



1. CPS Data	
Country: The Republic of Serbia	
CPS Year: FY12	CAS/CPS Period: FY12 - FY15
CLR Period: November 2011 - June 2015	Date of this review: June 17, 2015

2. Ratings		
	CLR Rating	IEG Rating
Development Outcome:	<i>Moderately Satisfactory</i>	<i>Moderately Satisfactory</i>
WBG Performance:	<i>Good</i>	<i>Fair</i>

3. Executive Summary
<p>i. By the start of the CPS period, in late 2011, Serbia had lost some of the gains in economic stability and poverty reduction which it had achieved in the period 2000-2008. Poverty increased since 2009, especially in the rural areas, and the fiscal accounts showed large deficits and a growing public debt. To grow faster, Serbia needed to put its fiscal accounts in order and reform its social spending programs, particularly pensions, and the state-owned enterprise (SOE) sector. The inefficiencies of SOEs and social programs dragged productivity down and made the economy less competitive. Serbia also faced serious environmental problems, inherited from past policies that neglected the environment. The CPS sought to address these problems through three areas: Focus Area I, Strengthening Competitiveness; Focus Area II, Improving Efficiency and Effectiveness of Social Spending, and a cross-cutting theme, and Focus Area III, Environmental Sustainability.</p> <p>ii. IEG rates the overall outcome of the WBG program in Serbia as <u>Moderately Satisfactory</u>. The program presented substantial differences in performance by area: Areas of good performance include building innovation capacity and banking in Focus Area I, improved fiscal performance in health and disability financing, improved policies for reducing poverty and increasing social inclusion in Focus Area II, and increased energy efficiency in Focus Area III. The investment climate was an area of weak performance in Focus Area I, particularly in terms of achieving limited progress in the negotiations on the EU access agenda, transparency in financial reporting, and providing catastrophic risk insurance against floods. In Focus Area III, the environmental conditions in the Bor region did not improve.</p> <p>iii. Overall performance of the WBG is rated as <u>Fair</u>. The Bank aligned the program with the country's development goals and with the twin goals of growth and shared prosperity, but IFC's activities were not represented in the results framework. The Bank selected appropriate instruments for a broad program and demonstrated flexibility in program implementation, dropping DPLs when the political conditions were not appropriate for their implementation, and increasing its financial commitment to respond to the damages caused by the floods of September 2014. The WB program, though, lacked selectivity and the results framework presented shortcomings in terms of not defining program objectives and failing to group interventions in a coherent manner. ESW and TA informed the design of the loans in most instances, but there is limited information to ascertain what impact they had on the</p>

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quality of design. The CPF identified critical risks to the WBG program but the measures to mitigate risks appear to have been insufficient. The implementation of the program was fair overall, albeit collaboration between the Bank, IFC and MIGA could have been more structured and the IBRD/IFC Joint Business Plan for Serbia should have been detailed in the CPS Progress Report document. The supervision of projects fell short of what was needed to counteract a weak implementing capacity, affecting the execution of some projects.

iv. The main findings of the CLR can be summarized as: (a) for the program to succeed its objectives must be closely aligned with those of the government and its key partners; (b) high-level policy dialogue is crucial for achieving certain outcomes in the SOE sector; and (c) poor corporate governance poses constraints to IFC activity in Serbia. The main lessons derived from the CLR can be summarized as: (a) Good quality and relevant analytical work is essential for good design of investment loans; a corollary of this lesson would be that in the absence of lending the Bank should continue doing non-lending work to be able to respond quickly and effectively to changing circumstances in the country; (b) too many results indicators are likely to negatively impact the quality of design of the program and prevent effective monitoring and supervision of activities in the field; and (c) rapid delivery of loans is unlikely to address economic problems that require a long engagement with the country, longer than the duration of a CPS program.

4. Strategic Focus

Relevance of the WBG Strategy:

1. **Congruence with Country Context and Country Program.** External conditions and domestic economic policies pushed back the economic and social gains which Serbia had achieved until 2008. After growing annually at 4.9 percent between 2002 and 2008, the economy contracted at 0.3 percent per year between 2009 and 2015; as a result, poverty rates declined from 14 percent to 6 percent between 2002 and 2008 and increased to 9 percent in 2010, with the rural population being the most affected. Unemployment rates reached a peak of 24.6 percent in 2012 but declined to 19.7 percent in 2014. The fiscal accounts and public debt suffered during 2011-2014: the deficit remained high as revenues and expenditures remained around 39 and 45 percent of GDP, and the public debt, which had reached a low of 29 percent of GDP in 2008, soared to 70 percent of GDP in 2014. The government spelled out its program and priorities in its *Strategy and Development Policy for Industrialization -in Serbian-*, as well as in its *Needs Assessment* documents for donors. The WBG strategy included priority sectors identified in the government strategy and grouped them in Pillar I, Strengthening Competitiveness, and Pillar II, Improving Efficiency and Outcomes in Social Sector Spending (Pillar II), and the cross-cutting theme of Environmental Sustainability which was also coherent with the government's priorities. Economic and social changes made it difficult for the government to carry out the intended reforms over the CPS period, but since the problems remained unchanged or some of them worsened (e.g., unemployment, poverty) the pillars selected continued to be relevant for the CPS Progress Report. As the Bank faced problems in implementing the program, it dropped some lending activities but maintained its analytical and advisory work since these could be used to support reforms later on.

2. **Relevance of Design.** The interventions were designed to help improve competitiveness and the efficiency and outcomes associated with social spending, but it was unlikely that all would have an equally significant impact. On the Competitiveness focus area the interventions in infrastructure, such as constructing roads and rehabilitating irrigation systems were likely to have more impact than those on state-owned enterprises, banking and insurance where the interventions consisted mostly of action plans and putting in place a committee to harmonize regulations and practices in the financial sector. In some cases the interventions lacked a causal link with their outcome indicators, such as IFC investment in under-served segments of the economy - SMEs, and agribusiness, and the intended result of flood protection schemes. The impact from innovation was likely to be small given the pervasive presence of



inefficient SOEs and the relatively low human capital and scarce financial resources in the country's industrial sector. On the Efficient Social Spending focus area the problems in health, pensions, poverty and social inclusion were better linked to the interventions proposed and to the results expected. Last, on the crosscutting theme of environment sustainability the objective of improving the conditions in the Bor mining region, such as building a new collector, and improving energy efficiency in public buildings were likely to be achieved if the proposed interventions were carried out.

Selectivity

3. The program covered 15 areas, including two in the environment. It focused on areas where the WBG has the required expertise and the capacity to deliver the funds and the expected results from its program. The program had enough flexibility and space to allow the Bank to respond quickly to the emergency caused by floods in May 2014. Despite these positive aspects, the program was not selective: it had 15 areas of attention and a large number of outcomes and results indicators, 22 as identified by the Country Implementation and Learning Review. The lack of selectivity was particularly obvious in the first focus area. The Progress Report confirmed the broad scope of the program, thereby missing the opportunity to correct this problem, and lowered expectations at the outcome level.

Alignment

4. The WBG program was defined before the corporate goals of reducing poverty and shared prosperity were established. Nonetheless, the strategy's objectives can be said to have been in line with achieving the twin goals given the focus on (a) restoring growth to support job creation, especially of those affected by the world recession; (b) improving the quality of the outcomes from its spending in education and health; (c) improving the quality of service delivery; and (d) improving the outcomes of its social assistance programs.

5. Development Outcome

Overview of Achievement by Objective:

5. The CPS covered three focus areas. To facilitate the assessment of the program this review organizes the topics according to the areas listed in the results matrix of the CPS of 2011; the areas are aligned with the country's development goals as well as with the areas covered in the CPS under the expected outcomes.

Focus Area I: Strengthening Competitiveness.

6. *Objective 1: Improve infrastructure.* The interventions in this area sought to solve deficiencies in the transport and irrigation systems and the problems caused by floods. With respect to **road transport** the assistance helped to expand the motorway network by about 32 kms so far; the target was set at 40 kms of roads. On institutional developments in the roads sector the government merged Roads of Serbia with Corridors of Serbia, going beyond delivering an action plan for reforming the two agencies. Also, under the new Road Safety Law the government established a Lead Agency and completed two safety pilot projects; in addition, it prepared a safety cost model and terms of reference for a database on road accidents. On road transport the targets were mostly achieved. With respect to **irrigation and flood control** the assistance helped to build infrastructure for better drainage and flood control. 1 million people are better protected from floods but the targets of 1.8 million people were not achieved. According to the CLR (Attachment 1) a late adoption of the Water Law prevented achieving them, still the country is more resilient to floods. The improvements in irrigation and drainage seem to have increased yields, but the CLR does not present information to ascertain whether the 20 percent increase in the yield (tons/ha) for wheat and corn materialized. Subsequent data obtained from the CLR team show that the result was achieved: yields of wheat and corn increased by more than 40 and 100 percent,



respectively, over a two-year period in a sample of 200 farms that were covered by the project. The review concludes that the targets for irrigation and flood control were partially achieved.

7. *Objective 2: Improve investment climate.* Interventions in this area covered five groups: state-owned enterprise (SOE), judiciary, banking sector, corporate financial reporting, and natural hazards. The areas were aligned with the country's development goals and the assistance sought to solve problems that prevented the country from performing better. On **SOEs** the assistance supported reforms to improve the corporate governance model and to increase their efficiency by eliminating redundant workers. A law supported by IFC's Corporate Governance project introduced objective rules for appointing managers and established enhanced reporting requirements by the SOEs which was expected to improve corporate governance. As a shareholder in two state owned banks IFC contributed to improving their corporate governance. As a result, in early 2015, after a careful preparation, one of these banks was sold to a Turkish banking group; as for the second bank, a larger and more valuable institution, IFC is now assisting the Government in selecting a privatization advisor for it. IFC also provided corporate governance services to nine Serbian private companies and financial institutions, and helped the Serbian Chamber of Commerce in developing a voluntary Corporate Governance Code. While the law and the steps taken under IFC's investments and advice indicate some movement towards improving corporate governance, actual improvements in performance in the private and government corporate sectors are not widespread and the CLR does not report them. To reduce the number of redundant workers the government would allocate RSD18 billion for severance payments in the 2014 budget. The CLR reports that in 2014 the government spent about RSD 3.3 billion to make severance payments to about 4,500 redundant workers and has budgeted resources to compensate an additional 20-25 thousand redundant workers in 2015. The CLR does not report the amounts budgeted for this purpose but judging by the total number of workers to be made redundant it is likely that the total amount budgeted for 2014 and 2015 fell short of the 18 billion but not by a large margin. This review concludes that the overall targets for SOEs were mostly achieved. On **judicial performance** the assistance sought to achieve progress in the negotiations under chapters 23 and 24 of the EU Accession agenda. Although the WBG has coordinated with the EU its assistance strategy its impact on this area is likely to be limited, as progress depends on the interaction between two parties that operated independent of the Bank. The CLR reports "some progress" because the EU is reviewing an Action Plan for opening the negotiations, but there is little to show so far. In practice, the rule of law in Serbia has deteriorated: the Rule of Law Index from the World Justice Project shows that the score for Serbia fell from 0.55 in 2012 to 0.51 in 2014 (1.0 is the highest score for the best system). This review concludes that the result was not achieved. On **corporate finance** the assistance helped put in place a legal framework to strengthen the transparency of financial reporting through two laws passed in 2013, one on Accounting and the other on Auditing. The new laws make the rules for financial reporting closer to the *acquis communautaire*, but actual practice in Serbia lags behind the EU's. The review concludes that the indicator was met, but the result was not achieved because there is no evidence that the transparency of financial reporting is better today than in 2012. On **banking**, without explaining why the system needs more insurance than better supervision, the CPS Progress Report (CPSPR) dropped the outcome of strengthened supervision of the financial sector -especially of non-bank financial institutions- in exchange for enhanced financial and institutional capacity in the Deposit Insurance Agency. The Bank granted a Deposit Insurance loan to strengthen the Deposit Insurance Agency, and the project has helped to strengthen the financial capacity of the agency according to the most recent implementation and status report. In the wake of the Euro zone crisis, IFC helped strengthen the solvency of two state-owned banks and the retreat of subsidiaries of European banks in the country with seven interventions worth \$602 million; one of the interventions, made together with EBRD and other IFIs, was worth more than 50 million euro in the largest state-owned commercial bank in the country. IFC also helped mobilize \$543 million MIGA guarantees for the Serbian subsidiaries of Western European banks, helping them manage to increase their capital adequacy requirements and maintain their presence in Serbia. The indicators set were met, and the Bank, IFC and MIGA interventions helped prevent major failures in the banking system. The review concludes that the result was achieved. Last, on **catastrophic risk insurance**, to protect people from the damages caused by floods the assistance sought to ensure that they could purchase flood insurance. Amendments to the insurance law in December 2013 enabled the operation of Europa Re in Serbia, and the insurer started selling its products in September 2014 in the



aftermath of major floods; these changes, together with access to the South East Europe and Caucasus Catastrophe Risk Insurance, have increased the penetration of flood insurance to 3-4 percent of firms and individuals that need coverage, falling short of the 15 percent target set in the CPSPR. This result was not achieved.

8. *Objective 3. Improved innovation capacity.* The CPS noted that the system and composition of R&D funding did not support Serbia's agenda to modernize and enhance its competitiveness. The CPS sought to change this situation by supporting the establishment of institutional capacity to stimulate activities in the enterprise sector. The capacity would arise from creating a Serbia Innovation Fund, using financial instruments for innovation and technological development in enterprises, and having R&D institutes engaged in transferring and commercializing technology and in helping formulate RDI reform policy. The indicators selected were met: the Innovation Fund was established and piloted financial instruments, the \$35 million of funds raised exceeded the target of \$20 million, the 64 start-ups financed exceeded the 10 set as target, and the 10 products launched exceeded the 8 set as target. The review concludes that the (short-term) results were achieved.

9. Summarizing, IEG rates the outcome of WBG support under Focus Area I as moderately satisfactory.

Focus Area II: Improve efficiency and outcomes in social spending

10. *Objective 4: Improve fiscal performance.* The CPS identified four areas for intervention: health spending, disability financing, pension administration and other social spending. In **health spending** the assistance helped improve accountability and its quality by supporting actions to make primary health care providers adopt clinical pathways (a task-oriented care plan that details essential steps in the care of patients with a specific clinical problem and describes the patients expected clinical course); in total, about 40 percent of providers adopted the system, exceeding the 25 percent target. The assistance also supported vaccinating about 20,000 Roma children by trained medical staff, exceeding its target of 18,795. The first PPP scheme for a local hospital proposed by IFC did not materialize as a newly elected regional administration lacked the interest that the previous incumbent had. In **disability financing** the assistance supported the establishment of services for people with disabilities, such as deaf and blind; now people can apply for the services and get them. In **pension administration** the assistance helped reduce the administrative costs to 1.5 percent of pension expenditures (meeting the target) but could not stop the increase in pension expenditures, which rose to 13.8 percent of GDP, exceeding its target of 12%; therefore, the risk of unsustainable pension expenditures has increased despite the gains in efficiency in its administration. In **other social spending** the assistance supported the creation of a Fiscal Council aimed at informing the decision making on public expenditure; its support for improving expenditure in the education sector did not succeed as the Ministry of Education did not support a pilot program in 15 municipalities to test formulas for central and local per capita funding. Summarizing, the results in disability financing were achieved, in health spending were mostly achieved, in other social spending were partially achieved and in pension administration the results were not achieved.

11. *Objective 5. More informed and effective policy making to reduce poverty and increase social inclusion.* The CPS noted that despite regular poverty monitoring, it was necessary to identify the problems and analyze the data better, which the AAA assistance sought to achieve. Through its AAA support the WBG expected the government would complete and publish the results of the Survey of Income and Living Conditions in order to ensure that the analysis and monitoring of poverty is more closely aligned with the EU methodology. The CLR reports that the aggregate results for the 2013 survey were published in a press release, that the Bank assessed the quality of the 2013 report and that an initial poverty analysis using the 2013 data has been done. Yet, there is no evidence that the survey has been published in full. The review concludes that the result was mostly achieved.

12. Summarizing, IEG rates the outcome of WBG support under Focus Area II as moderately satisfactory, since the outcome in three of the five results indicators was achieved or mostly achieved.



Focus Area III: Environmental sustainability

13. Objective 6: *Improve environmental conditions in the Bor region.* The CPS notes that the copper mining and processing complex operating in the Bor region produces large environmental damage as a result of the obsolete technology it uses. The assistance expected that urgent environmental legacy issues would be tackled if the works to replace the Veliki Krivelji collector were completed. The collector was not replaced and the expected result from the assistance was not achieved.

14. Objective 7: *Improve energy efficiency.* Serbia uses energy inefficiently, and stands among the most inefficient in ECA; therefore, it has a large potential to save energy and fiscal resources as well as to reduce emissions of ash, sulfur dioxide (SO₂), nitrogen dioxide (NO_x), and carbon dioxide (CO₂). The support for this objective came through a loan for an Energy Efficiency project and IFC Balkans Renewable Energy advisory that succeeded in reducing energy use and the emissions from the use of dirty fuels to generate energy. The activities the assistance supported led to reducing energy consumption in schools, hospitals and social buildings by 60 percent, to eliminating emissions of SO₂, NO_x, ash, soot and other solid particles, and to reducing by about 50 percent the emissions of greenhouse gases (CO₂). The review concludes that the outcome expected in this area was mostly achieved because the CPS and CPSPR never defined the outcome targets for reducing emissions.

15. The two areas were aligned with the country's development goals and sought to solve two important environmental problems. As the two previous paragraphs indicate, the interventions the World Bank Group supported had substantial relevance for addressing the issues and the outcome indicators selected were appropriate. Based on these considerations and the evidence presented, IEG rates the outcome of WBG support under Focus Area III as moderately unsatisfactory.

Overall Assessment and Rating

16. IEG rates the outcome of the overall WBG program in Serbia Moderately satisfactory. The program presented substantial differences in performance by groups and Areas, with outcomes fully achieved in three groups (innovation, banking and disability financing), mostly achieved in five groups (transport, SOEs, health spending, more informed and effective policy making, and energy efficiency), partially achieved in two groups (irrigation and drainage and other social spending), and not achieved in five groups (judicial, corporate finance, catastrophic risk, pension, and environment in the Bor region).

Objectives	CLR Rating ¹	IEG Rating
Focus Area I: Strengthening Competitiveness	Moderately Satisfactory	Moderately Satisfactory
<i>Innovation capacity</i>		<i>Achieved</i>
<i>Transport</i>		<i>Mostly achieved</i>
<i>SOEs</i>		<i>Mostly achieved</i>
<i>Irrigation and drainage</i>		<i>Partially achieved</i>
<i>Judicial performance</i>		<i>Not achieved</i>
<i>Corporate finance</i>		<i>Not achieved</i>
<i>Banking</i>		<i>Achieved</i>
<i>Catastrophic risk insurance</i>		<i>Not achieved</i>
Focus Area II Efficiency in social spending	Moderately Satisfactory	Moderately Satisfactory

¹ The review cannot present a CLR rating for these categories because the CLR did not rate them; instead, it provided ratings on achievements for the indicators in each category of which the summary results table of the CLR counts a total of 22 overall CPS outcomes



<i>Health spending</i>		<i>Mostly Achieved</i>
<i>Disability financing</i>		<i>Achieved</i>
<i>Other social spending</i>		<i>Partially achieved</i>
<i>More informed and effective policy making to reduce poverty and increase social inclusion.</i>		<i>Mostly achieved</i>
<i>Pension administration</i>		<i>Not achieved</i>
Focus Area III: Environment	Moderately Unsatisfactory	Moderately Unsatisfactory
<i>Energy efficiency</i>		<i>Mostly achieved</i>
<i>Environmental conditions in the Bor region</i>		<i>Not achieved</i>

6. WBG Performance

Lending and Investments

17. The active portfolio during the CPS period consisted of 15 loans for an amount of \$1,144 million. Of that total, \$784 million came from six new loans, one of which for \$200 million was unplanned. In value, the new lending came close to the planned lending of \$790 million, and in number the new loans totaled six, compared with seven planned; two development policy loans for a total of \$200 million were replaced by a loan for a deposit insurance project for \$200 million. A third development policy loan for \$250 million was downsized to make room for a larger flood recovery project for \$300 million (planned was \$150 million) to help Serbia deal with the problems caused by the large floods of September 2014. The portfolio financed investments or reform in eight sectors, with three loans supporting health, education, and local service delivery, and groups of two loans supporting activities in the agriculture, energy, land, transport, and public sectors; activities in pensions and environment were supported by one loan each. In addition to the loans, nine trust funds for \$19 million complemented the activities supported by the loans; three of the nine funds accounted for almost 90 percent of their value, and they supported innovation, the justice sector, and transitional agriculture.

18. During the CPS period on average 10 projects were active per year. Of the 10 the Bank considered three at risk in 2013 and one for each of the other years. The numbers indicate a higher percentage of projects and commitments at risk in Serbia (17% and 21%) than in ECA (16% and 11%) but lower than the Bank's (20% and 20%). Of the 15 projects active during the period, 10 have closed; of these IEG has reviewed and rated eight. Of the eight, five have been rate satisfactory, one moderately satisfactory, and two moderately unsatisfactory; the risk to development outcome is significant or high for three, and is moderate or negligible for the other five. When weighted by value, projects in Serbia with satisfactory outcome ratings exceed those in ECA and the Bank (91%, 84% and 81%), but their risk to development outcome falls between ECA and the Bank (66%, 71%, and 63%). Of the five projects still active, for three of them the implementation status reports show satisfactory progress towards achieving the development objectives; there is no information for the other two.

19. The CPS set a target for IFC investments of \$600 – 800 million to finance the private sector. It was met with \$602 million. Responding to the impact of the Euro zone crisis on the Serbian economy through the subsidiaries of foreign banks, IFC activated the revolving short-term guarantees under its Global Trade Finance Program (GTFP), accounting for 27% of its total commitments in FY12 - 15. Its long-term investments increased from \$328 million in the previous CPS period to \$439 million in FY12 – 15, with the financial sector accounting for almost 58 percent of that total, followed by agribusiness with about 37 percent, manufacturing with almost 5 percent and infrastructure with 0.9 percent. IFC investments in the financial sector sought to support SMEs and other “underserved segments of the economy, like agribusiness, energy efficiency, municipalities and rural areas”. Serbia has a pool of highly skilled yet inexpensive labor that makes it attractive for original equipment manufacturers (OEM),



resulting in IFC investments in the auto parts industry. None of the investment projects are linked to any indicator or milestone of the CPS results framework.

20. The growth in IFC's investment portfolio has not been accompanied by better quality. The CLR recognizes that the IFC portfolio remained profitable, albeit its quality deteriorated as a result of weaker financial performance of some clients in the agribusiness sector. The NPLs increased from nearly zero in FY 12 to 19 percent in early 2015. The deteriorating trends are captured by IFC's tracking system of the investees (DOTS-development outcome tracking system). Out of 14 investees only 3, all of them financial institutions, were self-rated mostly successful in their development outcome; 7 partners were self-evaluated unsuccessful, and the remaining 4 are too new to be rated. The success rate of IFC investments based on self-evaluation in DOTS is one of the lowest in the ECA region. IEG did not review any of the IFC investments in Serbia.

21. For MIGA Serbia has become the third largest host country in ECA. During the CPS period MIGA responded to the underwriting needs of the Serbian banking sector, issuing 5 guarantees to the subsidiaries of Western European banks in Serbia for \$825 million to help them manage the increased capital adequacy requirements and maintain their presence in the country.

Analytic and Advisory Activities and Services

22. The Bank carried out 25 activities related to analytical and advisory services, of which 14 correspond to economic and sector work (ESW) and 11 as technical assistance (TA). For 10 of the 14 ESWs a report can be found in the Bank's Imagebank; they included a CEM, and reports on education, competitiveness, access to justice, rail policy, municipal finance, macro modeling, real estate management, and risk assessment of money laundering. The technical assistance activities all shared the same production code with 11 ESW activities, so it is likely that the TA was delivered at the same time as the ESW was being prepared. The total cost reported for these activities reached \$1.5 million, of which \$1 million paid for ESW. There is little information on how the ESW was used, but their content indicates that most of them were linked to loans dealing with aspects of education, competitiveness, public financial management, and judiciary for access to the EU.

23. IFC had 15 active advisory services in Serbia during the CPS period, of which 3 were regional in scope and 4 predated the CPS. The total funds allocated to them exceeded \$31 million. Two of the regional projects have not produced the expected results in Serbia, but show satisfactory results in the South East Europe Region. Not all of the projects are delivering the expected results, in particular those seeking to secure PPP mandates; one aimed at increasing the grain storage capacity has been terminated due to budget constraints and small size. During the CPS period IEG evaluated one advisory project (Alternative Dispute Resolution in Construction Industry) and found it mostly unsuccessful in development effectiveness. According to the latest supervision reports the remaining projects in the advisory services portfolio in Serbia are progressing as planned.

Results Framework

24. The CPS program sought to support the achievement of the country's development goals and addressed constraints that the WBG interventions could help solve. The interventions were appropriate to deal with the problems and the chain of causality was convincing but could have been clearer if both the CPS and the CPSPR had defined objectives in a consistent manner and had been more careful in differentiating between the terms objectives and outcomes, which they used interchangeably. The results framework of the CPSPR suffers from deficiencies in the causal chain, as the results areas are not linked to the objectives of the strategy. IFC failed to develop target indicators or milestones for its activities, often linking its interventions to the CPS objectives and outcomes in an unclear manner. The poor design of the results framework, which was not amended at the point of the Progress Report, detracts from the performance of the WBG that otherwise responded with flexibility and timeliness to challenges and constraints that arose during implementation.



Partnerships and Development Partner Coordination

25. Serbia is involved in negotiations with the EU to become a member. This means that the Bank team kept in touch on a regular basis with the Office for European Integration of the EU and with the Ministry of Finance, the government entity coordinating donors. Because the number of donors is small in Serbia, given its middle income status, the EU is the main development partner of the Bank; the Bank also keeps in close contact with the IMF to follow up on main macroeconomic developments. IFC joined EBRD to support with long-term financing two IFC client state-owned banks to prepare them for privatization, one of which was privatized in early 2015. IFC and EBRD are also cooperating to help strengthen the capital base of banks to-be-privatized and meet Basel II capital requirements.

Safeguards and Fiduciary Issues

26. In the Agriculture and Rural Development sector, projects on transitional agriculture reform and irrigation and drainage rehabilitation triggered multiple safeguard policies. The Bank teams dealt with them appropriately and no serious safeguard issues arose during project implementation. Environmental safeguard was triggered in the Transport rehabilitation project, for which the Bank prepared an Environmental Management Plan (EMP) and updated it after the project's Level 1 restructuring; the ICR, however, does not state if the project complied with OP 4.01. In the Energy sector, Environmental safeguard (OP 4.01) and Involuntary Settlement and Land Acquisition (OP 4.12) were triggered. The Energy efficiency project satisfactorily complied with the environmental safeguard policies. No acquisition of land or displacement of people would be required after more detailed feasibility studies. The Energy community of South East Europe-Serbia project was implemented without facing any significant problems. But the confirmation of rights-of-way caused delays in the commissioning of some substations. There is also an unresolved complaint by a landowner at the time of the ICR mission, and the ICR does not contain a clear statement that OP 4.01 was complied with.

Ownership and Flexibility

27. The WBG designed the strategy with the cooperation of Serbia's main stakeholders who had ownership of the program under the initial conditions. Nonetheless, that did not ensure full ownership of the program when conditions changed. In practice, ownership weakened because of vested interests or because the conditions changed. For example, the macroeconomic conditions did not improve as the fiscal deficit remained at an average of 5% of GDP, at the end preventing the delivery of three planned DPLs as part of budget support. The expected environmental gains in the Bora mining region, to be derived from changing the Veliki Krivelj collector, did not happen because the project could not advance in part as a result of vested interests opposing the changes. The weakened ownership did not prevent introducing changes to the program when the 2014 floods caused a major damage and the Bank stepped up support to help deal with the problems created; that shift doubled the share of the flood controls project in the lending program to 26 percent; in the same manner, when support for the Bor region project declined, the Bank agreed to cancel the loan.

WBG Internal Cooperation

28. The CPS did not provide any indication regarding how the internal cooperation within the World Bank Group would develop. Undoubtedly such cooperation existed; as shown by the multi-billion program of support to the banking sector in Serbia. The CLR reports about a Joint Business Plan (March 2013) directing the Bank/IFC partnership in Serbia, but this is not reported in the CPSR.

Risk Identification and Mitigation

29. The CPS discussed three types of risks for the WBG strategy: macroeconomic, commitment to policy reform, and implementation risks. The three materialized, and some of the actions proposed to mitigate them could not help achieve that, such as the DPL operation designed to reduce the size of Serbia's large public sector or the stand-by agreement with the IMF (outside the Bank's control), none



of which materialized. The loan for flood control took the financial space left open by the planned DPLs but the actions it supported did not substitute for the actions the DPLs were to support. On the implementation risk the CPS centered its attention in capacity for both DPLs and investment loans, but there is no evidence of an effort to improve that capacity; the CPS proposed to cancel the slow disbursing operations, as it happened with the Bor region project, but cancelling an operation does not solve the problem of weak capacity.

Overall Assessment and Rating

30. IEG rates overall WBG performance as Fair. The design of the program selected appropriate objectives and interventions but was not sufficiently selective. The initial results framework had deficiencies. ESW and TA informed the design of the loans in most instances, but there is limited information to ascertain what impact they had on the quality of design. The CPF identified critical risks to the WBG program but the measures to mitigate risks seem to have been insufficient. The CP also made an effort to integrate past lessons into the CPS, and in most cases it achieved its aim, but the lesson on institutional arrangements to guarantee the executing agencies' commitment to carry out the project did not go far. The implementation of the program was fair overall, albeit collaboration between the Bank, IFC and MIGA could have been more structured and the IBRD/IFC Joint Business Plan for Serbia should have been detailed in the CPSPR document. The Bank responded to changing circumstances, dropping the DPLs and stepping up to help the country recover from the damages of floods. Its supervision of projects fell short of what was needed to counteract a weak implementing capacity, affecting the execution of some projects.

7. Assessment of CLR Completion Report

31. The CLR is not a self-contained document. The CLR organized its assessment around 15 program areas and overlooked the objectives of the CPS, paying more attention to the structure of the CPSPR results matrix, which did not include the country development goals. IEG's review concludes that the Completion Report missed the opportunity to present the results framework in a manner that would make it better to evaluate the program and learn from it.

8. Findings and Lessons

32. The main findings of the CLR can be summarized as follows

- For the program to succeed, its objectives must be closely aligned with those of the government and its key partners;
- High-level policy dialogue is crucial for achieving certain outcomes in the SOE sector;
- Poor corporate governance poses constraints to IFC activity in Serbia.

33. The main lessons derived from the CLR can be summarized as follows:

- IEG broadly concurs with the lessons identified in the CLR for the upcoming CPF cycle including: (i) close alignment with the Government objectives; (ii) supporting the Government's agenda of restoring economic growth (iii) searching for a long haul engagements in solving complex problems; (iv) flexibility and adaptability in use of the instruments.
- IFC should implement its interventions within the CPS results framework clearly formulating its objectives and the expected results of its interventions; IFC should revisit these at the progress report stage. This means that IFC, MIGA and the World Bank should work more closely in preparing the strategy.
- Good and relevant analytical work is essential for a good design of investment loans; a corollary of this lesson would be that non-lending work should continue in the absence of lending work to be able to respond quickly and effectively to changing circumstances in the country;



- Too many results indicators are likely to imperil the quality of design of the program and to prevent effective monitoring and supervision of activities in the field; and
- Rapid delivery of loans is likely to be ill-suited to deal with economic problems whose solution takes lots of time and require a long haul engagement with the country.
- Paying insufficient attention to M&E aspects from the earliest stages of country strategy preparation is likely to lead to a weak results framework, with inappropriate results indicators, inadequate data availability and a weak results chain. This also applies to the projects financed by IFC.

Annex Table 1: Summary of Achievements of CPS Objectives

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Annex Table 12: Economic and Social Indicators for Serbia, 2010 - 2014 *



Annex Table 1: Summary of Achievements of CPS Objectives

	CPS FY12-FY15: Pillar I - Competitiveness	Actual Results (as of current month/year)	Comments
	1. CPS Objective: Improve infrastructure		
	<p><u>Transport</u> Indicator: Motorway network expanded as measured by the number of kilometers constructed in two motorways (E-75 and E-80). Baseline: 0 Km (2009) Target: 40.57 Km (2016)</p>	<p>All four lots on the E-75 were awarded in March 2012. The works started in May 2012 and completion is still expected by October 2015. Road construction on E80 is expected to be completed by December 2015. A total of 9km of the main roads and 17km of access roads have been completed i.e. fully paved, while final signalization, landscaping and minor finishing works to be completed at later stage and at the same time for the entire length of road. In addition, approximately 5.6km of the main road are in the stage of final testing (pending the last layer of asphalt).</p>	<p>Source: CLR The CPS objective and indicators were revised at the CPSPR stage. The original objective was: "Increased transport efficiency and improved traffic safety on the project sections of Corridor X, between Nis and Dimitrovgrad, and Grabovnica and Donji Neradovac".</p>
	<p><u>Transport</u> Indicator: Action plan for reform of PEPS (Public Enterprise: Roads of Serbia) Baseline: No Target: Yes (2015)</p>	<p>Merger of Roads of Serbia and Corridors of Serbia created a reformed single roads agency.</p>	<p>Source: CLR</p>
Major Outcome Measures	<p><u>Transport</u> Indicator: Adoption of National Road Safety Strategy and implementation of Road safety pilot projects. Baseline: No (2009) Target: Strategy adopted and four pilot projects implemented (2015)</p>	<p>A Lead Agency has been established under the new Road Safety Law; and the National Road Safety Strategy, a road safety cost model and terms of reference for the accident database have been prepared. Two road safety pilot projects completed.</p>	<p>Source: CLR</p>
	<p><u>Irrigation</u> Indicator: Improved agriculture sector resilience to floods as measured by the number of additional flood protection schemes Baseline: 0 new or rehabilitated schemes (2006)</p>	<p>Activities on rehabilitating flood control and drainage rehabilitation infrastructure are completed on 44 schemes covering 440,000 hectares country-wide, providing an increased level of protection to approximately 1.1 million people. Target number of flood control and irrigation schemes to be strengthened was scaled down due to the late adoption of the Water Law. The recent floods demonstrated that a critical gap remains.</p>	<p>Source: CLR</p>



CPS FY12-FY15: Pillar I - Competitiveness	Actual Results (as of current month/year)	Comments
<p>Target: 42 flood protection schemes covering 550,000 ha and 1.8 million people along Danube, Sava, Tisa and Tamis rivers</p>		
<p><u>Irrigation</u> Indicator: Agricultural yields</p> <p>Baseline: Wheat yield 3.5 tons/ha, corn yield 2.2 tons/ha (2006)</p> <p>Target: 20% increase in average yields (2013)</p>	<p>The interventions under the project to improve drainage and irrigation contributed to increased crop production of up to 36.5%, taking into account total effects of the yields increase, change in the sowing structure and reduction of costs, converted to the level of yields increase.</p>	<p>Source: CLR</p> <p>The baseline was revised at the CPSPR stage.</p>
<p>2. CPS Objective: Improve investment climate</p>		
<p><u>State Owned Enterprises</u> Indicator: State Owned Enterprise Reform as reflected by the introduction of rules for management appointments in SOEs introduced, accountability and transparency of SOE's performance increased</p> <p>Baseline: No</p> <p>Target: Yes (2015)</p>	<p>The Parliament has adopted a new PE Law, introducing objective rules for appointments, improving governance structures, and increasing transparency through various enhanced reporting requirements.</p>	<p>Source: CLR</p>
<p><u>State Owned Enterprises</u> Indicator: Potential social impact of SOE reform managed as measured by the RSD (Serbian dinar) in the budget to provide severance payments to redundant workers from SOEs</p> <p>Baseline: RSD 0 in 2013 budget</p> <p>Target: RSD 18 billion in 2014 budget</p>	<p>The Government allocated sufficient resources in the budget to provide severance payments to redundant workers. In 2014 it was budgeted RSD 3.3 billion and the whole amount was spent in order to finance severance packages to approximately 4,500 workers. Resources allocated in the 2015 budget are adequate to compensate further 20,000-25,000 redundant workers.</p>	<p>Source: CLR</p> <p>The CPS objective was revised at the CPSPR stage. The indicator was introduced at the CPSPR stage.</p>
<p><u>Judicial Performance</u> Indicator: Improved efficiency and services of the judiciary as measured by progress in negotiations under Chapter 23 and 24 of the EU Accession Agenda</p>	<p>EC Progress Report for 2014 noted "some progress" in the judiciary. Functional review of the Serbian Judiciary provided the basis for the Action Plan for opening of the negotiations under the Chapter 23, covering also issues that come under Chapter 24. The Action Plan</p>	<p>Source: CLR</p>



CPS FY12-FY15: Pillar I - Competitiveness	Actual Results (as of current month/year)	Comments
<p>Baseline:</p> <p>Target:</p>	<p>is being reviewed by the EU Commission and will be used as a base for prioritization of activities outlined in the National Judicial Reform Strategy 2013-2018.</p>	
<p><u>Corporate Finance</u> Indicator: Legal framework in place for strengthened transparency of corporate financial reporting in line with EU standards</p> <p>Baseline: No</p> <p>Target: Yes</p>	<p>Two laws, namely Law on Accounting and Law on Auditing were passed in July 2013, marking visible progress in bringing the legislative and institutional environment in the area of corporate financial reporting closer to EU acquis communautaire. However, actual practices in accounting and auditing lag behind the reforms in the legal framework, and very recent changes in the acquis communautaire will require additional adjustments to Serbian law governing financial reporting.</p>	<p>Source: CLR</p>
<p><u>Catastrophic Risk Insurance</u> Indicator: Increase in total coverage of firms and individuals brought about by Europa Reinsurance Facility (Europa Re)</p> <p>Baseline: 2%</p> <p>Target: 15%</p>	<p>The amendment to the Insurance Law enabling the operations of the Europa Re in Serbia was adopted only at the end of December 2013. Financial products of Europa Re have been launched. Sales of flood insurance commenced at the end of September 2014 in the aftermath of major floods. While the South East Europe and Caucasus Catastrophe Risk Insurance Facility (SEE CRIF) program made flood and earthquake insurance products available to the Serbian homeowners only recently, it is estimated that the penetration of flood insurance is increasing and is around 3-4 percent.</p>	<p>Source: CLR</p> <p>The CPS objective was revised at the CPSPR stage.</p>
<p><u>Banking</u> Indicator: Cumulative inflows into the Deposit Insurance System (DIF)</p> <p>Baseline: NA</p> <p>Target: US\$150 mil</p>	<p>The inflows into the DIF have exceeded US\$150 mil.</p>	<p>Source: CLR</p>
<p><u>Banking</u> Indicator: Deposit Insurance System (DIF) performing its legally mandated technical functions in any future bank failures in which DIF resources are utilized</p> <p>Baseline: No</p>	<p>Recent resolutions were done properly and the target was achieved.</p>	<p>Source: CLR</p>



CPS FY12-FY15: Pillar I - Competitiveness	Actual Results (as of current month/year)	Comments
Target: Yes		
3. CPS Objective: Improve innovation capacity		
Indicator: Additional funds raised by Serbia Innovation Fund to support innovation Baseline: €0 (2011) Target: €20 Million (2014)	Established and fully operational Innovation Fund successfully deployed pilot financial instruments resulting in financing of the startups and companies. Total funds raised so far amount to €35 million.	Source: CLR
Indicator: Startups have been financed and new products and processes have been launched by beneficiary enterprises Baseline: 0 startups financed and no new products (2011) Target: 10 startups financed and 8 new products and processes (2014)	64 start-ups have been financed and 10 new products have been launched	Source: CLR



	CPS FY12-FY15: Pillar II - Improved Efficiency and Outcomes in Social Spending	Actual Results (as of current month/year)	Comments
	4. CPS Objective: Strengthen fiscal performance		
	<p><u>Health Spending</u> Indicator: Percent of primary health care (PHCs) adopting clinical pathways</p> <p>Baseline: 0% of PHCs have adopted clinical pathways</p> <p>Target: 25% of PHCs have adopted clinical pathways</p>	39.62% of PHC have adopted clinical pathways.	<p>Source: CLR</p> <p>The CPS objective was revised at the CPSPR stage.</p>
	<p><u>Health Spending</u> Indicator: PHCs using fully operational health management information system (HMIS) platform.</p> <p>Baseline: 0%</p> <p>Target: 85%</p>	95.7% of PHCs use fully operational health management information system (HMIS) platform.	<p>Source: CLR</p> <p>The CPS objective was revised at the CPSPR stage.</p>
<u>Major Outcome Measures</u>	<p><u>Health Spending</u> Indicator: Number of Roma children vaccinated through Roma health mediators</p> <p>Baseline: 0 (2008)</p> <p>Target: 18,795 (2014)</p>	15 Roma health mediators financed from the loan funds resulting in 19,818 vaccinated children.	<p>Source: CLR</p> <p>The CPS objective was revised at the CPSPR stage.</p>
	<p><u>Disability Financing</u> Indicator: Sign language interpretation services for the deaf and escort services for the blind and people with impaired vision available</p> <p>Baseline: Not available</p> <p>Target: Available across the country</p>	Innovative services have been developed, piloted, and scaled up across the country (sign language interpretation services for the deaf, and escort services for the blind and people with impaired vision). Services are available across the country and are sustainable (financed through Disability Fund Grants). When people with disability need some services they apply for it and get them in time.	<p>Source: CLR</p> <p>The CPS objective was introduced at the CPSPR stage.</p>
	<p><u>Disability Financing</u> Indicator: Improved effectiveness of pension administration as measured by Administrative costs/pension expenditures</p> <p>Baseline: 2.2% (2005)</p>	Target of 1.5% achieved.	<p>Source: CLR</p> <p>The CPS objective and its indicator were revised at the CPSPR stage.</p>



CPS FY12-FY15: Pillar II - Improved Efficiency and Outcomes in Social Spending	Actual Results (as of current month/year)	Comments
Target: 1.5% (2015)		
<u>Disability Financing</u> Indicator: Improved sustainability of the pension system as measured by total pension expenditure to GDP ratio Baseline: 13.4% (2005) Target: 12%	Spending on wages and pensions increased although indexation formulas were implemented. Spending on pensions increased to 13.8% of GDP in 2013 (compared to 12.4% of GDP in 2008). Spending on public sector wages increased as well – 11.2% GDP in 2013 compared to 11% in 2008.	Source: CLR The CPS objective was revised at the CPSPR stage.
<u>Other Social Spending</u> Indicator: Better-informed decision-making on public expenditures, as indicated by: Fiscal Council established and operational Baseline: Fiscal Council not operational Target: Fiscal Council operational and State Audit Institution completes external audit of final accounts for RoS and at least 10 other external audits.	Fiscal Council is now established and operational. The State Audit Institution (SAI) audits final accounts of the RoS continuously since 2008. The SAI increased its capacity and number of annual audits during the CPS period. Latest data relates to 2012 financial statements, for which the SAI issued more than 60 audit reports, including those of final accounts of the RoS, stand-alone financial statements of various ministries, local self-governments, State Owned Enterprises, the National Bank of Serbia etc.	Source: CLR The CPS objective was introduced at the CPSPR stage.
<u>Other Social Spending</u> Indicator: Central and local per capita funding formulas tested and rolled out in the education sector Baseline: No Target: Yes	Central and local per capita funding formulas were supposed to be piloted in 15 municipalities but the Ministry of Education did not approve them and the pilot was not implemented.	Source: CLR
5. CPS Objective: More informed and effective policy making to reduce poverty and increase social inclusion		
Indicator: Poverty analysis and monitoring more closely aligned with EU methodology, as indicated by the completion and publishing of the SILC survey	SILC 2013 Completed First aggregate results published by the Statistical Office in a press release in December 2013; Bank's quality assessment report of 2013 SILC completed; SILC 2014 data collection completed. Initial poverty analysis using the 2013 SILC completed (profiles of the poor and different parts of	Source: CLR The CPS objective was revised at the CPSPR stage.



	CPS FY12-FY15: Pillar II - Improved Efficiency and Outcomes in Social Spending	Actual Results (as of current month/year)	Comments
	<p>Baseline: SILC survey results not published</p> <p>Target: SILC survey results published</p>	the income distribution, correlates of poverty, employment and income types, access to basic services).	
	CPS FY12-FY15: Pillar III - Environmental Sustainability	Actual Results (as of current month/year)	Comments
Major Outcome Measures	6. CPS Objective: Improve environmental conditions in the Bor Region.		
	<p>Indicator: Reduction of environmental risks related to the poor state and risk of possible failure of the Veliki Krivelj collector</p> <p>Baseline: Collector at risk of collapse</p> <p>Target: Works have been completed and collector replaced</p>	Design for the new collector completed. Contract for civil works awarded in January 2013. In mid-2013, the closing date of the Bor project was extended to September 2015. In extending, the Bank and the authorities agreed to significantly reduce the scope of its activities, including: (1) cancellation of the environmental remediation activities and monitoring activities, other than those related to the construction of Veliki Krivelj Collector bypass; and (2) discontinuation of the activities related to socio-economic component. However, following continued protracted delays loan funds were cancelled at the request of the Government in February 2015.	<p>Source: CLR</p> <p>The CPS objective was revised at the CPSPR stage.</p>
	7. CPS Objective: Improve energy efficiency		
	<p>Indicator: Lower heating bills for public buildings</p> <p>Baseline: No savings</p> <p>Target: US\$2.5 million per year saved</p>	Savings from the energy system rehabilitation are around US\$2.5 million per year. Annual energy consumption in public buildings (schools and hospitals) reduced by 60% on average.	<p>Source: CLR</p> <p>The indicator was revised at the CPSPR stage.</p>
<p>Indicator: Emissions targets achieved in four categories (SO₂, NO_x, Ash and CO₂)</p> <p>Baseline: 0 emissions targets met</p> <p>Target: Emissions targets met for SO₂, NO_x, Ash and CO₂.</p>	Project achieved targets in reducing emissions in all four categories (SO ₂ , NO _x , Ash, and CO ₂). In the project sites, no actual sulfur dioxide emission; no actual ash, soot & other solid particles emission; significantly reduced nitrogen oxide emission; and significantly reduced carbon dioxide emission (in total ca. 90% achievement).	<p>Source: CLR</p> <p>The indicator was revised at the CPSPR stage.</p>	



Annex Table 2: IBRD / IDA Planned and Actual Lending for Serbia, FY12-15

Project ID	Project name	Proposed FY	Approval FY	Closing FY	Proposed Amount	Approved Amount	Outcome Rating *
Projects Planned Under CPS / CPSPR F12-15							
P127876	Road Rehabilitation and Safety Project	2013	2013	2019	100.0	100.0	LIR: MS
P129539	Serbia Health Project	2013	2014	2020	40.0	40.0	LIR: S
P127408	First State Owned Enterprises Reform DPL	2015	2015	2016	250.0	100.0	LIR: N/A
P147050	Land and Real Estate Management Project	2015	2015	2021	50.0	44.0	LIR: N/A
P152018	Floods Emergency Recovery Project	2015	2015	2018	150.0	300.0	LIR: S
P123065	Public Expenditure DPL 3 (PEDPL 3)	2012	DROPPED	DROPPED	100.0	DROPPED	
	Private / Financial Sector (PFDPO) DPL 1	2013	DROPPED	DROPPED	100.0	DROPPED	
Total Planned					790.0	584.0	
Unplanned Projects during the CPS and CPSPR Period							
P146248	Deposit Insurance Strengthening Project		2014	2016		200.0	LIR: S
Total Unplanned						200.0	
On-going Projects during the CPS Period							
			Approval FY	Closing FY		Approved Amount	
P096823	LOCAL SERVICES DELIVERY		2008	2015		46.4	LIR: MS
P087964	IRRIG/DRAINAGE REHAB (SERBIA)		2006	2014		25.0	IEG: S
P075207	TRNSPT REHAB (SERBIA)		2004	2013		55.0	IEG: S
P075343	ENERGY EFF		2004	2013		21.0	IEG: MS
P090418	CNSLTD COLLECT & PENS ADM REF		2005	2013		25.0	IEG: MS
P094212	TRANS AG REFORM		2007	2013		17.0	IEG: MU
P077675	HEALTH (SERBIA)		2003	2012		20.0	IEG: S
P078311	REAL ESTATE CADASTRE (SERBIA)		2004	2012		30.0	IEG: S
P088867	ECSEE APL #2 (SERBIA)		2005	2012		21.0	IEG: MU
P120399	PEDPL 2		2011	2012		100.0	LIR: S
Total On-going						360.4	

Source: Panama CPS, CPSPR and AO Tables 2a.1, 2a.4 and 2a.7 as of 4/14/15

*LIR: Latest internal rating. MU: Moderately Unsatisfactory. MS: Moderately Satisfactory. S: Satisfactory. HS: Highly Satisfactory.

** This project was included in the CPS as a proposed operation for FY13 but was later not reported at the CPSPR stage. The project is considered as dropped.



Annex Table 3: Grants and Trust Funds Active in FY12-15 (in US\$ million)

Project ID	Project name	TF ID	Approval FY	Closing FY	Approved Amount
P126229	YF Innovation Serbia	TF 11257	2012	2016	9.52
P121377	Serbia Justice Sector Support Multi Donor Trust Fund	TF 97118	2011	2016	2.70
P124355	SILC Survey	TF 12623	2013	2015	0.85
P112508	Creation of Permanent Institutional Framework for Regulatory Impact Assessment	TF 96222	2010	2014	0.35
P121011	Daphnia Grazing to Stem Global Warming-Linked Bacterial Toxins in Fish Ponds	TF 97029	2011	2013	0.20
P120273	Strengthening Institutional Capacity for e-Government	TF 96230	2010	2013	0.38
P113242	Incorporation of State Owned Enterprises in Serbia	TF 96223	2010	2013	0.31
P114825	Serbia Asset Registry	TF 93849	2010	2013	0.30
P093545	Transitional Agriculture Reform GEF Project	TF 90454	2008	2013	4.50
Total					19.11

Source: Client Connection as of 4/14/2015

Annex Table 4: Analytical and Advisory Work for Serbia, FY12-FY15

Proj ID	Economic and Sector Work	Fiscal year	Output Type	ESW Cost (BB) Delivered (US\$T)	ESW Cost (TF) Delivered (US\$T)
P123023	Country Economic Memorandum (CEM)	FY12	Report	532.9	0.0
P118286	Education	FY13	TA/IAR	Not Available	Not Available
P130278	National ML Risk Assessment of Serbia	FY13	TA/EPD	Not Available	Not Available
P130684	Serbia Municipal PER	FY13	EW/Not assigned	259.3	0.0
P132409	Serbia Real Estate Management TA	FY14	TA/IAR	Not Available	Not Available
P145374	Serbia MFER2	FY14	EW/Not assigned	117.3	0.0
P145516	Serbia Macro-Modeling Support	FY14	TA/IAR	Not Available	Not Available
P147599	Belgrade Debt Management TA	FY14	TA/IAR	Not Available	Not Available
P150333	Serbia Competitiveness Policy Note	FY14	TA/IAR	Not Available	Not Available
P147225	Supporting the Rail Policy Reform	FY15	EW/Not assigned	174.7	0.0
P147420	Agriculture Sector Dialogue TA	FY15	TA/IAR	Not Available	Not Available
P150419	Access to Justice for Poor Women and Men	FY15	TA/IAR	Not Available	Not Available
P151467	Serbia Energy Needs Rapid Assessment	FY15	TA/IAR	Not Available	Not Available
P152405	PIM and Transport Sector Dialogue	FY15	TA/IAR	Not Available	Not Available
Total				1084.2	0.0

Proj ID	Technical Assistance	Fiscal year	Output Type	AAA Cost (BB) Delivered (US\$T)	AAA Cost (TF) Delivered (US\$T)
P123056	Civil Service Reform	FY12	"How-To" Guidance	29.1	0.0
P118286	Education	FY13	TA/IAR	82.7	0.0
P130278	National ML Risk Assessment of Serbia	FY13	TA/EPD	38.3	0.0
P132409	Serbia Real Estate Management TA	FY14	TA/IAR	239.2	0.0
P145516	Serbia Macro-Modeling Support	FY14	TA/IAR	58.8	0.0
P147599	Belgrade Debt Management TA	FY14	TA/IAR	57.8	0.0
P150333	Serbia Competitiveness Policy Note	FY14	TA/IAR	42.2	0.0
P147420	Agriculture Sector Dialogue TA	FY15	TA/IAR	Not Available	Not Available
P150419	Access to Justice for Poor Women and Men	FY15	TA/IAR	Not Available	Not Available
P151467	Serbia Energy Needs Rapid Assessment	FY15	TA/IAR	Not Available	Not Available
P152405	PIM and Transport Sector Dialogue	FY15	TA/IAR	Not Available	Not Available
Total				548.1	0.0

Source: AO Table ESW/TA 1.4 as of 4/14/15



Annex Table 5: IEG Project Ratings for Serbia, FY12-FY15

Exit FY	Proj ID	Project Name	Total Evaluated (\$M)	IEG Outcome	IEG Risk to DO
2013	P075207	TRNSPT REHAB (SERBIA)	103.1	SATISFACTORY	MODERATE
2013	P075343	ENERGY EFF	48.9	MODERATELY SATISFACTORY	NEGLIGIBLE TO LOW
2012	P077675	HEALTH (SERBIA)	35.8	SATISFACTORY	NEGLIGIBLE TO LOW
2012	P078311	REAL ESTATE CADASTRE (SERBIA)	29.7	SATISFACTORY	NEGLIGIBLE TO LOW
2014	P087964	IRRIG/DRAINAGE REHAB (SERBIA)	70.1	SATISFACTORY	SIGNIFICANT
2012	P088867	ECSEE APL #2 (SERBIA)	20.5	MODERATELY UNSATISFACTORY	SIGNIFICANT
2013	P090418	CNSLTD COLLECT & PENS ADM REF	25.2	MODERATELY SATISFACTORY	HIGH
2013	P094212	TRANS AG REFORM	10.7	MODERATELY UNSATISFACTORY	MODERATE
		Total	343.9		

Source: AO Key IEG Ratings as of 4/14/15

Annex Table 6: IEG Project Ratings for Serbia and Comparators, FY12-15

Region	Total Evaluated (\$M)	Total Evaluated (No)	Outcome % Sat (\$)	Outcome % Sat (No)	RDO % Moderate or Lower Sat (\$)	RDO % Moderate or Lower Sat (No)
Serbia	343.9	8	90.9	75.0	66.3	62.5
ECA	7,126.7	124	84.0	73.4	71.3	66.1
World	53,617.6	649	81.4	68.7	62.7	47.8

Source: AO Table 4.a.5 as of 4/14/15



Annex Table 7: Portfolio Status Indicators for Serbia and Comparators, FY12-15

Fiscal year	2012	2013	2014	2015	Average
Serbia					
# Proj	11	8	9	10	10
# Proj At Risk	1	3	1	1	2
% Proj At Risk	9.1	37.5	11.1	10.0	16.9
Net Comm Amt	764.9	664.1	829.8	1,226.5	871
Comm At Risk	43.3	477.4	25.8	16.3	141
% Commit at Risk	5.7	71.9	3.1	1.3	20.5
ECA					
# Proj	256	246	280	296	270
# Proj At Risk	47	47	37	34	41
% Proj At Risk	18.4	19.1	13.2	11.5	15.5
Net Comm Amt	23,375.0	24,849.7	27,177.9	29,137.3	26,135
Comm At Risk	2,701.1	3,867.3	2,659.9	2,571.0	2,950
% Commit at Risk	11.6	15.6	9.8	8.8	11.4
World					
# Proj	2,029	1,965	2,049	2,046	2,022
# Proj At Risk	387	414	412	437	413
% Proj At Risk	19.1	21.1	20.1	21.4	20.4
Net Comm Amt	174,972.9	178,199.5	196,478.7	204,257.7	188,477
Comm At Risk	24,643.4	41,267.1	41,754.8	44,399.8	38,016
% Commit at Risk	14.1	23.2	21.3	21.7	20.1

Annex Table 8: Disbursement Ratio* for Serbia and Comparators, FY12-15

Fiscal Year	2012	2013	2014	2015	Average
Serbia					
Disbursement Ratio (%)	23.44	17.84	18.89	52.15	28.08
Inv Disb in FY	141.66	81.62	88.16	296.12	151.89
Inv Tot Undisb Begin FY	604.43	457.60	466.58	567.80	524.10
ECA					
Disbursement Ratio (%)	25.92	24.15	22.78	19.31	23.04
Inv Disb in FY	3,498.43	2,925.82	2,611.49	2,195.97	2,807.93
Inv Tot Undisb Begin FY	13,495.75	12,113.73	11,466.36	11,369.52	12,111.34
World					
Disbursement Ratio (%)	20.79	20.60	20.79	16.18	19.59
Inv Disb in FY	21,048.75	20,509.01	20,756.34	16,251.99	19,641.52
Inv Tot Undisb Begin FY	101,239.14	99,582.39	99,848.44	100,429.75	100,274.93

Annex Table 9: List of IFC Investments in Serbia**Investments Committed in FY12-FY15**

Project ID	Cmt FY	Project Status	Primary Sector Name	Project Size	Original Loan	Original Equity	Original CMT	Net Loan	Net Equity	Net Comm
32554	2015	Active	Finance & Insurance	20,064	19,782	-	19,782	19,782	-	19,782
34684	2014	Active	Electric Power	3,500	3,500	-	3,500	3,500	-	3,500
31072	2013	Active	Agriculture and Forestry	71,533	75,143	-	75,143	75,143	-	75,143
33101	2013	Active	Food & Beverages	14,690	14,690	-	14,690	14,690	-	14,690
30669	2012	Active	Finance & Insurance	71,220	72,183	-	72,183	72,183	-	72,183
31030	2012	Active	Industrial & Consumer Products	49,617	26,883	-	26,883	26,883	-	26,883
31515	2012	Active	Finance & Insurance	81,600	66,565	-	66,565	66,565	-	66,565
31667	2012	Active	Agriculture and Forestry	115,724	55,816	-	55,816	55,816	-	55,816
31805	2012	Active	Finance & Insurance	12,115	-	12,115	12,115	12,115	12,037	12,037
31867	2012	Active	Food & Beverages	16,523	15,504	-	15,504	15,504	-	15,504
Sub-Total				456,585	350,065	12,115	362,180	362,180	12,037	362,103

Investments Committed pre-FY12 but active during FY12-15

Project ID	CMT FY	Project Status	Primary Sector Name	Project Size	Original Loan	Original Equity	Original CMT	Net Loan	Net Equity	Net Comm
27802	2011	Active	Finance & Insurance	179,229	7,238	11,699	18,936	18,936	7,313	14,551
29985	2011	Active	Finance & Insurance	50,000	49,999	-	49,999	49,999	-	49,999
30167	2011	Active	Industrial & Consumer Products	193,174	57,610	-	57,610	57,610	-	57,610
30498	2011	Active	Finance & Insurance	20,000	153,567	-	153,567	153,567	-	153,567
31247	2011	Active	Industrial & Consumer Products	43,208	-	-	-	-	-	-
28503	2010	Active	Industrial & Consumer Products	191,669	29,786	-	29,786	29,786	-	29,786



28867	2010	Active	Finance & Insurance	26,627	24,822	-	24,822	24,822	-	24,822
29836	2010	Active	Finance & Insurance	135,218	136,469	-	136,469	136,469	-	136,469
27078	2008	Active	Finance & Insurance	21,055	-	21,055	21,055	21,055	20,736	20,736
24247	2006	Active	Finance & Insurance	121,735	76,590	48,694	125,284	125,284	47,312	123,902
24230	2005	Active	Finance & Insurance	38,001	37,611	-	37,611	37,611	-	37,611
798	1986	Active	Finance & Insurance	35,300	23,066	-	23,066	23,035	-	23,035
27986	1900	Active	Utilities	-	-	-	-	-	-	-
32581	1900	Active	Food & Beverages	12,581	-	-	-	-	-	-
			Sub-Total	1,067,794	596,757	81,447	678,205	678,173	75,362	672,088
			TOTAL	1,524,379	946,823	93,562	1,040,385	1,040,353	87,399	1,034,190

Source: MIS Extract Data as of December 30, 2014

Annex Table 10: List of IFC Advisory Services for Serbia

Advisory Services Approved in FY12-15

Project ID	Project Name	Impl Start FY	Impl End FY	Project Status	Primary Business Line	Total Funds, US\$
599194	Southeast Europe PPP BD	2016	2016	ACTIVE	PPP	547,182
596647	Pancevo Health	2014	2014	TERMINATED	PPP	303350
599653	Serbia General & Administration	2014	2018	ACTIVE	A2F	1101345
599945	Serbia Grain PPP	2014	2015	TERMINATED	PPP	19,048
595728	Balkans Renewable Energy Program Expansion	2013	2016	ACTIVE	SBA	3,440,000
572687	Trade Logistics South East Europe	2012	2015	ACTIVE	IC	2,709,719
589367	Serbia Tax Simplification Project	2012	2015	TERMINATED	IC	770,000
595887	WBC Agribusiness study	2012	2013	CLOSED	SBA	139,848
	Sub-Total					9,030,492

Advisory Services Approved pre-FY12 but active during FY12-15

Project ID	Project Name	Start FY	End FY	Project Status	Primary Business Line	Total Funds, US\$
563707	ADR Serbia Construction Sector	2009	2012	Closed	IC	719,116
564609	Integrated Solid Waste Management Program - Serbia	2009	2012	Closed	SBA	1,009,871
565469	ISTR Serbia Ext	2009	2012	Closed	SBA	740,382
566967	CorpGovSerbia-II	2009	2012	Closed	SBA	659,693
	Sub-Total					3,129,062
	TOTAL					12,159,554



Regional

Project ID	Project Name	Start FY	End FY	Project Status	Primary Business Line	Total Funds, US\$
586209	Corporate Governance	2012	2016			4,823,704
595107	Regional Tax	2013	2016			2,970,022
599367	SME Banking for Agribusiness Standards	2013	2015			2,207,630
	Sub-Total					10,001,356
	TOTAL including Regional					31,191,402

Source: IFC AS Data as of June 30, 2014

Annex Table 11: Total Net Disbursements of Official Development Assistance and Official Aid for Serbia *

Development Partners	2009	2010	2011	2012	2013
Australia	0.02	..	0.01	0.01	0.01
Austria	12.4	13.19	10.37	11.31	11.59
Belgium	0.5	0.88	1.2	0.66	0.23
Canada	4.79	0.77	0.64	..	0.1
Czech Republic	4.48	3.58	3.19	2.38	1.61
Denmark	0.31	0.37	2.24	-32.1	1.16
Finland	0.32	7.33	8.42	6.28	0.21
France	12.66	13.95	11.27	10.8	8.19
Germany	114.53	126.26	71.46	52.61	30.66
Greece	2.58	12.26	13.31	1.02	0.12
Iceland	0.07	..	..	..	..
Ireland	0.29	0.04	..	0.03	0.11
Italy	2.66	2.32	18.63	-2.44	-1.59
Japan	13.4	5.18	9.17	6.62	6.39
Korea	1.61	0.06	0.2	..	0.02
Luxembourg	1.13	0.67	1.27	2.73	2.6
Netherlands	2.62	3.78	1.32	0.03	..
New Zealand	..	..	..	..	..
Norway	19.88	20.24	19.83	15.32	10.88
Poland	-3.2	-3.25	-3.26	-3.3	-3.29
Portugal	0.1	12.54	0.14	0.11	0.12
Slovak Republic	1.41	1.35	1.03	1.45	1.39
Slovenia	1.91	0.96	1.33	0.86	0.91
Spain	4.02	0.44	-2.38	-2.81	-3.24
Sweden	22.94	17.59	22.99	18.84	13.71
Switzerland	11.15	11.91	15.46	20.5	18.73
United Kingdom	7.72	5.4	2.43	5.2	5.06
United States	46.5	57.87	42.18	41.64	32.43
DAC Countries, Total	286.8	315.69	252.45	157.75	138.11
AfDB (African Dev. Bank)	..	..	..	..	..
AfDF (African Dev.Fund)	..	..	..	..	..
Arab Fund (AFESD)	..	..	..	..	..
AsDB Special Funds	..	..	..	..	..
BADEA	..	..	..	..	..
CarDB (Caribbean Dev. Bank)	..	..	..	..	..



Climate Investment Funds (CIF)	..	..	..	..	..
Council of Europe Development Bank (CEB)	..	..	..	-0.65	-1.27
EBRD	..	..	..	..	..
EU Institutions	292.94	290.13	1045.03	884.59	593.84
GAVI	..	..	..	..	..
GEF	2.2	..	2.15	1.64	1.21
Global Green Growth Institute (GGGI)	..	..	..	..	..
Global Fund	5.5	5.68	5.2	4.25	5.12
IAEA	0.37	1.85	0.12	0.01	0.92
IBRD	..	..	..	..	..
IDA	23.11	24.67	24.08	5.15	-24.64
IDB Sp.Fund	..	..	..	..	..
IFAD	..	..	..	..	..
IFC	..	..	..	..	..
IMF (Concessional Trust Funds)	..	..	..	..	..
Isl.Dev Bank	..	0.02	..	..	..
Montreal Protocol	..	..	..	..	..
Nordic Dev.Fund	..	..	..	..	..
OFID	..	..	..	..	..
OSCE	..	9.14	9.37	8.19	7.96
UNAIDS	0.04	0.04	..	0.04	..
UNDP	1.42	1.08	0.83	0.87	0.62
UNECE	..	..	..	..	..
UNFPA	0.12	0.69	0.73	0.48	0.41
UNHCR	4.98	1.67	12.73	5.37	6.87
UNICEF	0.6	0.91	0.51	0.48	0.78
UNPBF	..	..	..	..	..
UNRWA	..	..	..	..	..
UNTA	..	..	..	..	..
WFP	..	..	..	..	..
WHO	..	..	..	..	..
Other Multilaterals	..	..	..	-0.65	-1.27
Multilateral, Total	331.28	335.88	1100.75	909.77	590.55
Bulgaria	..	..	..	..	..
Croatia	..	..	..	..	..
Cyprus	0.04	0.04	0.04	0.03	0.01
Estonia	..	0.01	..	..	..
Hungary	2.02	3.34	7.42	3.93	6.45
Israel	0.13	0.11	0.29	0.23	0.17
Kuwait (KFAED)	..	..	..	..	0.6
Latvia	..	..	..	..	..
Liechtenstein	..	..	..	..	..
Lithuania	..	..	..	..	..
Malta	..	..	..	..	..
Romania	0.1	1.05	1.4	1.32	1.01
Russia	..	..	13.01	9.49	36.47
Saudi Arabia	..	..	..	..	..
Chinese Taipei	..	..	..	..	..
Thailand	..	..	..	..	..
Turkey	3.33	3.75	3.91	6.03	6.06



United Arab Emirates	..	..	..	..	..
Other donor countries	..	..	..	..	..
Non-DAC Countries, Total	5.62	8.3	26.07	21.03	50.77
Development Partners Total	623.7	659.87	1379.27	1088.55	779.43

Source: OECD Stat, [DAC2a] as of April 14, 2015

* Data not available beyond 2013



Annex Table 12: Economic and Social Indicators for Serbia, 2010 - 2014 *

Series Name						Serbia	ECA (Developing Only)	World
	2010	2011	2012	2013	2014	Average 2010-2013		
Growth and Inflation								
GDP growth (annual %)	0.6	1.4	-1.0	2.6	..	0.9	4.4	2.9
GDP per capita growth (annual %)	1.0	2.2	-0.5	3.1	..	1.4	3.7	1.7
GNI per capita, PPP (current international \$)	11,540.0	12,290.0	12,440.0	12,480.0	..	12,187.5	12,773.1	13,562.7
GNI per capita, Atlas method (current US\$) (Millions)	5,850.0	5,900.0	5,730.0	6,050.0	..	5,882.5	6,572.3	10,049.1
Inflation, consumer prices (annual %)	6.1	11.1	7.3	7.7	2.1		4.5	3.5
Composition of GDP (%)								
Agriculture, value added (% of GDP)	10.2	10.7	9.0	..	..	10.0	8.5	3.1
Industry, value added (% of GDP)	28.4	29.5	30.3	..	..	29.4	30.9	27.0
Services, etc., value added (% of GDP)	61.4	59.8	60.7	..	..	60.6	60.7	69.9
Gross fixed capital formation (% of GDP)	18.6	18.4	21.2	..	..	19.4	21.6	21.8
Gross domestic savings (% of GDP)	3.5	4.7	4.3	..	..	4.2	18.3	22.5
External Accounts								
Exports of goods and services (% of GDP)	32.9	34.0	36.9	40.8	..	36.1	40.0	29.5
Imports of goods and services (% of GDP)	47.9	49.4	53.6	51.9	..	50.7	44.0	29.5
Current account balance (% of GDP)	-6.5	-8.3	-11.5	-6.1	..	-8.1	..	..
External debt stocks (% of GNI)	91.2	75.1	93.2	88.1	..	86.9	63.7	..
Total debt service (% of GNI)	11.2	11.5	15.2	19.4	..	14.3	15.7	..
Total reserves in months of imports	7.6	7.5	7.2	7.0	..	7.3	5.2	13.6
Fiscal Accounts *								
General government revenue (% of GDP)	39.9	38.2	39.4	37.9	40.0	39.1	..	..
General government total expenditure (% of GDP)	43.6	42.4	46.1	43.2	46.3	44.3	..	..
General government net lending/borrowing (% of GDP)	-3.7	-4.1	-6.8	-5.3	-6.3	-5.2	..	..
General government gross debt (% of GDP)	43.7	46.6	58.3	61.4	72.4	56.5	..	..
Social Indicators								
Health								
Life expectancy at birth, total (years)	74.3	74.5	74.8	75.1	..	74.7	72.1	70.6
Immunization, DPT (% of children ages 12-23 months)	91.0	94.0	91.0	95.0	..	92.8	92.2	83.4
Improved sanitation facilities (% of population with access)	97.1	97.2	97.3	..	..	97.2	94.0	63.3
Improved water source (% of population with access)	99.2	99.2	99.2	..	..	99.2	94.8	88.9
Mortality rate, infant (per 1,000 live births)	6.6	6.4	6.1	5.8	..	6.2	21.1	35.2
Education								
School enrollment, preprimary (% gross)	52.7	53.2	55.8	58.4	..	55.0	45.2	..
School enrollment, primary (% gross)	95.9	94.9	93.0	100.9	..	96.2	99.5	108.4
School enrollment, secondary (% gross)	91.4	91.5	91.7	94.4	..	92.3	93.0	72.1
Population								
Population, total (Millions)	7.3	7.2	7.2	7.2	..	7.2	269.6	7,004.2
Population growth (annual %)	-0.4	-0.8	-0.5	-0.5	..	-0.5	0.7	1.2
Urban population (% of total)	55.2	55.3	55.3	55.4	..	55.3	59.8	52.3

Source: WDI as of April 14, 2015. Data not available for 2015

*International Monetary Fund, World Economic Outlook Database, April 2015