

**Document of  
The World Bank**

**Report No.: 28288**

**PROJECT PERFORMANCE ASSESSMENT REPORT**

**BOSNIA AND HERZEGOVINA**

**EMERGENCY RECOVERY PROJECT  
(BA-SF-44389)**

**EMERGENCY LANDMINES CLEARANCE PROJECT  
(CREDIT 2905-BA)**

**EMERGENCY DEMOBILIZATION AND REINTEGRATION PROJECT  
(CREDIT 2906-BA)**

**LOCAL INITIATIVES PROJECT  
(CREDIT N002-BA)**

**REPUBLIKA SRPSKA RECONSTRUCTION ASSISTANCE PROJECT  
(CREDIT 3028-BA)**

**March 19, 2004**

*Sector and Thematic Evaluation Group  
Operations Evaluation Department*

## Currency Equivalents (annual averages)

Currency Units = Deutsche Mark (DM) until 1997; Convertible Mark (KM) from 1998

1996	US\$1.00	DM 1.51	2000	US\$1.00	KM 2.12
1997	US\$1.00	DM 1.73	2001	US\$1.00	KM 2.19
1998	US\$1.00	KM 1.76	2002	US\$1.00	KM 2.23
1999	US\$1.00	KM 1.84	2003 (July)	US\$1.00	KM 1.68

## Abbreviations and Acronyms

BH-MAC	BiH (State) Mine Action Center	IDA	International Development Association
BiH	Bosnia and Herzegovina	IMF	International Monetary Fund
CAS	Country Assistance Strategy	KfW	Kreditanstalt für Wiederaufbau
CPR	(World Bank) Conflict Prevention and Reconstruction Unit	LIP	Local Initiatives Project (CrN002)
DfID	(UK) Department for International Development	LMI	labor market information
EBRD	European Bank for Reconstruction and Development	MCO	micro-credit organization
EC	European Community	MOP	Memorandum of the President
ED	Executive Director (of the World Bank)	MPRA	Mine Protection and Removal Agency
ERL	Emergency Recovery Loan	OED	Operations Evaluation Department
ERP	Emergency Recovery Project (BA-SF-44389)	OHR	Office of the High Representative
ERR	economic rate of return	OP	(Bank) Operational Policy
ETF	Employment and Training Foundation	PIC	Peace Implementation Council
EU	European Union	PIU	Project Implementation Unit
Fed-BiH	Federation of BiH (BiH Entity)	PMAU	Procurement Management and Auditing Unit
FIB	Federation Investment Bank	PPAR	Project Performance Assessment Report
FMSA	Federation Ministry of Social Affairs, Displaced Persons and Refugees	RS	Republika Srpska (BiH Entity)
FSFRY	Former Socialist Federal Republic of Yugoslavia	SIC/L	Standard Investment Credit/Loan
GDP	gross domestic product	S-ITF	(Slovenian) International Trust Fund for Demining
GICHD	Geneva International Centre for Humanitarian Demining	SFOR	Stabilization Force (for BiH)
HDP	Humanitarian Demining Program (of US Department of State)	SME	small and medium enterprises
IBRD	International Bank for Reconstruction and Development	TFBH	Trust Fund for BiH
ICR	Implementation Completion Report	UNDP	United Nations Development Programme
ICRC	International Committee of the Red Cross	UNMAS	United Nations Mine Action Service
		UNHCR	United Nations High Commission for Refugees
		USAID	United States Agency for International Development
		UXO	unexploded ordnance

## Fiscal Year

Government: January 1 — December 31

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**OED Mission: Enhancing development effectiveness through excellence and independence in evaluation.**

### **About this Report**

The Operations Evaluation Department assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, OED annually assesses about 25 percent of the Bank's lending operations. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons. The projects, topics, and analytical approaches selected for assessment support larger evaluation studies.

A Project Performance Assessment Report (PPAR) is based on a review of the Implementation Completion Report (a self-evaluation by the responsible Bank department) and fieldwork conducted by OED. To prepare PPARs, OED staff examine project files and other documents, interview operational staff, and in most cases visit the borrowing country for onsite discussions with project staff and beneficiaries. The PPAR thereby seeks to validate and augment the information provided in the ICR, as well as examine issues of special interest to broader OED studies.

Each PPAR is subject to a peer review process and OED management approval. Once cleared internally, the PPAR is reviewed by the responsible Bank department and amended as necessary. The completed PPAR is then sent to the borrower for review; the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

### **About the OED Rating System**

The time-tested evaluation methods used by OED are suited to the broad range of the World Bank's work. The methods offer both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. OED evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (more information is available on the OED website: <http://worldbank.org/oed/eta-mainpage.html>).

**Relevance of Objectives:** The extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). *Possible ratings:* High, Substantial, Modest, Negligible.

**Efficacy:** The extent to which the project's objectives were achieved, or expected to be achieved, taking into account their relative importance. *Possible ratings:* High, Substantial, Modest, Negligible.

**Efficiency:** The extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. *Possible ratings:* High, Substantial, Modest, Negligible. This rating is not generally applied to adjustment operations.

**Sustainability:** The resilience to risk of net benefits flows over time. *Possible ratings:* Highly Likely, Likely, Unlikely, Highly Unlikely, Not Evaluable.

**Institutional Development Impact:** The extent to which a project improves the ability of a country or region to make more efficient, equitable and sustainable use of its human, financial, and natural resources through: (a) better definition, stability, transparency, enforceability, and predictability of institutional arrangements and/or (b) better alignment of the mission and capacity of an organization with its mandate, which derives from these institutional arrangements. Institutional Development Impact includes both intended and unintended effects of a project. *Possible ratings:* High, Substantial, Modest, Negligible.

**Outcome:** The extent to which the project's major relevant objectives were achieved, or are expected to be achieved, efficiently. *Possible ratings:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Bank Performance:** The extent to which services provided by the Bank ensured quality at entry and supported implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of the project). *Possible ratings:* Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.

**Borrower Performance:** The extent to which the borrower assumed ownership and responsibility to ensure quality of preparation and implementation, and complied with covenants and agreements, towards the achievement of development objectives and sustainability. *Possible ratings:* Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.



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## Principal Ratings

### *Emergency Recovery Project (BA-SF-44389)*

	<i>ICR*</i>	<i>ICR Review*</i>	<i>PPAR</i>
Outcome	Satisfactory	Satisfactory	<i>Satisfactory</i>
Sustainability	Likely	Likely	<i>Likely</i>
Institutional Development Impact	Substantial	Substantial	<i>Modest</i>
Bank Performance	Highly Satisfactory	Highly Satisfactory	<i>Satisfactory</i>
Borrower Performance	Satisfactory	Satisfactory	<i>Satisfactory</i>

### *Emergency Landmines Clearance Project (Cr.2905-BA)*

	<i>ICR*</i>	<i>ICR Review*</i>	<i>PPAR</i>
Outcome	Satisfactory	Satisfactory	<i>Highly Unsatisfactory</i>
Sustainability	Uncertain	Uncertain	<i>Highly Unlikely</i>
Institutional Development Impact	Partial	Modest	<i>Negligible</i>
Bank Performance	Satisfactory	Satisfactory	<i>Highly Unsatisfactory</i>
Borrower Performance	Satisfactory	Satisfactory	<i>Highly Unsatisfactory</i>

### *Emergency Demobilization and Reintegration Project (Cr.2906-BA)*

	<i>ICR*</i>	<i>ICR Review*</i>	<i>PPAR</i>
Outcome	Satisfactory	Satisfactory	<i>Moderately Satisfactory</i>
Sustainability	Likely	Likely	<i>Likely</i>
Institutional Development Impact	Modest	Modest	<i>Modest</i>
Bank Performance	Satisfactory	Satisfactory	<i>Satisfactory</i>
Borrower Performance	Satisfactory	Satisfactory	<i>Satisfactory</i>

### *Local Initiatives Project (Cr.N002)*

	<i>ICR*</i>	<i>ICR Review*</i>	<i>PPAR</i>
Outcome	Highly Satisfactory	Highly Satisfactory	<i>Highly Satisfactory</i>
Sustainability	Highly Likely	Likely	<i>Likely</i>
Institutional Development Impact	High	High	<i>High</i>
Bank Performance	Highly Satisfactory	Highly Satisfactory	<i>Highly Satisfactory</i>
Borrower Performance	Satisfactory	Satisfactory	<i>Highly Satisfactory</i>

### *Republika Srpska Reconstruction Assistance Project (Cr.3028-BA)*

	<i>ICR*</i>	<i>ICR Review*</i>	<i>PPAR</i>
Outcome	Satisfactory	Moderately Satisfactory	<i>Satisfactory</i>
Sustainability	Likely	Non-Evaluable	<i>Likely</i>
Institutional Development Impact	Modest	Modest	<i>Modest</i>
Bank Performance	Satisfactory	Satisfactory	<i>Satisfactory</i>
Borrower Performance	Satisfactory	Satisfactory	<i>Satisfactory</i>

\* The Implementation Completion Report (ICR) is a self-evaluation by the responsible operational division of the Bank. The ICR Review is an intermediate Operations Evaluation Department/OED product that seeks to independently verify the findings of the ICR.

## Key Staff Responsible

### *Emergency Recovery Project (BA-SF-44389)*

<b>Project</b>	<b>Task Manager/Leader</b>	<b>Division Chief/ Sector Director</b>	<b>Country Director</b>
Appraisal	W. Ding	Michel Noel	Michel Noel (Acting)
Completion	Pedro Rodriguez	Kyle Peters	Christiaan J. Poortman

### *Emergency Landmines Clearance Project (Cr.2905-BA)*

<b>Project</b>	<b>Task Manager/Leader</b>	<b>Division Chief/ Sector Director</b>	<b>Country Director</b>
Appraisal	Ann Elwan	Hans Apitz	Christine Wallich
Completion	Jacques Buré	Eva Molnar	Christiaan J. Poortman

### *Emergency Demobilization and Reintegration Project (Cr.2906-BA)*

<b>Project</b>	<b>Task Manager/Leader</b>	<b>Division Chief/ Sector Director</b>	<b>Country Director</b>
Appraisal	David H. Fretwell	Ralph W. Harbison	Christine Wallich
Completion	Iloná E. Szesmo	James A. Socknat	Christiaan J. Poortman

### *Local Initiatives Project (Cr.N002)*

<b>Project</b>	<b>Task Manager/Leader</b>	<b>Division Chief/ Sector Director</b>	<b>Country Director</b>
Appraisal	Sarah J. Forster	Michele de Nevers	Christine Wallich
Completion	Sarah J. Forster	Michal Rutkowski	Christiaan J. Poortman

### *Republika Srpska Reconstruction Assistance Project (Cr.3028-BA)*

<b>Project</b>	<b>Task Manager/Leader</b>	<b>Division Chief/ Sector Director</b>	<b>Country Director</b>
Appraisal	Michael Koch	Michele de Nevers	Christine Wallich
Completion	Sarah J. Forster	Margret Thalwitz	Christiaan J. Poortman

## Preface

This is the Project Performance Assessment Report (PPAR) for five post-conflict projects in Bosnia and Herzegovina (BiH):

- **Emergency Recovery Project (BA-SF-44389)**, for which the World Bank contribution of US\$30 million equivalent from the Trust Fund for BiH and US\$15 million equivalent in grant funds, was approved on February 29, 1996. The credit and grant were fully disbursed and closed on June 30, 1998, six months later than planned.
- **Emergency Landmines Clearance Project (Cr.2905)**, for which the World Bank contribution of US\$7.5 million equivalent was approved on July 30, 1996. The credit was fully disbursed and closed on December 31, 1998, as planned.
- **Emergency Demobilization and Reintegration Project (Cr.2906)**, for which the World Bank contribution of US\$7.5 million equivalent was approved on July 30, 1996. The credit was fully disbursed and closed on September 30, 1999, eight months later than planned.
- **Local Initiatives Project (Cr.N002)**, for which the World Bank contribution of US\$7 million equivalent was approved on December 13, 1996. The credit was fully disbursed and closed on June 30, 2000, twelve months later than planned.
- **Republika Srpska Reconstruction Assistance Project (Cr.3028)**, for which the World Bank contribution of US\$17 million equivalent was approved on December 23, 1997. The credit was fully disbursed and closed on March 31, 2001, three months later than planned.

This report is based on the Implementation Completion Reports for the projects, legal documents and project files, and discussions with Bank staff involved in the projects. OED fielded a mission to BiH in June-July 2003 to review project results. The mission met with State, Entity, and Local officials of government departments and agencies responsible for the projects, visited project sites in both the Federation of Bosnia and Herzegovina and Republika Srpska, and met with beneficiaries of the projects as well as other donors and nongovernmental organizations active in BiH. The mission appreciates the courtesies and attention given by these interlocutors and the support provided by the Bank's country office in Sarajevo and the satellite office in Banja Luka.

Following standard OED procedures, copies of the PPAR was sent to relevant government officials and agencies for their review and comments received are included as annex B to this report.



## Summary

The attached PPAR assesses the performance of five projects completed in Bosnia and Herzegovina (BiH) as the country was emerging from the devastating 1992-95 war. The Bank responded very quickly to demands to assist BiH after the Dayton-Paris peace accords of December 1995, approving the first operation, the Emergency Recovery Project (ERP), just three months later. This and later projects were channeled through one or both of the two Entity governments into which BiH was partitioned. The projects bypassed postwar BiH administrative complexities and weaknesses by working through autonomous project implementation units (PIUs). A total of US\$82.9 million was disbursed against the five projects.

Project objectives were most relevant when they responded to key BiH demands and drew upon the Bank's core competencies, particularly rehabilitating infrastructure and restarting business credit. Relevance was lost when the Bank strayed beyond its core competence. Still, 15 of the 19 objectives pursued by these projects were substantially relevant to BiH's post-conflict recovery needs.

Control of project disbursements during implementation became a major issue in BiH. There were allegations in the international press of widespread corruption in the BiH aid program as these projects were under implementation. As previously reported, the Landmine Clearance Project did encounter fraud and conflicts of interest that led to several arrests of demining contractors and the dismissal of the BiH Demining Commissioners.

The *Emergency Recovery Project*, operating for the most part in a classic mold of Bank emergency reconstruction, succeeded in restoring key infrastructure through the "critical imports" component (for economic recovery) and through restarting business credit. The component of emergency cash payouts to needy war victims was the least relevant to the project's overall recovery objective and to IDA's purpose of promoting economic development. There were mixed results as far as restoring government capacity was concerned. OED rates the project's *overall outcome* as **satisfactory**, its sustainability as **likely** and institutional development impact as **modest**. OED rates Bank performance as **satisfactory** and borrower performance, too, as **satisfactory**.

The *Emergency Landmines Clearance Project* not only failed to achieve its most relevant objective, but even helped make BiH's vulnerability to landmines worse, by contributing to a system that inflates the landmine problem through reporting minefields that no longer exist and failing to report progress made. Instead of the project contributing to the substantial cofinancing expected, most donor funding for demining bypassed it altogether. Fraud and other corrupt practices during implementation led to several arrests and dismissals. Bank inexperience in this field contributed to the failures experienced. OED rates the project's *overall outcome* as **highly unsatisfactory**, *sustainability* as **highly unlikely**, given the lack of technical and financial resilience of the project's approach, and *institutional development impact* as **negligible**, for failing to find ways of effectively using resources to protect vulnerable groups and help recovery. *Bank performance* is rated **highly unsatisfactory**; a flawed basic design concept was followed by supervision that lost

sight of the project's objectives. *Borrower performance* is also rated **highly unsatisfactory**, especially due to the many problems that arose during implementation.

The *Emergency Demobilization and Reintegration Project* did help the reintegration of demobilized soldiers and others through training and counseling. The project's relevance was undermined by its pursuit of economic and political stability objectives beyond its scope and others that were not applicable to BiH's post-conflict emergency. For these reasons, OED rates *overall outcome* as **moderately satisfactory**. *Sustainability* is rated as **likely**, *institutional development impact* as **modest**. *Bank performance* and *borrower performance* are both rated **satisfactory**.

The *Local Initiatives Project* was the best performing of the five, successfully assisting economically disadvantaged and underserved groups throughout BiH to resume economic activities, while helping to establish a sustainable institutional framework for micro-credit. Hence, OED rates *overall outcome* as **highly satisfactory**, *sustainability* as **likely** and *institutional development* as **high**. At the same time *Bank performance* and *borrower performance* are both rated **highly satisfactory**.

The *Republika Srpska Reconstruction Assistance Project* achieved its best results in restoring electricity and water services in the Entity, while also helping war-affected farmers resume their activities and fixing some war-damaged housing. OED rates *overall outcome* as **satisfactory**, *sustainability* as **likely** and *institutional development impact* as **modest**. OED rates both *Bank performance* and *borrower performance* as **satisfactory**.

Experience with these projects confirms the following OED lessons:

- Even in very complex post-conflict situations, traditional Bank assistance in rehabilitating infrastructure and restarting business credit can yield very worthwhile results for the recovery of the war-affected borrower.
- The Bank should avoid involvement in activities beyond its core competence. Inexperience and lack of familiarity — with landmines clearance, for example — are ingredients for failure.
- Designs of projects that rely on PIUs for implementation can make for speedy disbursements, but should always include exit strategies to help governments move toward normal operations.

Gregory K. Ingram  
Director-General  
Operations Evaluation



# 1. Helping Bosnia and Herzegovina's Recovery

## An Extraordinary Challenge and an Expeditious World Bank Response

1.1 Even with long experience in post-conflict reconstruction worldwide<sup>1</sup> through assisting the restoration of key infrastructure and productive capacity, World Bank support to Bosnia and Herzegovina (BiH) at the end of the war in 1995 was unusually challenging. It followed a conflict whose scale, fury, duration and involvement of nearly everybody were unlike anything since World War II, at least in Europe. The conflict was extraordinarily complex, involving three national combatant groups, neighboring countries, greater and lesser powers in the region and beyond, and the United Nations. All this was in the context of the disintegration of the Former Socialist Federal Republic of Yugoslavia (FSFRY). In its first four years as a (nominally) independent nation during 1992-95, BiH had been at war 95 percent of the time. There were even doubts among warring parties during 1996-97 that the conflict had really ended.

1.2 Despite the enormous uncertainties, the Bank got to work quickly and boldly in assisting BiH. Its observer status at the peace negotiations meant that an understanding of BiH's reconstruction needs developed before the signing of the Dayton-Paris peace settlement in December 1995. The Bank also took a lead role in the first BiH donor conference convened in Brussels in the same month. The Bank responded to key BiH demands for recovery and focused assistance primarily on areas within its core competence — above all the postwar repair and reconstruction of infrastructure. As soon as security conditions allowed, Bank missions entered BiH territory from early 1996 when the Bank's resident mission was established in Sarajevo. The first operation, the Emergency Recovery Project (ERP) — reviewed in this report — was approved in February 1996, three months after the peace agreement was signed, with the first disbursement two months later. Bank President James Wolfensohn himself visited BiH in April 1996 — a clear demonstration of the Bank's commitment to BiH's recovery.

1.3 The Bank told the December 1995 BiH donor conference that the repair of the country's devastated infrastructure would cost US\$5.1 billion over three to four years. Donors were ready to make much-needed injections of foreign aid into a devastated economy whose GNP per capita had sunk to US\$500, from a pre-war US\$2,430, making BiH only the second European country (after Albania) to be eligible for concessional International Development Association (IDA) funding. BiH's most difficult recovery of all, though, had no ready price tag. It was from the traumas of the 200,000 war dead, 175,000 injured, and 1,300,000 displaced from their homes. Not a single family or business in BiH was left unaffected by the conflict. Humanitarian issues — understood here as philanthropic concerns about alleviating human suffering — arising from the aftermath of war would inevitably influence Bank work in BiH, even if they transcended IDA's own founding purpose of promoting economic development, as per its first Article of Agreement.

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1. The Bank's first post-conflict reconstruction assistance was to France in 1947, befitting the newly denominated IBRD — International Bank for *Reconstruction* and Development. In the past five years alone, it has invested in reconstruction support in eight countries worldwide.

1.4 Bank and other aid for reconstruction had to be channeled to one or both of the two “Entities” — the Federation of BiH (Fed-BiH) and Republika Sprska (RS) — into which BiH was partitioned by the peace agreement. Entity governments have their own armed forces and full range of ministries. The central government of the State of BiH has only residual powers (not assigned to the Entities) that cover monetary policies and foreign affairs, including foreign aid. The Bank made formal credit agreements with BiH State authorities who, through previously approved subsidiary agreements, would on-lend Bank and other donor resources to the Entities who were responsible for implementation. Until late 1997, the Office of the High Representative (OHR), the top international authority in BiH, stalled most aid to RS as the Serb Entity was deemed not to be in compliance with peace agreement terms requiring the return of refugees to their former homes and the active pursuit of indicted war criminals. The Bank itself was not party to such decisions, but did follow the policy laid down by them. Aid delivery to BiH was thus (literally) Balkanized to the Entities as mini-states each covering an area of 25,000 square kilometers and inhabited by 1.5-2.5 million people. There was further division below the Entity level, notably into cantons in the (Muslim) Bosniak and (Catholic) Croat shared Fed-BiH Entity, as was particularly clear in the divided city of Mostar. Both entities were further subdivided into municipalities. The dialectics, complexity, small scale, and political dimensions of postwar BiH did not contribute to an efficient framework for providing assistance, but it was the only one available.

1.5 Against these odds and after a preliminary needs assessment in 1995, the Bank successfully mobilized a major program of post-conflict assistance to BiH, committing, within two years (by July 1998), US\$0.5 billion funding for 23 projects. Their aggregate total cost — including cofinancing and parallel funding — was in excess of US\$1.6 billion. All sectors were covered. In the first 12 months, 13 out of 16 of the approved operations were emergency operations financed through Emergency Recovery Loans (ERLs) the Bank’s instrument of choice for funding urgent assistance under Operational Policy (OP) 8.50. As BiH’s emergency receded in the second 12 months, only one out of eight projects were financed in this way. BiH’s first Bank Country Assistance Strategy (CAS), in July 1997, called for strengthening macro-economic management, first steps in transition to a market economy and more physical reconstruction. The five projects reviewed in this report were chosen to represent a cross-section of early Bank support to economic and social recovery of BiH.

1.6 The implementation of each project was expedited through a Project Implementation Unit (PIU) specially set up and staffed with qualified personnel to oversee procurement and disbursement. BiH government institutions, some devastated by war, others barely established, were not yet capable of performing these tasks in 1996. Given at least one per project, PIUs inevitably proliferated in BiH. Most worked well, being good interlocutors for Bank supervision missions. But project designs typically lacked exit strategies for normal operations to take over after the PIUs were wound up. Without a plan to transfer PIU knowledge, regular BiH government departments benefited little from the PIUs. Fully absorbing PIU experience remains unfinished business in BiH today. As for the PIUs themselves, at project completion some simply vanished (together with project records), their former staff transferred to occupations that do not use PIU knowledge, while other PIUs remain, but are eyed with envy by their (usually lower-paid) colleagues in government.

1.7 Whatever longer-term drawbacks it had, the PIU implementation arrangement enabled Bank disbursements to peak at US\$167 million during the first 12 months of Bank assistance (July 1996-June 1997). In the subsequent 12 months (July 1997-June 1998), disbursements fell back to US\$87 million, an annual level around which they have since oscillated. With these amounts, Bank assistance to BiH was intense, at a higher level per capita than any other post-conflict country worldwide before or since. For each BiH citizen, the Bank disbursed US\$62.5 in the first two post-conflict years. By contrast it disbursed just US\$4.6 per capita in Cambodia, US\$7.2 in Guatemala, US\$10.8 in Ethiopia and US\$20.3 in West Bank/Gaza over those places' respective two-year periods of post-conflict assistance. Despite the intensity of support to BiH, the Bank accounted for just one-fifth of all aid to that country. Many other parties were involved.

### **Along with a Legion of Other Donors**

1.8 More than 14 multilateral development agencies, 60 bilateral donors, and 400 NGOs pledged support to and became active in BiH's post-conflict recovery and reconstruction. The war had attracted the world's attention and the world engaged intensively in the postwar recovery. At the first donor conference in Brussels, the international community pledged US\$2.0 billion in assistance over five years, one-fifth of which was committed by the Bank itself. If donor generosity was not to translate into too much money chasing too few projects in a very small country, the design and implementation of an aid program had to be expeditious, on a large scale, and well coordinated.

1.9 The Bank rightly interested itself in the coordination of so many players and so much aid. Insufficient donor coordination risked duplication of efforts and funding, national rivalries, conflicting agendas, and bureaucratic logjams. To avoid that, the Bank first demonstrated a commitment to a coordinated effort through its own example. Jointly with the European Union (EU), the Bank coordinated preparation for donor conferences. The first Bank mission to BiH in late 1995 was fielded jointly with the International Monetary Fund (IMF), the EU, the European Bank for Reconstruction and Development (EBRD), and USAID. Once established in Sarajevo from January 1996, the Bank's resident representative would regularly meet with donor counterparts located in the city. Such joint efforts helped coordination in practical ways, but no particular accord uniquely assigned this responsibility to the Bank or to anyone else. Inevitably, some duplication and conflict did arise within the crowded field of donors.

1.10 The widely applied practice of donor cofinancing<sup>2</sup> of Bank supported projects in BiH preempted many potential problems of coordination. Cofinancing meant that donor contributions were directly managed by the Bank through a trust fund agreement signed with the donor. For its potential leverage of extra funds, cofinancing was an attractive option, although. Bank task managers reported that preparing these trust fund agreements

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2. Cofinancing signaled a donor's commitment to the objectives of the project it supported. This is distinct from donors' "parallel financing" which, outside the project, could fund similar components, but sometimes for quite different purposes. This OED evaluation follows standard Bank practice of treating cofinancing as part of project expenditures, while excluding parallel financing.

significantly slowed project preparation. Nevertheless, Bank hopes for cofinancing were high, but mostly unmet. For each Bank dollar invested in the five projects evaluated here, 3 donor cofinanced dollars were expected by project designers at appraisal, but only 1.3 dollars were actually paid in. Despite the shortfall, donors still financed 30 percent more of these projects than the Bank itself. The shortfall did not express a lack of donor interest, however. It arose because appraisal estimates of likely cofinancing were based upon less-than-rigorous assessments by the Bank of less-than-full commitments by donors. The resulting financial uncertainties did, however, lead to friction with some donors and inevitably disrupted the best-laid plans for implementation. Follow-on projects have been much more cautious in their expectations of donor cofinancing.

### **A Panoply of Post-Conflict Goals and Objectives**

1.11 With many donors and NGOs in BiH came varied and sometimes conflicting agendas going well beyond the Bank's own pursuit of reconstruction and development. These agendas fall into three groups: humanitarian, reconciliation, and political. In different ways, briefly considered here, each of these affected the Bank's work on the five projects under review.

1.12 BiH's humanitarian disaster — its war widows, orphans, disabled, and displaced persons — rightly triggered a massive relief effort focused upon restoring human welfare and dignity irrespective of the immediate economic benefits in ways that embodied UN humanitarian principles of neutrality and impartiality in alleviating human suffering. This was not the business of the Bank, however. Agencies such as the UN High Commission for Refugees (UNHCR), the International Committee of the Red Cross (ICRC), and others specialize in the rapid deployment of such relief, usually before reconstruction itself is underway. Humanitarian concerns affected two operations, the ERP (just one component) and the Demining project. The actual results of Bank project incursions into these humanitarian concerns were particularly disappointing in the case of the Demining Project. Later, the Bank appropriately refocused its attention more exclusively upon its core reconstruction and development priorities.

1.13 Reconciliation to consolidate peace was obviously another key goal for the international community and BiH, too. Like humanitarian work, reconciliation and peace-making have not been core activities for the Bank. During the BiH war itself, they were pursued by UN peacekeepers. After war's end, the OHR and some bilateral donors actively promoted peace and reconciliation<sup>5</sup>, principally, they believed, through enforcing the right of return of refugees and the pursuit of indicted war criminals. While the Bank was not party to the formulation of such policies, it did nevertheless collaborate with their implementation, even if it sometimes meant undermining a project's development results. Thus, the Bank would not bring assistance to some municipalities in RS — such as Prijedor

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5. Reconciliation is understood here to refer to the renewal of a friendly relationship between disputing people or groups. According to the OECD, reconciliation requires the recognition of the suffering of victims, the identification of atrocities and human rights violations, and the guaranteed ability to bring to justice those who are individually and institutionally responsible for crimes (OECD 2001).

and Foca — that had been blacklisted by the OHR for allegedly harboring war criminals. Proactively, and with great dedication, Bank staff made every effort to bring Bosniak, Croat, and Serb representatives to sit at the same table during project implementation, in the hope that contact would foster reconciliation. Specifically in the divided city of Mostar, the Bank pleaded intensely, but ultimately unsuccessfully, with the town’s Bosniak and Croat officials to unify their municipal administrations, in offices to be repaired by a Bank financed project. In another project’s design, the Bank believed that a BiH State-wide labor market information system would break down ethnic barriers, leading to job offers across former enemy jurisdictions. How Bank initiatives such as these might contribute to practical results of reconciliation and peace was not spelled out, nor monitored. Reconciliation necessarily and always remains a key post-conflict goal, but the Bank’s contribution to it should be carefully circumscribed, and focused primarily upon rebuilding institutions and infrastructure, activities within its core competence.

1.14 The legion of foreign donors brought diverse political aims with them to BiH. Most agreed, however, that BiH’s democratization as a sovereign nation and candidate for eventual EU membership was a central goal. But parliamentary and electoral processes characteristic of democracy had already been established in the BiH context. In March 1991, a majority decision by the elected pre-independence National Assembly of BiH called for a plebiscite on independence from FSRFY, that resulted in a large majority — boycotted by BiH’s Serbs — in favor. War rapidly ensued. After war’s end, electoral politics were quickly restored. September 1996 democratic elections returned to power leaders who had waged the war, and subsequent elections failed to break the mold of voting along ethnic lines. Other key components of democracy, local community participation, an active civil society, and a free press, were also well established in post-conflict BiH. International dissatisfaction with BiH’s politics led to more frequent OHR interventions in day-to-day political affairs, making BiH look like a foreign-governed protectorate in the eyes of some (Knaus and Martin 2003). One casualty has been the already feeble institution of the BiH State. At the beginning, the Bank helped consolidate key BiH State agencies such as the Central Bank and Customs Administration, but very little assistance came thereafter. Three of the five projects reviewed here invested nothing at the BiH State level. One that did, the ERP, incurred only 2.7 percent of its expenditures to assist the BiH State.

## **2. Relevance of Bank Assistance Provided by the Projects**

### **Ensuring Relevance by Following Demand and Applying Know-how**

2.1 The great majority of the 19 objectives of the five operations reviewed here (Box 1) — some 15 or 16 — were relevant to BiH’s post-conflict recovery aims in three main ways. First, they had a clear focus upon the repair and recovery of war-damaged and neglected infrastructure. Second, some were directly aimed at restarting the local economy and generating jobs, especially through the provision of credit. Third, others focused upon institution building necessary for recovery and for sustained development. The 3 or 4 less relevant objectives were those that did not directly address economic and social

### Box 1. The Five BiH Projects: Summary of Objectives and Components

<b>Objectives</b>	<b>Components (with final costs in US\$ millions)</b>
<b>EMERGENCY RECOVERY PROJECT (BA-SF44389)</b>	
<p>To help rehabilitate and restore Fed-BiH's severely damaged productive capacity and infrastructure.</p> <p>To initiate production and economic activities in a war devastated economy.</p> <p>To assist reestablish minimal level of institutional capacity for country governance and policy formulation to implement Fed-BiH's emergency reconstruction program.</p> <p>To help alleviate severe hardships faced by certain groups of the population in Fed-BiH (<i>not part of legal agreement</i>).</p>	<p>Critical Imports for urgently needed inputs to the power, transport, and agricultural sectors (US\$22.6m)</p> <p>An Enterprises Credit Line to help SMEs restart their activities (US\$24.2m).</p> <p>Support for Key Government Institutions to re-establish a minimum institutional capacity through purchases of essential equipment, repair of buildings, and technical assistance (US\$36.4m).</p> <p>An Emergency Social Fund to provide small amounts of cash assistance to the poorest households (US\$28.0)</p>
<b>EMERGENCY LANDMINES CLEARANCE PROJECT (CR.2905)</b>	
<p>To assist the Borrower to clear mines.</p> <p>To establish the necessary institutions and functions to sustain the Mine Action Program.</p> <p>To protect vulnerable groups, by making more available information regarding mine localization and carrying out mine awareness campaigns.</p> <p>To increase local mine clearing capacity.</p> <p>To carry out high priority mine clearing.</p>	<p>Mine-clearance and equipment for urgent infrastructure repair under BiH's reconstruction program and provision of equipment and medical support required therefore (*)</p> <p>Mine-awareness programs for protecting vulnerable groups (*)</p> <p>Training for mine-clearance teams, survey specialists, mine-awareness instructors, dog handlers, and others (*)</p> <p>Strengthening the capacity BiH's demining agencies necessary for project implementation (*)</p> <p>(*) accurate final cost data is not available in the ICR</p>
<b>EMERGENCY DEMOBILIZATION AND REINTEGRATION PROJECT (CR.2906)</b>	
<p>To support the reintegration of demobilized soldiers and other target groups into productive jobs in the civilian economy.</p> <p>To promote economic growth and political stability.</p> <p>To reduce dependency on social assistance.</p>	<p>Labor market information database; strengthening municipal employment offices (US\$1.4m).</p> <p>Counseling and job-finding services for demobilized soldiers and other target groups (US\$0.6m).</p> <p>Education and retraining services for demobilized soldiers and other target groups (US\$6.6m).</p> <p>TA to entity Employment/Training Foundations (ETFs) (US\$0.6m)</p>
<b>LOCAL INITIATIVES PROJECT (CR.N002)</b>	
<p>To assist economically disadvantaged or under-served groups resume economic activities.</p> <p>To establish the framework for the development of sustainable microcredit institutions</p> <p>To support the improvement of the business environment for self-employment and small businesses.</p>	<p>Microcredit programs for income-generating activities (US\$19.6m).</p> <p>TA for each Entity Employment and Training Foundation (ETF), for service providers and beneficiaries (US\$0.9m).</p> <p>Management Assistance to ETFs through technical assistance, training, studies, equipment and vehicles (US\$1.2m)</p>
<b>REPUBLIKA SRPSKA RECONSTRUCTION ASSISTANCE PROJECT (CR.3028)</b>	
<p>To assist economically disadvantaged and war-affected farmers restart and strengthen their farming activities.</p> <p>To increase the quality and quantity of the public housing stock.</p> <p>To restore water sanitation and solid waste services.</p> <p>To improve reliability, availability and quality of electricity supply.</p>	<p>Agriculture: (i) rebuilding herds; (ii) farm mechanization; (iii) farm surveys and technical support (US\$7.4m).</p> <p>Housing: (i/ii) repairs to common areas of publicly-owned apartment buildings; (iii) TA to eligible municipalities (US\$11.3m).</p> <p>Water and Sanitation: (i) urgent repairs to restore water supply; (ii) refuse collection equipment; (iii) TA for designs, tender documents, and local PIU; (iv) water rehabilitation in Brcko (US\$21.7m).</p> <p>Electric Power: (i/ii) Rehab. of 110/35 kV substations and transmission lines; (iii) Banja Luka repairs to substations and networks; (iv) telecom repairs to Banja Luka-Prijedor-Mrkonjic network; (v) equipment for Banja Luka; (vi) TA for engineering designs (US\$14.3m).</p> <p>Implementation Support: (i) TA to PIU; (ii) project monitoring and audit unit — PMAU (US\$1.3m).</p>

recovery. None of the project objectives explicitly addressed privatization and market reforms. In the immediate post-conflict devastation of BiH in 1996, such reticence was wise and relevant. Conditionalities of a substantive reform agenda might have prevented the immediate implementation of the recovery effort that BiH's situation demanded.

2.2 Without doubt, of the five-Bank financed operations reviewed here, the most relevant to BiH's recovery and reconstruction had two key characteristics. First, their main objectives responded to a strong effective demand. Second, their design and implementation drew directly from core Bank knowledge and experience. Both the ERP and the RS Reconstruction Project fit the bill exactly. Citizens in both war-ravaged Entities wanted and were prepared to pay for restored (and improved) water and electrical energy services in particular. Both projects provided them. Repair and rehabilitation of damaged infrastructure was something the Bank had helped with many times before in many countries worldwide, and, most important, with some considerable success. Less relevant components of these projects were either those that did not draw upon Bank experience, such as the cash payouts to needy war victims in ERP, or those for which there was a need, but no effective demand. This included RS Reconstruction's assistance that impoverished RS farmers needed but could not afford.

2.3 After the war there was, and remains, a strong demand for credit by small firms and the self-employed wanting to restart and expand their businesses. This demand provided a firm foundation for business lines of credit of the ERP and the Local Initiatives Project (LIP). To help design a response to this demand, the Bank could draw upon more than 50 years of experience of Bank support for lines of credit — albeit with mixed results — that started in Ethiopia as far back as 1950. More immediately in the BiH context, LIP itself effectively used the experience of a completed pilot project in the city of Tuzla, that was financed by the U.K. Department for International Development (DfID).

### **Loss of Relevance When Core Competence and Demand are Missing**

2.4 Other projects or parts of them that did not draw from a pool of Bank knowledge or which misread demand fared differently. This particularly affected the Demining project, the first of its kind for the Bank. Inexperience led to a serious design flaw of the project's "demining-first/recovery-afterwards" premise, expressed by the MOP as "the need for demining preceding the need for infrastructure reconstruction" (MOP 1996 Annex p. 2) and by the current BiH Mine Action Plan, which affirms that "demining is a pre-condition for the reconstruction of the country" (BH-MAC 2002, p.4). Empirical evidence does not support this contention, however. BiH's highest ever GDP growth — an extraordinary annual 79.1 percent — was in 1996, *before* any significant demining had occurred.<sup>6</sup>

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6. Demining-first/recovery-afterwards was not a premise of the recovery strategy for BiH as a whole. That strategy correctly called for urgent reconstruction that should not wait for demining for which only 4 percent of all resources were earmarked. Bank operational guidelines (drafted after the design of the BiH demining project) now make clear that demining should be an integral part of a development project, and not a stand-alone effort, as it was in BiH (World Bank 1997). Incorporating demining into a transport project yielded a somewhat better result in Croatia (Loan 4104) as a parallel OED PPAR of that project demonstrated.

2.5 Implementation of the Demining project — the only BiH operation rated with unsatisfactory supervision ratings, according to the 1997 CAS — was also undermined by Bank inexperience. OED’s earlier country study of BiH correctly affirmed that ‘there are major technical and military aspects (of demining) that are not within the Bank’s competence (OED 2000 p. 89). The borrower ICR itself criticizes the Bank for its lack of know-how. A Bank mission in January 1997 was candid about the lack of Bank experience in the sector and consequent uncertainties about best practice and costs standards for commercial demining. Earlier missions had introduced specifications—such as payment per mine lifted—that made contracts unworkable, according to demining contractors themselves. Furthermore, supervision missions’ undue focus upon lowering the unit costs (per square meter) of demining — not an outcome indicator — led the Bank to lose sight of the original development objectives that the project, too, was losing sight of. Difficulties such as these lead this assessment to endorse the recommendation of OED’s evaluation of post-conflict reconstruction concludes that Bank involvement in demining should focus primarily on *non*-clearance activities, such as coordination, information and mine awareness, training, and institution building. (OED 1998 p.29).

2.6 The Reintegration project also ventured into areas beyond Bank core competence, but without the unsatisfactory outcome of demining. Although “demobilization” was in its title, the Reintegration project only assisted, principally through training, ex-soldiers who had already been disarmed and demobilized before the project started. Hence it was unlikely to achieve its objective of promoting political stability, an aim usually associated with demobilization itself, something that the Bank had only limited experience with in 1996. Promoting economic growth was also an unlikely objective for a supply-side operation such as this that was contingent upon firms’ demands for training and retraining in a very weak labor market. The more successful reintegration side of the project, however, was able to draw upon Bank experience with labor redeployment programs completed elsewhere in the region. Many ex-soldiers and others in post war BiH clearly needed to re-tool skills that no longer suited the market transition conditions of BiH’s recovery, and in this respect the Reintegration project did address a relevant issue.

### **Keeping Control During Implementation**

2.7 Successful project implementation requires adequate oversight to ensure that project resources are used efficiently to help achieve the intended objectives. Concerns about possible waste of resources were raised through international press reports in mid-1999. These included allegations of large-scale fraud and corruption within BiH’s aid program as a whole, affecting perhaps one third of all disbursements. OHR established a special investigative unit to look into this, but was unable to corroborate corruption on the scale alleged. In connection with the Demining project, however, criminal charges of fraud and misuse of authority were filed against demining contractors and BiH’s Demining Commissioners. These followed thorough investigations by the Fed-BiH Financial Police.<sup>7</sup> No Bank staff was mentioned in investigations into this fraud,

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7. Charges filed and arrests made in March 2001 arose from problems identified much earlier during the implementation of the Demining project. The principal technical advisor to BH-MAC was a firm with

however. The Project Management and Auditing Unit (PMAU) first introduced through the ERP did bring valuable discipline to PIU work, but clearly not enough to avoid the problems that came to light in the case of the Demining project.

### 3. Results Achieved Through the Five Projects

#### Emergency Recovery Project (BA-SF-44389)

3.1 This project successfully met its first objective of restoring key productive capacity and infrastructure in BiH, but on a smaller scale than envisioned at appraisal. About 70 percent of the planned investment was made. Actual donor cofinancing was only half the large amount (perhaps unrealistically) anticipated. This reflected a poor Bank assessment more than a decline in donor interest. Nevertheless, ERP's US\$113 million investment significantly helped BiH's recovery. Success was aided by: (i) Bank focus upon its core competencies; (ii) partnership with BiH's more war-resilient institutions (Fed-BiH's power utility, Elektroprivreda, for instance<sup>8</sup>); and (iii) exceptionally diligent and authoritative PIU management, with strong support from the Bank office in Sarajevo. Critical imports financed by the project allowed the repair of power lines, substations, and even a hydroelectric plant, all of which contributed to the restoration of power supplies essential for BiH's economic recovery.

3.2 More directly still, ERP helped initiate (and restart) economic activities through an enterprise credit line to nearly 200 firms (58 percent of applications) and paid through 27 local banks. Two-year loans in the US\$17,000-US\$170,000 range helped industrial businesses — including bakers, food processing, textiles, clothing, and furniture makers — to restore their workshops and purchase equipment. Repayment experience was good. Continuity and sustainability are assured as the Federation Investment Bank (FIB) took over the portfolio after project closing in 1999. The positive experience encouraged other donors, notably

#### **In Numbers...**

- Salary supplements, financed by Netherlands, cost US\$4.7 million.
- Support for government institutions included the repair of 30,000 square meters and rebuilding of 20,000 square meters of 27 government buildings.
- Business line of credit component lent US\$27.9 million to SMEs, creating 4,850 jobs in the process.
- 525,000 vulnerable people reportedly received emergency cash payments; 2,900 orphans received income support.

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direct commercial interests in bidding for BiH contracts. In 1997 demining equipment donated to BiH had been illegally transferred to selected firms competing for BiH demining contracts. Misprocurement was declared and Bank disbursements suspended in May 1998, by which time, however, 85 percent of the IDA credit had been disbursed.

8. Fed-BiH Elektroprivreda did repair and reconstruction work under extremely dangerous conditions throughout the war. Its acquired technical competence ensured that only equipment best suited to BiH's emergency needs was imported under the project.

EBRD, USAID, and KfW to launch similar lines of credit, and the Bank itself to follow up with more credit through LIP. That project broadened credit to include BiH's service sector, which accounts for 61 percent of the economy, beyond ERP's limitation to manufacturing that accounted for only 16 percent of BiH's GDP.

3.3 ERP yielded mixed results in reestablishing a minimum level of institutional capacity for the government. Half of the project assistance under this component financed supplements to the very low salaries of career civil servants, enabling key institutions and departments such as the Central Bank, Banking Supervision Agency, and Ministry of Finance to function. These supplements also helped reduce disparities of pay between Bosniak and Croat officials in the Fed-BiH government, making collaboration between them more feasible. Repairs to the war-damaged buildings in Sarajevo, such as those of the Customs Administration and the Tax Administration, enabled these agencies to get back into action. In the divided city of Mostar, however, the project failed, despite its persistent efforts, to bring the Bosniak and Croat parts of the local administration into a single refurbished building. Mostar's initial reluctance to participate in the institutions of Fed-BiH Entity Government was finally overcome, but at a high cost. The project contributed to a costly new building to house Fed-BiH ministry offices alongside many war-damaged structures still left in ruins in the city. The strained and complex post-war BiH politics in Mostar prevented efficient ERP assistance there.

3.4 The project's last objective — alleviating the severe post-conflict hardships of vulnerable groups in BiH — was an orphan in two respects. First, it was not part of the project's legal agreements. Second, and more important, it was a humanitarian goal unrelated to the Bank's expertise and role. The OED mission found that evidence of the results achieved in BiH, while uneven, nevertheless points to the partial achievement of this objective. In a humanitarian sense, finding the vulnerable target groups to assist was itself quite easy in 1996 in BiH — nearly everybody had suffered and hence qualified. Being unwilling to wait long in line to receive a US\$6.62 handout probably ensured that higher-income people did not displace poorer beneficiaries. Even with only half the funding expected at appraisal, 525,000 people were reported to have received up to five payments each through 190 municipal centers throughout Fed-BiH. There were major logistical challenges at different levels. The Central Bank's inability to process letters of credit meant that cash could not reach all payment centers and some beneficiaries were not paid on time. At the municipal level in Novi Grad near Sarajevo, for instance, just eight municipal staff had to screen and assist more than 4,000 applicants in only two days. Monitoring and oversight challenges for the newly created Fed-BiH Ministry of Social Affairs, Displaced Persons and Refugees (FMSA) were overwhelming. Success cannot be judged from documented evidence of this component's beneficiaries, lists of whom were not made available to the OED mission. Nevertheless, as reported by several interviewees in BiH, a major relief operation did indeed take place. Inaccessible records in this case may result indirectly from Bank inexperience in overseeing an emergency humanitarian relief operation of this type that other organizations are better equipped to handle. This result supports the ICR conclusion that the cash handout component should not have been part of a project focused upon reconstruction.

3.5 The project did, however, make an important contribution outside the framework of its original objectives. It set up the special Procurement Management and Auditing Unit (PMAU) to help establish good practice procedures for all Bank-assisted projects in BiH. This was a very necessary step in view of the large scale of IDA and trust fund financing and the debilitated condition of BiH government oversight at the time.

### **Emergency Landmines Clearance Project (Cr. 2095-BA)**

3.6 The Demining project failed in its most relevant aim of protecting BiH's vulnerable population from landmines. Instead, it supported a system in BiH that, through misinformation and failure to report progress, exacerbates uncertainties and fears about landmines not for just vulnerable groups but for all households and businesses. Thus, official maps in BiH — developed with project technical assistance — show as active minefields today areas that have long been demined. The OED mission itself crossed one such field, regularly traversed by locals with no ill effects, near Sarajevo's football stadium. Lack of resources to update the maps was given by BH-MAC as the reason for an error that undermines a citizens trust in a data set that is supposed to protect. BH-MAC faces an important disincentive, too: its legal liability for accidents that occur on sites they had declared to be safe. Outside BH-MAC, BiH officials at all levels and demining contractors shared with the OED mission their doubts about the trustworthiness of BiH landmine maps. In informing the OED mission that BiH mine accident statistics are still worsening (inconsistent with reported data), BH-MAC officials themselves did not convey to OED any sense of improvement as far as vulnerability from landmines is concerned. More accurately, though, BH-MAC reports that 90 percent of known minefields have lost their fencing and markers (BH-MAC 2002, p. 10), examples of which the OED mission saw for itself on field trips near Sarajevo. Both types of error in BiH's system — pointing to mines that do not exist and failing to point to those that do — have the quite negative effect of undermined confidence and increased fear, contrary to *protecting* vulnerable groups as the project intended.<sup>9</sup>

3.7 Thus, the Demining project failed to curb landmine "inflation" in BiH—exaggeration of landmine numbers and ubiquity. This inflation starts in war itself, where commanders typically exaggerate the extent of minefields for tactical advantage. This may have happened

#### **In Numbers...**

- Immediately after the war, BiH had an estimated 1.5-3.0 million landmines and unexploded ordnance (UXO) across 5,000 square kilometers. Current official estimate is 1.3 million over 2,143 square kilometers.
- The Demining project removed 8,209 mines and UXO, clearing an area of 6.2 square kilometers.
- Average unit costs of demining were DM5.04 (US\$2.88) per square meter, having fallen to a low of US\$1.70 per square meter at project closing.
- 7,000 people in BiH attended mine awareness lectures.

9. Mine awareness did not go far. Just 7,000 people attended lectures given through the project. Future prospects for reducing vulnerability are not supporting by puzzling data. BiH's current maximum output is to clear 24 square kilometers per annum, at which rate BiH would clear the remaining 2,143 square kilometers and be free of mines only after 89 years! For all the investment made in demining, is there no end in sight to BiH's landmine trauma eight years after the war?

in BiH at Gorazde, an eastern enclave under siege for most of the war and ringed by minefields on today's map; yet upon visiting the town, the OED mission found that the last mine accident there had been in 1996, inferring the presence of far fewer mines than reported. After war, landmine inflation thrives for other reasons. It boosts the interests of commercial deminers and their clients in government, whose funding requests are driven by landmine lamentation rather than proposed solutions. Thus BH-MAC estimates that, today, there are still 1.3 million landmines and unexploded ordnance (UXO) across 2,143 square kilometers of BiH, figures near the lower end of the 1.5-3.0 million range estimated at war's end. On this scale, the removal of 8,209 landmines and clearance of 6.2 square kilometers — the project results reported by the ICR — contributes very little to protection, especially if there are doubts about the effectiveness of the work done. As stated in project documents, accurate and reliable information is key to protection from landmines and the project was expected to help provide it. This is recognized by the ICR's call for improved landmine data reliability (ICR para. 11), which is ironic today since it should have been delivered by the project itself.

3.8 Landmine accidents — a stark indicator of vulnerability — saw their biggest drop in BiH in 1996, *before* the project. Local people's own keen knowledge about the location of mines and the halt to seeding new minefields helped lower the accident rate. Since then, accident rates have continued to fall, but more slowly. The latest figures given to the OED mission show 27 fatalities in the first half of 2003. While these are 27 too many, they demonstrate that landmine accidents are no longer a major cause of death in BiH. Traffic accidents take more than 400 lives each year, for example. But road accident fatalities do not make the dramatic news headlines that the life a child taken by a landmine does. In this way, the media, too, feeds landmine inflation.

3.9 Like other projects in BiH, Demining was implemented through PIUs. In this case, however, poor relations between the PIUs and their respective mine action centers (that were entity-level at the time) undermined the project's institution building objective. Disputes were fed by publicly aired doubts about a counterpart's professional experience and competence. Toward project closing, a new institutional arrangement with a BiH State-level BH-MAC was established to replace the Entity-level arrangements in place for the Demining project. Oversight of the BH-MAC was in the hands of a three-person Demining Commission representing each of BiH's main ethnic groups. Today, BH-MAC remains dependent on donor funding for 90 percent of its resources. It is responsible for coordinating 42 local and foreign demining organizations and firms active in BiH. The two firms that handled 90 percent of the Demining project's contracts are no longer in BH-MAC's list of accredited companies. Results such as these do not support the ICR's conclusion (para. 44) that the Bank's comparative advantage in demining lays in institution building.

3.10 Institutional failures also took a toll on partnership. By OED's account only US\$9.6 million of trust fund cofinancing materialized out of US\$59.5 million expected at appraisal. Only four donors contributed out of the eight or more expected. Demining assistance by other major donors to BiH bypassed the project. Only US\$2.5 million of the U.S. Department of State's US\$51.5 million Humanitarian Demining Program (HDP) during 1996-2002, for instance, was channeled through the Bank-financed Demining

project. From 1998, U.S. demining aid was delivered through the International Trust Fund for Demining in Neighboring Slovenia (S-ITF). The EU, which was expected to be the largest cofinancer of the Bank project, also went its own way, financing its demining operations through BiH entity Civil Protection departments.

3.11 The project's objective of strengthening local mine clearing capacity was not met. Contrary to ICR reports (paras. 22-23), a local BiH demining industry was not established through the project. Foreign firms from France, Italy, Russia, Zimbabwe, and the United States dominated, taking contracts amounting to 98.2 percent of project funding for demining. The two largest firms — accounting for 90 percent of business contracted under the project — lost their accreditation with BH-MAC as soon as the project closed. BiH deminers were indeed trained and many have been deployed on work in Afghanistan, Angola, and Macedonia. But why is demand for their services at home insufficient? After having been rejected as inefficient by the designers of the Demining project, the military — traditionally with heavy responsibilities in this area — are now regaining their accreditation as humanitarian deminers. Since the closure of the project to date they have accounted for 22 percent of the total area cleared in BiH.

3.12 The project failed to conduct demining that was high priority for BiH's economic and social recovery and reconstruction. Instead, so-called Category I demining — of a five-meter perimeter around individual houses to allow refugees to return to their former homes — was the top priority then and still is today. Category I does not address reconstruction, nor the potential productivity gains of demining farmland around the houses, for instance, but is consistent with the international community's humanitarian goals and policies for BiH.<sup>10</sup> But it distracted the project from the recovery and development goals of demining, and from the enumeration of the potential economic benefits of demining. Internal economic rates of return, relatively easy to estimate using increased land values as proxies for benefits, were assessed neither ex-ante nor ex-post for the project investments. In short, the project failed to treat BiH demining as part of a productive investment for recovery, as recommended by the Bank's own demining operational guidelines — issued on February 7, 1997, during the implementation of the BiH project — and incorporated into the design of the later transport and demining project in Croatia (Ln. 3869). Another ICR recommendation to help BiH governments prioritize demining tasks (ICR para. 11) also relates to what the project itself had promised to do, yet failed to deliver.

### **Emergency Demobilization and Reintegration Project (Cr. 2906-BA)**

3.13 Through providing training and counseling, this project enabled the economic reintegration of 17,378 demobilized soldiers (the majority), displaced persons, war widows, and other unemployed persons. Altogether, 82 percent of those trained under the project either went back to their old jobs or took new ones. Private enterprises needing more qualified labor in particular occupations themselves provided the training that

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10. According to one major player, humanitarian demining aims at removing “landmines that maim and kill innocents, obstruct emergency assistance activities, hamper economic development, and impede the free movement of citizens” (U.S. Department of State <http://www.state.gov/t/pm/hdp/>).

accounted for most project expenditures. “Counseling” was also provided, but it was very basic, involving advice to beneficiaries on writing resumes and preparing for job interviews. Of those who got jobs, 66 percent were still in employment one year after their initial placement, according to a useful impact evaluation conducted under the project. This compares with only 15 percent of a control group of employees with similar demographic and socio-economic characteristics to the beneficiaries but without the training. Other project assistance was mostly on a very small scale, such as the 387 persons helped with trauma counseling through the project. The small and reduced scale of this project, which attracted less than half the funding expected, severely constrained its scope and impact. Instead of being a US\$20 million operation as planned, only US\$9.2 million in funding became available. Practically none of the donor cofinancing hoped for at appraisal was forthcoming. As with other early projects, this had more to do with poor financial planning at appraisal than lack of donor interest. Unit cost savings, nevertheless, meant that the project was able to train two-thirds of the targeted beneficiaries with just one-half of the intended resources.

3.14 Expecting a small operation such as this to promote economic growth was an unrealistic objective. It assisted barely 5 percent of the estimated 425,000 soldiers demobilized in BiH during 1996. As of December 2002, 145,000 demobilized soldiers still remained unemployed in BiH, more than five times the number assisted by the project (Government of BiH website, p.6). These results demonstrate how a small Reintegration project, itself dependent upon a buoyant demand for labor (that did not materialize), cannot be expected to make a significant impact upon economic growth. At the micro level, the OED mission visited a chemical factory in Tuzla that had trained the largest single contingent of demobilized soldiers under the project, 331. Today the company responsible is in bankruptcy, having reduced its total staff from 1,200 to less than 100. Poor outcomes such as these reflect more the lack of demand for labor at the macro level within the BiH economy than the shortage of adequately trained labor, the issue addressed by the project.

3.15 OED could find no evidence that, as intended, the project significantly reduced dependency by the unemployed on social assistance. While a standard aim for labor redeployment programs in general, this was not relevant to BiH’s post-conflict conditions, where there was practically no social assistance system for anyone to rely on. In helping less than 1 percent of the unemployed, it provided no scope for reducing dependence as the project intended.

3.16 This project did not succeed in implementing a labor market information component (LMI), an information-sharing tool relevant to an organized labor market that 1996 post-conflict BiH did not have. In the few cantons and municipalities that installed the component’s computer systems, the LMI served only

**In Numbers...**

- On-the-job or institution based training provided to 21,143 clients. Of these, 17,378 (82%) obtained skilled or semi-skilled employment.
- Job search assistance provided to 3,324 clients, 908 (27%) of whom found employment.
- 385 individuals received trauma counseling.
- Of the estimated total of 425,000 soldiers demobilized in BiH, the project reached a total of 24,852 (6%) individuals.

to collect data about the unemployed, rather than matching this with employers' data on job opportunities. In the Herzegovina-Neretva canton visited by the OED mission, for instance, the system was meant for training, but barely used. The limited information gathered across BiH was not shared between entities and cantons or even made available to the unemployed or the public in general. The designers' belief that such a system — if it used compatible computer hardware and software in Fed-BiH and RS — could contribute to cross-Entity communication and reconciliation did not become reality.

### **Local Initiatives Project (Cr. N002)**

3.17 As intended, this project very successfully assisted many economically disadvantaged or underserved groups in both Entities of BiH to resume economic activities. Through micro-credit organizations (MCO) established under the project, some 20,000 micro-enterprises — having up to five employees — received 50,261 loans for 6-18 months, to finance improvements to their workplaces, or purchase equipment and inventory. The loans were small, averaging US\$1,600, and repayment records were excellent, no doubt helped by the promise of further (and larger) loans to borrowers who repaid on time.

3.18 Making up for the earlier ERP's undue focus upon manufacturing for its business lines of credit, 92 percent of LIP loans went to trade, services, and agriculture, the sectors generating most employment in BiH. According to the ICR, the project helped sustain 64,853 jobs (40,739 existing plus 24,114 new). If each employee had two dependents, then 195,000 people may have benefited directly through the project. A detailed baseline survey conducted for this project of 3,281 project beneficiaries found that 43 percent of them were even more than just economically disadvantaged, since they were below the poverty line of US\$275 per month for a family of four (Dunn et al. 2003). Nearly all beneficiaries were “under-served” in the terms of the project objective statement, since only 5 percent of them had access to commercial bank funding. Half of the beneficiaries reported that their output had increased by more than 10 percent thanks to the loan. The OED mission visited selected several micro-enterprises — including a baker, market trader, and street kiosk — in Banja Luka and Tuzla, finding all of them actively in business, some clearly prospering.

3.19 The actual number of loans awarded — 50,261 — was, in fact close to the number that would have been expected with revolving short-term loans financed by the initial injection of project funds. It does not reflect a fivefold increase as reported in the ICR. The project

design and hence ICR did not take into account the revolving fund nature of this operation that allowed project funding to be used and re-used several times over to finance several successive loans. The Memorandum of the President's (MOP) mention of

#### **In Numbers...**

- 50,261 loans with total disbursements of US\$82.4 million, more than four times the project funding.
- 19,361 active clients at project closing
- Estimated creation of 24,114 new jobs and sustenance of 40,739 existing jobs
- 24,519 loans (49%) granted to women, 10,449 loans (21%) to displaced persons, and 2,744 loans (5%) to returning refugees
- less than 0.7% of the portfolio is considered at risk (i.e., overdue by more than 30 days).

an appraisal target of 7,000-10,000 referred only to the first round of loans made. Since these loans were short term and quickly repaid, the project appraisal could have conducted a financial analysis and simulation to estimate the likely number of loans to be made and amount to be lent. Altogether by completion, the project lent US\$82.4 million to microenterprises, through the effective application of US\$19.6 million project funding.

3.20 The project achieved outstanding results in establishing a framework for the development of sustainable micro-credit institutions in BiH. There was clearly a strong demand for this line of business in BiH. Altogether, 35 institutions, all but six local, applied to participate. LIP first selected 17 of them, later paring this down to just 9 of the best performing and financially most resilient. These became the client Micro-Credit Organizations (MCOs) of the follow-on LIP-II project that is carrying the approach forward. Under LIP, the MCOs operated within a framework of laws that were similarly drafted by the project for both Fed-BiH and RS. The OED mission visited three MCOs across BiH (MI-Bospo, LOK, and Microfin) and was impressed by the professionalism of their organizations. Significantly, five MCOs, including LOK and MI-Bospo, have become sufficiently creditworthy to raise commercial loans on their own. The presently low debt-to-equity ratios of these MCOs suggests that they have scope for further borrowing in the future. All three MCOs visited by OED are profitable, whether measured by their operating ratios (operating revenues minus operating costs) or return on assets (operating revenue divided by total assets). Some even want to expand and become fully fledged commercial banks, an unlikely prospect given BiH's already crowded banking sector. Nevertheless, their ambition is a positive indicator of the health of a sub-sector that the LIP helped establish.

3.21 Through direct finance to micro-enterprises and building a sustainable institutional framework around them, LIP probably did help the start-up and expansion of small businesses as intended. While respondents reported business expansion, specific data on business start-ups was not collected by the baseline survey. Nevertheless, given the war's massive interruption to business, postwar economic growth in BiH must have been fuelled by the substantial resumption of business activity to which the LIP made an important contribution.

### **Republika Srpska Reconstruction Assistance Project (Cr. 3028-BA)**

3.22 The project assisted some 750 war-affected and disadvantaged RS farmers to restart their farming activities through providing them with livestock and farm equipment. Approximately half the project assistance was in the so-called "anvil" region of central RS, an ethnically mixed area around the city of Mrkonjic Grad. The war had depleted the RS livestock herd to just 2,000. Today, the herd is not only larger (5,000 head of cattle) but also of better quality. Through importing 3,876 pregnant heifers, the project contributed to the increase, but at least 800 of the animals were sold for slaughter. During visits to farms near Mrkonjic Grad, the OED mission could see that those remaining were high-quality pedigree animals. The high cost of feeding and difficulty in caring for the unfamiliar breed were given by farmers as the main reasons for their slaughter, especially during the 1999 drought. Although provided on the basis of one heifer per farmer as a loan to be repaid, recipients regarded the animals as a gift to

compensate for war losses. Not surprisingly, less than one-fifth of the loans has been repaid. The provision of farm equipment had mixed results too. Only 55 of the 400 tractors earmarked were actually supplied; they were subsequently found to be inappropriate to the hilly farming conditions found in most of the area. Instead, the project switched to providing 1,609 pieces of smaller motorized farm equipment — tillers, pumps, etc. — to 753

beneficiary farmers in seven of RS's 63 municipalities. Being donated, these were well received by the farmers. In hindsight, the heifers too should have been donated, in accordance with the practice of other bilateral donors at the time. But the loan precedent established by the earlier Fed-BiH Emergency Farm Reconstruction Project precluded the grant option in RS.

#### **In Numbers...**

- RS livestock herds reinforced through the importation of 3,876 pregnant heifers, 25 breeding bulls, 6,880 ewes, and 338 rams.
- Housing improvements resulted from repairs to 162 buildings with 3,570 apartments.
- 416,400 people benefited from emergency water works. Waste collection equipment included 13 trucks and 750 containers.
- Rehabilitation of four substations and 100 kilometers of 110 kilovolt power lines, three substations and 26 kilometers of 35 kilovolt lines and distribution network in Banja Luka.

3.23 The project successfully improved the quality (but did not increase the quantity) of the public housing stock in RS. Altogether, it made 3,570 existing dwelling units more habitable through restoring common areas of 162 war-damaged apartment buildings (against targets of 4,500 units in 250 buildings). This effort affected less than 1 percent of RS's total housing stock, though, 10 percent of which was damaged in the war. Housing improved under the project was made more livable through low-cost (averaging US\$2,750 per unit) rehabilitation to stairwells, access, roofing, and external walls. Among other things, the OED mission noted during site inspections that the external improvements to war-scared buildings were, not least of all, an important statement of returning normalcy to towns formerly ravaged by conflict. By dealing exclusively with common areas, the project skillfully focused upon the public-good side of housing. As well as meeting a Bank priority, it allowed implementation to proceed even where ownership of individual units still remained hotly contested between the original occupants displaced through ethnic cleansing during the war, and current occupants, who might themselves be refugees from other parts of BiH. Into this extremely complex and tense situation, the project injected a framework to begin the settlement of outstanding ownership issues — one of the toughest to resolve in post-conflict BiH. It even led to preparations for the sale of the publicly owned housing stock to residents. As agreed, internal repairs and rehabilitation to the apartments themselves were left to the occupants at their own expense. Despite the wording of the project objective, the quantity of the housing stock remained unchanged because the project did not foresee construction of new dwelling units. Since housing was just one component competing for funds among several sectors, its total impact was limited. Even so, the results achieved by the RS Reconstruction project's housing component can be judged a success, albeit on a very small scale in relation to the total needs.

3.24 Very good project results were achieved in terms of restoring water, sanitation, and solid waste services and the electricity supply in RS. In classic reconstruction mode, in which the Bank can bring its core experience to bear, the project helped the rehabilitation and reconstruction of water networks, water treatment plants, electricity sub-stations, and power lines across some 26 RS municipalities. A few, such as Prijedor and Srebrenica, were blacklisted by OHR for failing to implement refugee return provisions of the peace settlement, and therefore excluded from the project. The rehabilitation of the war-damaged water treatment plant at Nevesinje in eastern RS benefited the town's 18,000 inhabitants. Network restoration in Bijeljina even lowered unaccounted-for water to below pre-war levels thanks to better billing and collection arrangements introduced under the project. Power network improvements to many towns, including the RS capital Banja Luka, ended the frequent blackouts of the immediate postwar period. More reliable electricity allowed more rigorous billing, enabling RS utilities to report profits on their operations from 2000 onwards. The elimination of electricity theft, which had reached 13 percent of all production during the war, also helped. Since BiH's power grid straddled the frontiers of the postwar partition, RS energy sector collaboration with counterparts in Fed-BiH was unavoidable, but pursued in a constructive spirit, with much learning from Fed-BiH's earlier experience. Altogether, the results of this component of the RS Reconstruction project were highly satisfactory.

3.25 In part, the achievements were due to very capable teams and management of the PIU in Banja Luka, which in turn was overseen by a PMAU unit, itself modeled upon the earlier experience of the ERP in Fed-BiH. RS staff were systematically trained in Bank procurement guidelines in particular. For the RS Reconstruction Project, the very high caliber achieved by local RS staff meant that far less had to be spent on foreign technical assistance than foreseen at appraisal. Excellence of project management, nevertheless, may have incurred the price of isolating the PIU of this project (and others too) from mainstream public administration in RS. Officials in the mainstream told the OED mission that they believed that projects such as the RS Reconstruction were really Bank operations, run by enclave PIUs who answered more to the Bank than to the RS government. Clearly, more has to be done to deepen and broaden local ownership, even of a successful operation such as this one.

## 4. Conclusions and Lessons

### Ratings

4.1 *Emergency Recovery Project:* Overall, ERP's objectives were **substantially relevant** to both BiH's own reconstruction needs and policy and to the Bank's own strategy in support of post-conflict recovery. The relevance rating would have been higher had it not been for ERP's fourth humanitarian objective, which was only modestly relevant to BiH's reconstruction. *Efficacy* in achieving those objectives was **substantial**, as was *efficiency*, especially given that far fewer resources were mobilized than expected. The *overall outcome* of the project is therefore rated **satisfactory** since it did achieve its objectives, albeit with minor shortcomings, especially with respect to restoring

government institutional capacity and the control of the emergency cash payouts to the needy. *Sustainability* is rated **likely**, thanks to the operational skill and attention devoted to the repaired infrastructure and the ongoing management of the enterprise credit line portfolio. *Institutional development impact* is rated as **modest**; gains in procurement management, for instance, were substantial, but otherwise efficient governance of infrastructure in BiH is still some way off. *Bank performance* is rated **satisfactory**, thanks to the expeditious design and preparation of a first operation in the country that became substantially relevant. *Borrower performance* too is rated **satisfactory** especially in view of the excellent work done by the PIU.

4.2 *Emergency Landmines Clearance Project:* The project objectives were **modestly relevant** to BiH's post-conflict recovery program. Both *efficacy* and *efficiency* in achieving the objectives were **negligible**; project objectives were not met, yet substantial costs were incurred. Since this project not only failed to achieve its development objectives but also contributed to greater sense of vulnerability and fear of landmines in BiH, its *overall outcome* is rated **highly unsatisfactory**. The project's *sustainability* is rated **highly unlikely** because the project approach's technical resilience is very weak and near total dependence upon donor funding (which is drying up) makes financial resilience negligible. *Institutional development impact* is rated as **negligible**, owing to the project's failure to find ways of effectively using resources for demining that protects vulnerable groups and helps BiH's post-conflict reconstruction and development. *Bank performance* is rated **highly unsatisfactory**; inexperience led to a flawed basic design concept — that, at the national level, demining must precede economic recovery — and Bank supervision unduly focused upon contract unit costs which lost sight of project objectives. *Borrower performance* is also rated **highly unsatisfactory**, especially during implementation, when serious conflicts of interest and fraudulent use of resources, contributed to the project's failure.

4.3 *Emergency Demobilization and Reintegration Project:* For a country in an emergency post-conflict situation the project objectives were **modestly relevant**; they emphasized longer-term goals too much, even though they neglected demobilization itself. *Efficacy* in achieving the relevant objectives was **modest**, through the effective support the project gave to reintegrating demobilized combatants, albeit on a small scale and fewer than targeted. On the other hand, *efficiency* is rated **substantial** thanks to project costs per beneficiary than were lower than expected. Since the project achieved most of its objectives, but its relevance was constrained by its scale, focus, and by a component that did not fit (LMI), its *overall outcome* is rated as **moderately satisfactory**. Project *sustainability* is rated as **likely**, although the outlook for future labor demand in BiH is uncertain. OED rates the project's *institutional development impact* as modest, as it did help increase BiH's effective use of labor resources, but to a limited extent only. Despite the lack of focus of some objectives and components upon emergency reconstruction needs, *Bank performance* is rated **satisfactory**, given the highly effective Bank supervision that ensued. *Borrower performance* is also rated **satisfactory**, especially in view of the solid work done by the PIUs during most of the implementation.

4.4 **Local Initiatives Project:** All three project objectives were **highly relevant** to the post-conflict development needs and policies pursued in BiH, already more than a year out of the war when this project began. **Efficacy** in achieving these objectives was **high**, being exceeded in the case of the setting up the MCO framework in particular. **Efficiency** is rated **high** also, through benefiting the target population at a relatively low cost per beneficiary. Hence, **overall outcome** is rated **highly satisfactory** since all objectives were fully met and even exceeded in one case. **Sustainability** is rated **likely** since demand for micro-credit is likely to remain strong in BiH. Incipient commercial lending to MCOs may gradually replace donor funding in the medium term. The **institutional development impact** of this project is rated **high**, since it introduced an entirely new way of financing small firms in BiH that made efficient use of the limited resources available. **Bank performance** is rated **highly satisfactory**, especially during supervision conducted mostly out of the Sarajevo office. OED rates **borrower performance** as **highly satisfactory** through the expedient work of the respective PIUs and the effective working relationship they established with the MCOs.

4.5 **Republika Srpska Reconstruction Assistance Project:** For the most part, the objectives of this project were **substantially relevant** to Entity and Bank recovery policies for RS. Since most of its objectives were achieved, **efficacy** is judged to be **substantial**. **Efficacy** in achieving those objectives is rated **substantial**, thanks to lower-than-expected unit costs of infrastructure reconstruction works. Since the project achieved most of its major relevant objectives, the **overall outcome** is rated **satisfactory**; shortcomings of the agriculture and housing components were minor and outweighed by excellent results from infrastructure reconstruction. **Sustainability** is rated **likely**, helped by cost recovery achieved through the power component and modest steps taken toward long-term solutions for housing's legal framework in RS. The **institutional development impact** of this project is rated **modest** as there were important but limited steps to enable resources in the power, water, and housing sectors of RS to be used more effectively. **Bank performance**, relying heavily upon the Sarajevo office, was **satisfactory** throughout. **Borrower performance** also was **satisfactory**, thanks especially to the technical competence and effectiveness of the PIU team in Banja Luka.

## Lessons

- Even in very complex post-conflict situations, traditional Bank assistance in rehabilitating infrastructure and restarting business credit can yield very worthwhile results for the recovery of the war-affected borrower.
- The Bank should avoid involvement in activities beyond its core competence. Inexperience and lack of familiarity – with landmine clearance, for example - are ingredients for failure.
- Designs of projects that rely on PIUs for implementation can make for speedy disbursements, but should always include exit strategies to help governments move toward normal operations.

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## Annex A. Basic Data Sheets

### EMERGENCY RECOVERY PROJECT (BA-SF-44389)

#### Key Project Data (amounts in US\$ million)

	<i>Appraisal Estimate</i>	<i>Actual or current estimate</i>
Total project costs	160.0	111.3
Loan amount	45.0	45.0
Co-financing	115.0	66.3
Date physical components completed	12/31/1997	12/31/1998

#### Project Dates

<i>Steps in project cycle</i>	<i>Date Planned</i>	<i>Date Actual</i>
Identification	-	12/1995
Appraisal	-	01/22/1996
Approval	02/08/1996	02/29/1996
Effectiveness	03/03/1996	03/19/1996
Mid Term Review	-	-
Closing	12/31/1997	12/31/1998

#### Cumulative Estimated and Actual Disbursements

	<i>FY96 (Q4)</i>	<i>FY97 (Q1/2)</i>	<i>FY97 (Q3/4)</i>	<i>FY98 (Q1/2)</i>	<i>FY98 (Q3/4)</i>	<i>FY99 (Q1/2)</i>
Appraisal Estimate:	43.0	112.0	147.0	156.0	160.0	160.0
Actual:	19.3	68.9	93.6	103.2	109.6	109.8 <sup>a/</sup>
Actual as % of appraisal estimate	44.9%	61.5%	63.7%	66.2%	68.5%	68.6%
-of which:						
IDA Grant	5.3	23.5	28.8	29.8	30.0	30.0
IDA Credit	10.0	31.2	33.5	34.6	35.6	35.6
Netherlands	0.0	1.0	4.4	5.3	6.8	6.8
Multi-country <sup>b/</sup>	0.0	1.8	3.0	4.4	3.7	3.7
Canada	2.0	3.6	6.3	8.0	9.0	9.0
Japan	0.0	0.0	3.2	4.6	5.3	5.3
Italy Lines of Credit	0.0	0.0	2.2	2.8	3.2	3.3
Italy Social Fund	0.0	0.0	0.5	0.9	1.0	1.0
Sweden	-	-	-	-	-	-
Date of final disbursement	9/10/98					

a/ Does not include US\$1.5 million of bilateral TA to the PCU from GTZ and Know-How Fund.

b/Includes contribution from Switzerland, Luxemburg and Iceland.

#### Staff Inputs

<i>Stage of Project Cycle</i>	<i>Actual/Latest estimate</i>	
	<i>No. Staff weeks</i>	<i>US\$'000</i>
Identification/Preparation	98.3	321.9
Appraisal	45.1	131.1
Negotiations	5.7	10.2
Supervision	53.3	177.4
ICR	5.8	33.7
Total	210.1	674.3

## Mission Data

Stage of project cycle	Month/ year	No. of persons	Days in Field	Specialized staff skills represented <sup>1/</sup>	Performance rating <sup>2/</sup>	
					Implementation Status	Development Objectives
Through Appraisal	12/95	6	8	TM, E, F, PA, S	S	S
Appraisal through Board approval	3/96	3	10	TM, E, A	N.R.	N.R.
Supervisión (590)*						
1.	7/96	4	7	TM, F, E, S	S	S
2.	11/96	3	15	TM/E, HR, FI	S	S
3.**	3/97	1	0	E, FI	S	S
4.	6/97	1	10	E	S	S
5.	8/97	2	12	TM/E, E, S	S	S
6.	3/98	1	5	TM/E	S	S
Completion	11/98	3	10	A, S	S	S
Total		24	77			

\* Excludes one staff based in the Resident Mission working full-time on supervision from March 1996 to December '97.

\*\*An implementation Status and Next Steps Report was produced at Headquarters in March 1997.

1-Key to Specialized staff skills:

F=Financial Economist

E=Economist

A=Project Advisor

S=Social Sector Specialist

FI=Field Implementor

TM=Task Manager

2-Key to Performance Ratings:

S=Satisfactory

N.R.=Not rated

## EMERGENCY LANDMINES CLEARANCE (CREDIT 2905)

### Key Project Data (amounts in US\$ million)

	Appraisal estimate	Actual or current estimate	
		ICR	PPAR re-estimate <sup>11</sup>
Total project costs	67.0	67.0	16.7
Loan amount	7.5	7.5	7.1
Co-financing	64.0	43.0	9.6
Date physical components completed	06/30/98	06/30/98	06/30/98

### Cumulative Estimated and Actual Disbursements

	FY97	FY98	FY99	FY00	FY01
Appraisal Estimate	3,375	7,500	7,500	7,500	7,500
Actual	1,086	7,252	7,252	7,171	7,066
Actual as % of estimate	32.1%	96.7%	96.7%	95.6%	94.2%
Date of final disbursement — 6/2/98 Date of final reimbursement — 07/02/01					

### Project Dates

Steps in project cycle	Date Planned	Date Actual
Identification	-	1/9/96
Appraisal	-	3/4/96
Approval	6/96	7/30/96
Effectiveness	7/96	9/5/96
Mid Term Review	6/30/97	-
Closing	12/31/98	12/31/98

### Staff Inputs

Stage of project cycle	Actual/Latest Estimate	
	Weeks	US\$ '000
Preparation to Appraisal	6.3	17.3
Appraisal-Board	76.0	178.9
Negotiations through Board Approval	12.1	26.6
Supervision	241.3	505.4
Completion	4.9	6.3
<b>Total</b>	<b>340.6</b>	<b>734.5</b>

11. For this evaluation, OED identified the following project expenditures: IDA — US\$7.1m.; United States — US\$2.5m.; Italy — US\$3.8m.; Canada — US\$0.6m.; Netherlands — US\$2.7m.; for a total of US\$16.7m. Although the ICR reports final total costs of US\$67.0m., this figure includes significant amounts from the U.S.A. managed by the Slovenian International Trust Fund for Demining, from the EU managed by BiH's Civil Protection authorities, the United Nations managed directly through its own agencies, as well as other (unspecified donors). In addition, the ICR reports significant unfunded needs as part of the final costs. For these reasons, OED believes the lower estimate to be a more accurate reflection of the situation at project closing.

## Mission Data

<i>Stage of project cycle</i>	<i>Month/ year</i>	<i>No. of persons</i>	<i>Days in Field</i>	<i>Specialized staff skills* represented a/</i>	<i>Performance Rating**</i>		<i>Types of Problems***</i>
Through Appraisal	12/95 to 1/96	2	16	E,A			
Appraisal through Board Approval	1/96 to 7/96	8	50	E,A, Federation			
Supervision I	9/96	5	11	E, F, A	S	S	M,A
Supervision II	2/97	2	12	E	U	S	M,A
Supervision III	4/97	1	10	Federation	U	S	M,A
Supervision IV	6/97	2	11	E	S	S	
Supervision V	10/97	1	11	E	S	S	
Supervision VI	5/98	1	9	E	S	S	P
Supervision VII	1/99	2	15	P	S	S	M,P
Completion	5/99	2	5	E			
Total		26	150				

\* Key to Specialized staff skills:  
 F: Financial Specialist  
 E: Mine Clearing Expert  
 A: Project Advisor  
 P: Procurement Specialist

\*\* Key to Performance Ratings:  
 HS: Highly Satisfactory  
 S: Satisfactory  
 U: Unsatisfactory

\*\*\*Key to types of Problems  
 M: Project Management  
 P: Procurement  
 A: Administrative Problems

## EMERGENCY DEMOBILIZATION AND REINTEGRATION PROJECT (CREDIT 2906)

### Key Project Data (amounts in US\$ million)

	<i>Appraisal Estimate</i>	<i>Actual or current estimate</i>
Total project costs	20.00	9.18
Loan amount	7.50	7.50
Co-financing	12.68	1.68
Date physical components completed	01/31/99	09/30/99

### Project Dates

<i>Steps in project cycle</i>	<i>Date Planned</i>	<i>Date Actual</i>
Identification	-	04/06/96
Appraisal	-	02/05/96
Approval	-	07/30/96
Effectiveness	08/28/96	08/28/96
Mid Term Review	-	-
Closing	01/31/99	09/30/99

### Staff Inputs

<i>Stage of project cycle</i>	<i>Actual/Latest Estimate</i>	
	Weeks	US\$ '000
Identification/Preparation	7.9	38,500
Appraisal/Negotiation	12.4	37,100
Supervision	63.8	163,200
ICR	9.0	10,400
Total	84.1	249,200

## Mission Data

Stage of project cycle	Month/ year	No. of persons	Days in Field	Specialized staff skills represented a/	Performance rating	
					Implementation Status	Develop-ment Objectives
Identification/Preparation	02/5-16/1996	3	-	1 T M, SE TS, 1 SS OO, 1 OO	S	S
Appraisal/Negotiation	04/30-05/03/1996	3	-	1 TM, SE, TS, 1 SS OO, 1 OO	S	S
	06/10-14/1996	11	-	1 TM, SE, TS, 1 SS OO, 1 O O, 1 E, 2 L, 1 PS, 1 CO, 1 DO, 2 C		
Supervision	09/5-9/1996	4	-	TM, SE, TS, 1 SSOO, 1 H PO, 1TA	S	S
	09/23-27/1996	3	-	1 TM, SSOO, 1 HOO, 1 TA	S	S
	12/9-13/1996	3	-	1 TM, SSOO, 1 HR OO, 1 TA	S	S
	04/14-18/1997	4	-	1 TM, SSOO, 1 SE, TS, 1 H RPO, 1 TA	S	S
	08/11-15/1997	4	-	1 TM, SSOO, 1 SE, TS, 1 HPO, 1 TA	S	S
	02/18-25/1998	4	-	1 TM, SSOO, 1 Senior T E, 1 HRPO, 1 TA	S	S
	06/1998	3	-	1 TM, SSOO, 1 HRPO, 1 TA	S	S
	02/05/1999	2	-	1 TM, SSOO, 1 H RPO	S	S
	01/26/1999	2	-	1 TM, SSOO, 1 HRPO	S	S
ICR	02/3-7/2000	2	-	1 TM, SSOO, 1 OA	S	S

TM=Task Manager  
 SSOO=Social Sector Operations Officer  
 E=Economist  
 PS=Procurement Specialist  
 DO=Disbursement Officer  
 HRPO=Human Resources Project Officer  
 STE=Senior Technical Educator

SETS=Senior Employment Training Specialist  
 OO=Operations Officer  
 L=Lawyers  
 CO=Country Officer  
 C=Consultants  
 TA=Team Assistant  
 OA=Operations Analyst

## LOCAL INITIATIVES PROJECT (CR. N002)

### Key Project Data (amounts in US\$ million)

	<i>Appraisal Estimate</i>	<i>Actual or current estimate</i>
Total project costs	18.0	21.7
Loan amount	7.0	6.7
Co-financing	11.0	15.2
Date physical components completed	06/30/1999	06/30/2000

### Project Dates

<i>Steps in project cycle</i>	<i>Date Planned</i>	<i>Date Actual</i>
Identification	-	05/06/96
Appraisal	-	07/24/96
Approval	-	12/13/96
Effectiveness	12/05/96	03/11/97
Mid Term Review	12/31/97	05/18/98
Closing	06/30/99	06/30/00

### Staff Inputs

<i>Stage of project cycle</i>	<i>Actual/Latest Estimate</i>	
	<i>Weeks</i>	<i>US\$'000</i>
Identification/Preparation	11	30.0
Appraisal/Negotiation	7	20.0
Supervision	75	150.0
ICR	4	8.0
<b>Total</b>	<b>97</b>	<b>208.8</b>

### Mission Data

<i>Stage of project cycle</i>	<i>Month/ year</i>	<i>No. of persons</i>	<i>Specialized staff skills represented a/</i>	<i>Performance rating</i>	
				<i>Implementation Status</i>	<i>Development Objectives</i>
Identification/Preparation	January 1996	2	1 EML, 1 OO	S	S
	March 1996 (pre-appr.)	6	1 E(ML), 1 OO, 1PSDS, 1 SB C, 2 MC (FINCA)	S	S
Appraisal/Negotiation	Sept. 1996	3	1 TTL — TTL (E), 1 E/SrA, 1 LC	S	S
	Nov. 1996	3	1 TTL (E), 1 LC, 1 PO	S	S
Supervision	Jul-Aug 1997	4	1 TTL (E), 1 LA, 1 MS, 1 PO	HS	S
	Oct. 1997	5	1 TTL (E), 1 E/SrA, 1 LA, 1 MS, 1 P O	HS	S
	May-June 1998 (MTR)	4	1 TTL (E), 2 ME, 1 PO	S	S
	Sept.Oct 1998	2	1 TTL (E), 1 PO	S	S
	May 1999	2	1 TTL (E), 1 PO	S	S
	October 1999	2	1 TTL (E), 1 PO	S	S
	February 2000	2	1 TTL (E), 1 OA	HS	S
	May 2000	2	1 TTL (E), 1 OA	HS	HS
ICR	Nov. 2000	3	TL, MS, PO	HS	HS

E=Economist (Mission Leader)

PSDS=Private Sector Development Specialist

MCC=Micro Credit Consultant

ESrA=Economist/Sr. Advisor

LC=Legal Counsel

LA=Legal Adviser

OA=Operations Analyst

OO=Operations Officer

SBC=Small Business Consultant

TTL(E)=Task Team Leader (Economist)

LC=Legal Consultant

PO=Project Officer

MS=Microfinance Specialist

## REPUBLIKA SRPSKA RECONSTRUCTION ASSISTANT PROJECT (CR.3028)

### Key Project Data (amounts in US\$ million)

	<i>Appraisal Estimate</i>	<i>Actual or current estimate</i>
Total project costs	65.0	56.0
Loan amount	17.0	16.6
Co-financing	40.2	19.5
Date physical components completed	06/30/99	06/30/00
Economic rate of return	-	-

### Project Dates

<i>Steps in project cycle</i>	<i>Date Planned</i>	<i>Date Actual</i>
Identification	-	12/10/96
Appraisal	-	02/28/97
Approval	-	12/23/97
Effectiveness	04/20/98	04/17/98
Mid Term Review	09/15/99	10/15/99
Closing	12/31/00	03/31/01

### Staff Inputs

<i>Stage of project cycle</i>	<i>Actual/Latest Estimate</i>	
	<i>Weeks</i>	<i>US\$ '000</i>
Identification/Preparation	33.7	131.6
Appraisal/Negotiation	50.1	272.2
Supervision	31.9	212.9
ICR	13.0	63.5
<b>Total</b>	<b>115.7</b>	<b>686.2</b>

## Mission Data

Stage of project cycle	Month/ year	No. of persons	Days in Field	Specialized staff skills represented a/	Performance rating	
					Implementation Status	Development Objectives
Identification/Preparation	11/96	2	-	E	S	S
		2	-	EE	S	S
		1	-	UP	S	S
		1	-	CE	S	S
		1	-	WE	S	S
		1	-	ME	S	S
Appraisal/Negotiation	3/97	1	-	LE	S	S
		1	-	FE	S	S
		1	-	EE	S	S
		1	-	WE	S	S
		1	-	UP	S	S
Appraisal/Negotiation	3/97	1	-	ME	S	S
		1	-	LE	S	S
		1	-	FE	S	S
		1	-	EE	S	S
		1	-	WE	S	S
Supervision	12/97	1	-	UP	S	S
		1	-	FE	S	S
	2/98	1	-	WS	S	S
		1	-	WS	S	S
	5/98	1	-	WS	S	S
		1	-	AE	S	S
	6/98	1	-	AE	S	S
		1	-	WE	S	S
	8/98	1	-	WE	S	S
		1	-	E	S	S
	10/98	1	-	PS	S	S
		1	-	CE	S	S
		1	-	W&SS	S	S
		1	-	IA	S	S
	6/99	1	-	PE	S	S
		1	-	PS	S	S
	10/99	1	-	E	S	S
1		-	PE	S	S	
	1	-	W&SS	S	S	
	1	-	H&UDS	S	S	
	1	-	PS,DO	S	S	
	1	-	E	S	S	
6/00	1	-	PS	S	S	
	1	-	DA	S	S	
	1	-	PS	S	S	
	1	-	WS	S	S	
ICR	3/01	1	-	E	S	S
		1	-	PS	S	S
		1	-	PS	S	S
		1	-	OA	S	S

EE=Energy Engineer  
 WE=Water Engineer  
 FE=Financial Economist  
 AE=Agriculture Economist  
 IA=Implementation Advisor  
 H&UDS=Housing & Urban  
 Development Specialist

UP=Urban Planner  
 ME=Machinery Expert  
 FE=Financial Economist  
 PS=Power Specialist  
 PS=Procurement Specialist  
 DOA=Disbursement/Operations  
 Analyst

CE=Civil Engineer  
 LE=Livestock Expert  
 WS=Water Specialist  
 W&SS=Water&Sanitation Specialist  
 E=Economist  
 OA=Operations Analyst

**Annex B. Borrower Comments**