



1. Project Data:		Date Posted : 08/13/2002	
PROJ ID: P071264		Appraisal	Actual
Project Name: Economic Assistance Iii (psd)	Project Costs (US\$M)	5	5
Country: Kosovo	Loan/Credit (US\$M)	5	5
Sector(s): Board: PS - Law and justice (100%)	Cofinancing (US\$M)		
L/C Number:	Board Approval (FY)		2
Partners involved :	Closing Date	12/31/2001	12/31/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
Elliott Hurwitz	John H. Johnson	Rene I. Vandendries	OEDCR
2. Project Objectives and Components			
a. Objectives			
<p>The objective of the project was to encourage private sector development by supporting the development and enactment of 4 key commercial regulations: (1) Regulation on Business Organizations; (2) Regulation on Contract for Sale of Goods; (3) Regulation on Pledges (collateral); (4) Regulation on Foreign Investment. It was determined that enactment of these four regulations would remedy the most significant obstacles to development of a commercial law framework appropriate for private sector growth. (Legislation would still need to be developed on, inter alia, bankruptcy, protection of competition, mortgage, and cadastral registration)</p> <p>An associated Bank TA operation (Private Sector Development TA Grant) was intended to build capacity for the implementation of these 4 regulations.</p>			
b. Components			
The project consisted of 1 component, enactment of the 4 regulations noted above.			
c. Comments on Project Cost, Financing and Dates			
The Borrower was the United Nations Interim Administration Mission in Kosovo (UNMIK). The project comprised a grant of US\$5 million, which was disbursed upon effectiveness and after completion of specified actions. The project was approved in March, 2001, became effective in July, 2001, and closed as scheduled in December, 2001.			
3. Achievement of Relevant Objectives:			
Prior to Board consideration, the Regulation on Business Organizations, Regulation on Contract for Sale of Goods, Regulation on Pledges, and Regulation on Foreign Investment were indeed <u>enacted as envisioned</u> . The four regulations noted above comprised a start on the development of a commercial law framework, with a great deal more to be done—in terms of enactment of additional regulations—to achieve a comprehensive framework. In the course of developing the regulations, there was substantial consultation with the local legal and academic community, which helped build consensus and local capacity.			
4. Significant Outcomes/Impacts:			
<ul style="list-style-type: none"> • The Regulation on Contract for Sale of Goods repealed earlier legislation and enacted provisions based on the 1980 UN Convention • The Regulation on Business Organizations provided the basis for a provisional Business Registry consistent with EU requirements. As of May, 2002, more than 46,000 firms have been registered (many of which were registered prior to the enactment of this Regulation) • The Regulation on Pledges gave Kosovo a modern law regarding secured transactions, and provides greater security to prospective lenders. Local banks have adopted this framework as a basis for the provision of term financing • The Regulation on Foreign Investment provides that foreign investments be governed by the principle of national treatment, i.e., no less favorably than those of domestic enterprises • There is anecdotal evidence that the private sector is playing an important role in Kosovo's economic development, with the private contribution to GDP reported as above 65%. 			
5. Significant Shortcomings (including non-compliance with safeguard policies):			
<ul style="list-style-type: none"> • Some complementary TA activities under the Bank Private Sector Development TA Grant—e.g., judicial training—have 			

been delayed, which will hamper implementation of the regulations enacted under this project

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

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

7. Lessons of Broad Applicability:

- Enactment of these 4 regulations—just the first part of an adequate commercial law framework—was technically complex and required considerable coordination between the Bank, UN authorities, and local leaders
- Project focus on a clear set of limited objectives facilitated the achievement of objectives. Notably, enterprise privatization—a politically-charged subject in Kosovo—is being addressed separately
- Close coordination within the donor community (EAR, USAID, DFID) as well as with UNMIK was critical to project success

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR is of satisfactory quality, and provides ample detail on the context and importance of the project achievements. It would have been desirable to include more information on the impact of the 4 regulations—even if anecdotal—to the extent that it is available. In addition, the ICR should have addressed costs and financing (sec. 5.4), transition arrangements to regular operations (sec. 6.2), and performance of the implementing agency (sec. 7.6), all of which were designated as “not applicable.”