7. Summary of Borrower's ICR and/or Comments on Draft ICR

Background

The Grant Agreement for the Public Expenditure Management Technical Assistance Project (PEMTAG) – IDA Grant H1680 in the amount of 5,500,000.00 was signed between International Bank for Reconstruction and Development (IBRD) and the United Nations Interim Administration Mission in Kosovo (UNMIK), represented by the Ministry of Economy and Finance (MFE) of Kosovo, on 14 June 2005. The MFE was the main implementing body with the Ministry of Health (MoH) and the Ministry of Transport and Communications (MoTC) being the executing agencies for components two and three respectively.

The project's development objective was to improve the Provisional Institutions of Self Government (PISG)'s ability to use the public resources more effectively, efficiently and transparently through three major components of i) Public Expenditure Management, ii) Health Sector Reforms and iii) Transport Sector Reforms.

The first component addressed cross-cutting problems in public expenditure management: budget formulation, budget execution, and procurement, focusing particularly on high-spending ministries. The remaining components supported policy and procedural reforms in health and transport sectors.

While the implementation of some components was quite smooth overall, there were some delays mainly due to the staff turnover. Some other delays were caused by the project implementation arrangements: the project lacked the dissemination mechanism to provide information about the project; therefore, the vital information such as the objectives and implementing procedures were not clear to all players who were engaged in the project.

Nonetheless, PEMTAG provided substantial support to the Government through technical assistance ranging from capacity building for numerous Government staff to provision of tangible benefits such as automatic traffic counters to collect the data for the Road Database and traffic signals installed in the municipality of Pristina. A summary of the PEMTAG components and their results are followed below:

Component 1: Public Finance Management

Under the subcomponent of budget formulation, two main tasks were completed: consultancy and training programs to build capacity in budget preparation were provided to the Ministry of Health, Ministry of Transport and Communications and Ministry of Labour and Social Welfare. The second task for the component was aimed at building capacity among the budget analysts in the Ministry of Finance, including the counterparts of other major line ministries. Both tasks were carried out by long-term international and local consultants with specific knowledge in these areas.

The budget execution subcomponent financed technical support to PISG's fledgling cash management unit. Assistance was provided to improve the quality of financial information produced by the line ministries, with emphasis on capacity for drafting a set of comprehensive written procedures for bookkeeping, accounting and financial reporting. The Treasury manual was developed and distributed to all ministries and municipalities.

In co-operation with European Agency for Reconstruction (EAR), the project financed a series of training courses by experienced procurement specialists to implement the amended Law on Public Procurement. One-on-one mentoring on procurement was provided to the Public Procurement Agency as well as to the ministries of Health, Transport and Communications and Justice.

Component 2: Health

With the objective of supporting health sector reforms, the project aimed at introducing family medicine model and performance-based-payment in the primary health care (PHC).

For Family Medicine Model component, working with the consultancy provided by the project the Ministry of Health developed 16 clinical protocols, 12 of which were piloted and tested during the project implementation. By the end of the project these protocols were adopted for nation-wide implementation. Training on the use of the protocols was provided to the medical staff in the selected four regions. In addition, public information campaigns to increase the awareness of family medicine services were delivered.

For development of a performance-based-payment mechanism, the Grants Commission and Assembly approved the budget law which stipulates a capitation-based model for PHC with a five percent performance component. The Ministry of Health also completed the Governance Framework which details the inter-ministerial roles and responsibilities to support the new payment mechanism.

Component 3: Transport

The component aimed at supporting the PISG to rehabilitate the damaged parts of the road network and reduce the road maintenance backlog, by contributing to improving both the management and use of public expenditure in the transport sector.

Under the subcomponent of Expenditure Allocation the project facilitated the prioritization of recurrent and capital expenditures within the road sector and the provision of technical assistance to review and strengthen the Road Information Database (RID), including the incorporation of new traffic data and road condition data.

The Financial Sustainability Report financed by the project provided a number of recommendations to change the scale and structure of road user charges.

Technical assistance to strengthen the road database was provided, supporting the procurement and establishment of road accident and analysis software at the headquarters of the Traffic Police. Manuals and training in a number of key road safety areas, and support to the establishment of the Road Safety Council were provided. In addition, road safety campaigns were carried out.

Technical assistance to improve traffic management capacities of Pristina municipality was also financed by the project.

Lessons Learned

World Bank assistance with continuous follow-up and supervision was indispensable for the productive collaboration between the World Bank and the Government of Kosovo. Note should be made that the support made by the project manager of the World Bank was very attentive and helpful with timely instructions provided through the project implementation. In addition to regular visits to the implementing parties as well as to other Government counterparts, supportive and instructive communication was provided by e-mails and other means of communication. It is considered that commitment from the World Bank through the dedicated team was critically important for the achievement of the project objectives. It should be emphasized that the same commitment of the World Bank needs to be warranted for the success of the future projects in Kosovo. More specific recommendations are:

Ensuring strong (active) political support from the relevant areas or ministries proved to be necessary for the attainment of the objectives.

Project objectives and implementation mechanisms should be clear and acceptable (duties and responsibilities) to the project implementers. This is critical for the Government to accept the ownership of the project and for its involvement and commitment to the implementation of the project.

In the same thematic area, World Bank projects should be coordinated and work in synergy with the assistance provided by other development partners through regular (on a monthly basis) coordination meetings chaired or co-chaired by the representatives of one or two ongoing projects.

It has proved to be important for the project to be implemented by a team of public officials with experiences in similar projects. They should be involved in the project from the outset, i.e. no later than the project design phase.

Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders

Annex 9. List of Supporting Documents

Project Documents:

PCN Review Meeting Minutes; Decision Meeting Minutes; Project Appraisal Documents.

Mission Documents:

Aide Memoire (February 8-10, 2006; May 14-19, 2006; September 12-21, 2006; November 26-December 15, 2006; November 27-30, 2006[Health]; January 17-20, 2007[Transport]; May13 -17, 2007; February 10-March 3, 2008; March 24-28, 2008 [Transport]; May 27-June 28, 2008; February 2-12, 2009; February 9-12, 2009 [Transport])

ISR (May 17, 2006; March 13, 2007; September 4, 2007; March 18, 2008; September 16, 2008; and March 10, 2009)

Other Documents:


Kosovo Public Expenditure Review 2006

Public Expenditure and Financial Accountability (PEFA) Public Financial Management Assessment (March 2007) and (June 2009)


Kosovo Medium Term Expenditure Framework 2009-2011

Kosovo Public Sector Modernization Project Appraisal Document

MAP

 KOS37048

KOSOVO

- | | | | |
|---|--------------------------|-------|---------------------------|
| ○ | OPŠTINA/KOMUNA CAPITALS* | — | MAIN ROADS |
| ⊙ | OKRUG/RRETH CAPITALS** | — | RAILROADS |
| ★ | NATIONAL CAPITAL | — | OPŠTINA/KOMUNA BOUNDARIES |
|  | RIVERS | — | OKRUG/RRETH BOUNDARIES |
| | | - - - | INTERNATIONAL BOUNDARIES |

* The first name is in Serbian and the second one is in Albanian.

** Names of the Okrug/Rreth are the same than their capitals.

