CLR Review

Independent Evaluation Group

Completion and Learning Review

Serbia

FY16-FY20 Country Partnership Framework

May 13, 2022

Ratings

	CLR Rating	CLRR (IEG) Rating
Development Outcome:	Satisfactory	Satisfactory
WBG Performance:	Good	Good

I. Executive Summary

i. **This review of the World Bank Group's Completion and Learning Review (CLR) covers the FY16-FY20 Country Partnership Framework (CPF)** and its adjustments through the FY19 Performance and Learning Review (PLR). The CPF period officially ended in June 2020, but the COVID-19 pandemic delayed the preparation of the new CPF. The CLR covers the program through June 2020.

ii. **The WBG-supported program was broadly consistent with the government's strategy and addressed major development challenges.** It was based on two focus areas -- economic governance and the role **of** the state (focus area I) and private sector growth and economic inclusion (focus area II) -- with a cross-cutting theme of responding to climate change and reducing disaster risks. Program design was well sequenced, front-loading challenging fiscal consolidation reforms both to create fiscal space for later investments and to strengthen the government's trust in its partnership with the WBG. The program's alignment with WBG corporate priorities increased over time. Environmental sustainability, resilience, and inclusion challenges were initially overshadowed by continued fiscal stress and job losses following the 2008 global financial crisis and natural disasters. However, these issues became more salient as the program was implemented through engagement on energy sector reform, labor mediation interventions, and measures to mitigate potential short-term social and labor impacts of state-owned enterprise reforms.

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iii. **IEG rates the CPF development outcome as Satisfactory**. Of the ten objectives, six were Achieved, three were Mostly Achieved, and one was Partially Achieved. Under the first Focus Area, subsidies and guarantees to SOEs decreased. More than 500 SOEs were privatized, though some of the remaining companies are large. There was good progress in transforming the state-owned electric utility into a Joint Stock Company and improving its efficiency, and renewable energy generation capacity in wind was increased. The public railway company was unbundled into autonomous infrastructure, freight, and passenger companies, and subsidies to the freight company were eliminated. However, insufficient data was provided on improvements in public service delivery, public administration efficiency, or road transport efficiency. Work on the second Focus Area produced some strong improvement in the business climate. The largest investment in the WBG portfolio during the CPF completed Serbia's three sections of Corridor X, a large north-south highway intended to improve mobility across the region. Results exceeded expectations for trading across borders, paying taxes, and dealing with construction permits, though improvement in resolving insolvency did not reach planned levels due to a low rate of asset recovery. The banking sector took important steps toward being better capitalized, liquid, and profitable. Land and property markets were made more efficient through digitization of data and processes. Strengthening of the National Employment Service led to improved institutional efficiency, but the available data on its contribution to smoothing labor market friction was inconclusive.

iv. **World Bank Group performance was Good**. Program design was adequate and appropriately selective, addressing Serbia's most binding development constraints in a focused way. The balanced suite of WBG interventions was capable of achieving the CPF objectives, with strong innovation in the use of Reimbursable Advisory Services (RAS). Front-loaded fiscal consolidation and state-owned enterprise (SOE) reforms helped create space for later investments. ASA activities filled knowledge gaps and served as a base for lending. Risks were well identified and mostly well mitigated. There were good parallel efforts across the three WBG institutions, with particular strength in improving the business climate, recovering distressed assets, and improving the regulatory framework on renewable energy between IFC and IBRD. There was also good cooperation between IFC and MIGA on the waste-to-energy project and in the financial sector. Coordination with development partners was strong, though there were some initial challenges in harmonizing processes for transport sector interventions. Safeguards compliance and fiduciary performance were satisfactory. The program adapted well to changing circumstances and priorities at the PLR stage, dropping an objective on closing skill gaps due to shortcomings with the associated project and introducing changes in the results matrix in response to implementation challenges and new opportunities in agriculture, mining, and the innovation agenda. The WBG responded rapidly and flexibly to new needs posed by the COVID-19 pandemic. However, given the importance of the human capital development agenda in Serbia, removing the skills objective at the PLR stage moderately decreased program relevance. In addition, there were shortcomings with the results framework. Some objectives were not adequately measured by the indicators due to a focus on outputs rather than outcomes or failure to measure all dimensions of an objective, and additional information was required to assess achievement.

v. **Overall, the WBG provided good support to address Serbia's development priorities**. Development policy lending contributed to significant reduction in public expenditures through increased efficiency of the main power utility and lower subsidies and guarantees to state-owned enterprises, though the latter remains a work in progress. Investment loans recapitalized the Deposit Insurance Fund – the first-ever WBG operation that recapitalized a depleted public insurance fund -- and strengthened state-owned financial institutions, making the banking sector more liquid and profitable. Investments in real estate management produced more efficiency in construction permits and property registration and valuation. Complementary operations across WBG supported the construction of key roads and enhanced road safety. IFC advisory support produced priority improvements in the business and investment climate. RAS on results-based management helped improve coordination and monitoring of government programs. A Catastrophe Deferred Drawdown Operation (CAT DDO) strengthened reconstruction, recovery, and risk assessment for natural disasters. However, some dimensions of planned support for human capital -- social assistance beneficiaries' activation, closing skills gaps, and service delivery improvements in health and other sectors – either did not materialize or did not produce measurable outcomes.

vi. **IEG broadly agrees with the CLR's lessons**, particularly on the long-term time frame required for implementation of complex transformation agendas, especially in areas where reform is politically sensitive, and the important role that demonstrable, significant improvements for beneficiaries can play in building not only sustainable institutions but also constituencies for reform. IEG notes that the program's results framework did not provide comprehensive measurement of outcomes across all dimensions of each objective; an additional lesson from this CLR Review is therefore that close tracking of results and impact taking into account each element of every objective can better serve assessment of outcomes and learning.

II. Strategic Focus

Relevance of the CPF

1. ***Country Context.*** Serbia is a small, open, upper-middle-income country that aspires to reach European levels of prosperity. It started negotiations for European Union (EU) accession in 2014. Accession negotiations are currently ongoing. Major fiscal consolidation and other reforms beginning in 2014 helped restore macroeconomic stability following the global financial crisis in 2008, drought in 2012, and major floods in the spring of 2014, with economic growth increasing from -1.8 percent in 2014 to an average of 3.1 percent in the period 2015-2019. Growth reversed to -0.9 percent in 2020 due to the effects of the COVID-19 pandemic. The incidence of poverty, measured as income below the standardized US$5.5/day (2011 PPP), declined from 22.2 percent in 2016 to 17.4 percent in 2020, but Serbia's Gini coefficient, 35.6 in 2017, placed it among the top three most unequal countries in the region. Poverty is higher in rural and thinly populated areas, and there are pockets of extreme poverty, particularly among the Roma population. The country's main challenges center around completing the transition from a state-dominated to a private-sector driven economy, and moving from a consumption-based to

export-led growth model. While the government has advanced structural reforms, they have not been sufficient to accelerate convergence with EU living standards. Improvements in governance and institutions have stalled, holding back progress in providing equal opportunities and inclusion, boosting productivity and private sector development, and ensuring environmental stability and management of climate-related risks.

2. ***Government Strategy and CPF***. The FY16-FY20 CPF straddled several consecutive government reform programs, which were organized around a common strategy centered on reducing the role of the state in the economy, maintaining prudent fiscal policies, and strengthening the role of the private sector. The 2015-2018 program, launched after the 2014 recession, targeted expenditure-based fiscal consolidation; it outlined an ambitious reform agenda aimed at restructuring state-owned enterprises, streamlining and improving the performance of public administration, improving the business climate, and strengthening financial stability. The 2018-2020 strategy sought to consolidate achievements in the fiscal area while supporting initiatives to boost growth, such as increasing public investment and decreasing the tax burden for low-income employees. The 2020-2022 program emphasizes economic strengthening and entrepreneurship, efficient and responsible government, environmental protection and green transformation, human capacity building, and improved protection of people's health. In response to the COVID-19 pandemic, the government promptly enforced movement restrictions and lockdowns, deployed a robust stimulus package amounting to 13 percent of GDP, and made vaccines available more quickly than in most other European countries, softening the pandemic's negative health and economic impacts.

3. ***Relevance of Design.*** The WBG program was consistent with the government's strategy and addressed major constraints to development, pursuing an overall goal to support Serbia in creating a competitive and inclusive economy and, through this, to achieve integration into the EU. It was based on two focus areas -- (i) economic governance and the role of the state, and (ii) private sector growth and economic inclusion – with a cross-cutting theme of responding to climate change and disaster risks. The program addressed the most binding development constraints, supporting the top priorities expressed in the 2015 Systematic Country Diagnostic (SCD).[1] The cross-cutting theme was appropriate, given the high risks that natural disasters pose to economic development and the impact of climate change on the poor. The objectives were appropriate, with many of the objectives deliberately complementary to one another. Program design was selective, prioritizing areas with the most potential for high impact and strongest government reform championship; coordinated with development partners (and the EU in particular, which had the lead in agriculture and rural development); and well sequenced, front-loading fiscal consolidation and state-owned enterprise (SOE) reform, in an

1 The 2015 SCD identified two "foundational priorities": (i) fiscal sustainability, financial and macro stability, and (ii) governance and institutional capacity; and five "priorities with highest impact on twin goals": (i) SOE reform, (ii) business climate reform, (iii) labor market institutions, (iv) agriculture and self-employment, and (v) infrastructure. Four additional areas were identified as "other support priorities"--water and sanitation, education and skills, health, and social protection.

effort to create fiscal space for later investments. A mix of instruments was deployed to support reforms and achieve institutional transformation, including DPLs, traditional investment loans, and several results-based financing operations in the form of investment loans and PforRs, as well as two Reimbursable Advisory Services projects and other relevant ASA to inform lending. Program design reflected lessons learned from the previous Country Partnership Strategy (FY12-FY15), including the need for close alignment with the objectives of the government and other key partners, and the importance of focus on a relatively concise set of outcomes.

4. The PLR maintained the two focus areas, while removing an objective on closing medium- and long-term skills gaps because of problems with the associated project. The PLR introduced a Reimbursable Advisory Services program (the first in the Western Balkans); realigned the program's engagement on labor reform due to changing circumstances; added agriculture as an area for analytical work and lending, as the government requested WBG support to align with EU and other efforts; and added an operation in the mining sector, building on the Bank's long-standing engagement on SOEs. The WGB responded quickly and flexibly to the COVID-19 pandemic by directing about 15 percent of its portfolio to crisis response, including three project restructurings, a drawdown from a Disaster Risk Management Catastrophe Deferred Drawdown Operation (CAT DDO), and a new US$100 million operation funded out of the Fast-Track COVID-19 Facility. Relevance of the program was diminished to a moderate degree with the dropping of the skills objective.

5. IFC proposed interventions supporting government priorities and country challenges. Addressing high non-performing loan (NPL) rates (23%) was expected to contribute to the improved functioning of the financial sector. Similarly, improvements in business climate would remove obstacles in soft infrastructure, allowing the private sector to unleash its development potential. Most importantly, improved efficiency in the power sector was expected to alleviate chronic deficiencies. Serbia was (and still is) one of the most energy-intensive countries globally due to its outdated energy infrastructure, high energy losses in transformation, transmission, and distribution, and low energy efficiency among end-users. Seventy percent of electricity generation comes from old coal-fired plants, making Serbia one of the largest greenhouse gas emitters per capita in Europe. Investments in the transport and utility sectors, including waste management, were imperative to the country's development. IFC also supported a COVID-19 working capital financing facility.

Results Framework

6. The results framework was streamlined, with just one or two indicators to measure achievement of most objectives. The indicators were measurable, with baselines and targets specified, and data were available for most indicators. However, in some cases, outputs rather than outcomes were measured, and in others, the indicators did not measure all dimensions of the objective. In many cases, supplemental indicators and/or additional evidence were required to demonstrate achievement. For example:

- For the second objective – more effective public administration and select service delivery improvements – there was no indicator that measured quality improvements in service delivery in any sector.
- Under the fourth objective – more efficient public transport companies – the indicator for the road sector measured the length of roads with performance-based maintenance contracts, but not outcomes resulting from those contracts.
- The fifth objective was originally measured by the number of SOEs in the Privatization Agency (PA) portfolio that were privatized; because these SOEs were not appealing to investors, the indicator was modified at the PLR stage to the number of companies in the PA portfolio resolved through asset and equity sales, but this indicator became obsolete when the government shut down the PA in 2016. Furthermore, the indicator counted the number of companies resolved without identifying their size or other significant characteristics.
- The indicators under the tenth objective gauged success in employment facilitation through increases in the number of unemployed people who had found formal jobs, not taking into account possible changes in the overall population and/or number of unemployed people.

7. The PLR also dropped some unmeasurable indicators and modified others to reflect revision of IFC's planned interventions.

Alignment

8. The program implemented during the CPF period was broadly aligned with the WBG's corporate priorities to reduce poverty and boost shared prosperity in a sustainable manner. Environmental sustainability, resilience, and inclusion challenges were overshadowed at the beginning of the period, in the aftermath of ongoing fiscal stress and job losses associated with the 2008 global financial crisis and natural disasters. However, these issues became more salient as the CPF was implemented. Climate risk mitigation was addressed through the engagement on energy sector reform and through the CAT DDO. Labor intermediation interventions were aimed at improving services for lower income groups, and the development policy lending series supported measures to mitigate potential negative short-term social and labor impacts of SOE reforms. Gender and other inequities were the topic of analytical work that (among other things) explored barriers to women's labor market participation and access to education for Roma children, and informed employment facilitation activities that targeted women, youth, and Roma populations, as well as actions to improve women's access to land. The skills objective that was dropped at the PLR stage focused on support for early childhood education that would have benefited women's labor market access.

III. CPF Description and Performance Data

Advisory Services and Analytics

9. **A wide-ranging ASA program included 54 projects and remained active throughout the CPF period, filling knowledge gaps identified in the CPF and informing lending**. For example, public financial management reviews, TA on public investment management and on rightsizing and restructuring of SOEs, and functional and vertical reviews of the agriculture, education, labor, health, and finance sectors underpinned lending to improve effectiveness and efficiency of the public sector. Development policy lending was underpinned by a District Heating Tariff Study and Poverty and Social Impact Assessment that identified the distributional impact of fiscal policies and energy use and reform. A Growth Agenda Country Economic Memorandum developed a package of policy recommendations to support the government in the implementation of growth-related reforms. The Serbia Reimbursable Advisory Services program, including a first RAS approved in the Western Balkans, engaged the WBG in support of results-based management; for example, just-in-time technical assistance was complemented by a RAS on strengthening corporate governance and mainstreaming results-based approaches for the public power utility. Key knowledge gaps were filled through analytic work that contributed to mainstreaming climate resilience in road transport management, as well as disclosing and publishing road accident data.

10. **IFC approved three advisory projects during the CPF period.** One addressed distressed assets, another focused on improving the investment climate, and a third dealt with power and district heating. Another two projects were active during this period (waste-to-energy and renewable energy). IFC reported that AS contributed to improvement of the regulatory framework resulting in an improved insolvency system, streamlined business procedures and an increased use of for renewables. Total funds managed by IFC reached US$19.8 million (US$13 million for the new projects). A PCR for the waste-to-energy advisory rates it successful.

Lending and Investments

11. **At the start of the CPF period, outstanding commitments amounted to US$784 million, consisting of six operations approved during FY13-FY15.** They comprised investment loans spanning Focus Area I (SOE reform and health services delivery) and Focus Area II (roads, real estate management, and deposit insurance strengthening). An FY14 Floods Emergency Recovery project, responding to devastating floods in the spring of 2014, spanned both Focus Areas, with interventions to restore the power system and energy supply, agriculture, and flood protection infrastructure.

12. **During the CPF period, IBRD commitments totaled US$ 1.519 billion across 19 projects.** Well over twice as much was committed to Focus Area I (U$ 994.7 million) as Focus Area II (US$ 374.3 million). The different amounts reflected the presence of substantial budget support under the first focus area. Under Focus Area I, development policy lending (US$670 million) focused on public expenditure management and SOE reform; investment project lending (US$ 131.1 million) on improving public services, including health, early childhood

education, and digital governance; and two PforRs (US$ 193.6 million) on modernization of public administration and improving the management and sustainability of public infrastructure, primarily in transport and energy. Under Focus Area II, funds were committed entirely through investment projects for tax administration modernization, competition and jobs, entrepreneurship, real estate management, and connectivity (roads and railways). Two investment projects were supported that were not anticipated under the CPF: one for the agriculture sector (US$ 50 million), which was added at the PLR stage due to increased counterpart readiness, and a US$ 100 COVID-19 response project. Nine Trust Funded projects totaling US$ 27.8 million were active during the CPF period covering both Focus Areas, including projects on public sector rightsizing and restructuring, disaster risk management, open data, evidence-based policy making in the agriculture sector, research and innovation, and corporate financial reporting.

13. **During the CPF period, ten operations (including two series of two-phase DPLs) disbursing a total of US$ 1.5 billion were closed and reviewed by IEG, all of which performed well.** Performance at exit, measured by outcomes rated Moderately Satisfactory or higher (100 percent), was better than that for the Europe and Central Asia Region (83.9 percent, and 81.5 percent weighted by commitment value) and for the World Bank (78.9 percent, and 83.5 percent weighted by commitment value). There were four projects at risk (11 percent) at any point during the program, which compares favorably with 17 percent for the Europe and Central Asia Region and 21 percent for the World Bank as a whole. Of the four, three – Road Rehabilitation and Safety, Health, and Competitiveness and Jobs – were restructured to bring them back on track. Restructuring of the roads project included a reduction in scope resulting in cancellation of about 13 percent of the loan amount. The fourth, Enabling Digital Governance, entered problem status in May 2020, and an action plan is being prepared to improve its performance.

14. **At CPF inception, IFC had financed US$ 682 million in 16 projects.** US$610 million of this total was from its own account, and US$ 72 million was through mobilization from the commercial banks and three regional projects with a Serbia component, for a total of US$ 120 million. Four projects amounting to US$105.93 million, committed before the CPF period, remained active, contributing mainly to improving access to finance (67 percent) and supporting the food and beverage sector (29 percent).

15. **During the CPF period, the IFC's own account financing reached US$ 291 million across four industry segments and seven projects (and US$ 30 million in a regional project), leveraging a total project size of US$ 796.7 million.** The most significant participation was in infrastructure networks (airport project 41 percent), followed by sustainable power through wind power projects (33 percent), a waste-to-energy project (33 percent), and more accessible financial sector (6 percent). IFC's portfolio addressed development priorities on climate change and connectivity. Demand from the banking sector was lower than anticipated.

16. **IEG reviewed six XPSRs mainly for projects committed before this CPF (but active in its duration), rating most of them as highly unsuccessful or unsuccessful (only one was rated**

mostly successful). However, these ratings do not reflect the performance of IFC's current portfolio. Previously rated projects suffered from lack of country experience in project management, resulting in higher running costs than expected; high dependency on single client; and cost over-run due to changes in project scope. New projects were more mature, benefiting from additional country experience.

17. **At the end of the CPF, MIGA had an exposure of US$ 798.3 million in six projects, mainly in the financial sector (86 percent of the total portfolio).** MIGA offered capital optimization guarantees (US$ 689.4 million) to five international banks, freeing up capital that would otherwise be engaged in reserve, thus expanding access to finance. MIGA also provided political risk guarantees (US$ 108.9 million) to the waste to energy project.

IV. Development Outcome

A. Overall Assessment and Rating

18. **IEG rates the CPF development outcome as Satisfactory.** Of the ten objectives, six were Achieved, three were Mostly Achieved, and one was Partially Achieved. Under the first Focus Area, subsidies and guarantees to SOEs decreased. More than 500 SOEs were privatized, although some of the remaining companies are large and strategically important. There was good progress in transforming the state-owned electric utility into a Joint Stock Company and improving its efficiency, and renewable energy generation capacity in wind was increased. The public railway company was unbundled into autonomous infrastructure, freight, and passenger companies, and subsidies to the freight company were eliminated. However, insufficient data was provided on improvements in public service delivery, public administration efficiency, or road transport efficiency. Support for the second Focus Area produced some strong improvement in the business climate. The largest investment in the WBG portfolio during the CPF completed Serbia's three sections of Corridor X, a large north-south highway intended to improve mobility across the region. Results exceeded expectations for trading across borders, paying taxes, and dealing with construction permits, although improvement in insolvency did not reach planned levels due to weak asset recovery. The banking sector took important steps toward being better capitalized, liquid, and profitable. Land and property markets were made more efficient through digitization of data and processes. Strengthening of the National Employment Service led to improved efficiency of that institution, but available data on its contribution to smoothing labor market friction was inconclusive.

19. **Cross-cutting theme: Responding to climate change and disaster**. The program included prompt support for Serbia's recovery after the May 2014 floods, which caused damages and losses amounting to EUR1.7 billion. The Floods Emergency Recovery Project assisted in restoring power systems, protecting livelihoods of affected farmers, and strengthening capacity to respond to future disaster. A National Disaster Risk Management (DRM) Plan, a roadmap for systematic operationalization of the DRM program, was approved. The CAT DDO supported the building of an institutional environment to manage the physical

and fiscal impact of natural hazards and strengthen the associated legal landscape. IFC's advisory and investment activities and MIGA guarantees in renewable energy, energy efficiency, and/or waste management have contributed to greening Serbia's energy mix, reducing its overdependence on thermal plants and curbing its vulnerability to climate change. Analytical work contributed to mainstreaming climate resilience in road transport management.

Objectives	CLR Rating	CLRR (IEG Rating)
Focus Area I: Economic Governance and the Role of the State	**Satisfactory**	**Satisfactory**
Objective 1: Sustainable public expenditure management	Achieved	Achieved
Objective 2: More efficient public administration and select service delivery improvements	Mostly Achieved	Mostly Achieved
Objective 3: A more efficient and sustainable power utility	Achieved	Achieved
Objective 4: More efficient public transport companies	Achieved	Mostly Achieved
Objective 5: Resolution of SOE assets in Privatization Agency Portfolio	Mostly Achieved	Achieved
Focus Area II: Private Sector Growth and Economic Inclusion	**Satisfactory**	**Satisfactory**
Objective 6: Priority business climate improvements	Achieved	Achieved
Objective 7: More stable and more accessible financial sector	Mostly Achieved	Mostly Achieved
Objective 8: More efficient land and property markets	Achieved	Achieved
Objective 9: Enhanced transport infrastructure networks	Achieved	Achieved
Objective 10: More efficient employment facilitation	Achieved	Partially Achieved

B. Assessment by Focus Area/Objective

Focus Area I: Economic Governance and the Role of the State

20. Focus Area I supported the government's goal of improving the sustainability of Serbia's fiscal position through progress on advancing privatization, reducing public subsidies and guarantees, and improving SOE governance. There was significant synergy across the five objectives.

21. **Objective 1: Sustainable public expenditure management.** The objective was supported by the First and Second Programmatic SOE Reform DPLs (FY15 and FY17), and the first and second Public Expenditure and Public Utilities (PEPU) DPLs. The former aimed to reduce state participation and levels of direct and indirect support to SOEs, enhance SOE performance, governance, and accountability, and mitigate the short-term labor and social impact on workers made redundant from public enterprises; the latter tackled the efficiency and sustainability of energy and transport sector public enterprises.

22. The assessment of performance on this objective's indicator is as follows:

Indicator	Baseline (year)	Target (year)	IEG Validated Result (year)	IEG Rating
Reduction of public expenditures through lower direct subsidies and guarantees to SOEs	EUR 293 million (of which 73 million for SOEs in the PA portfolio) (2012-2013 average)	25 percent reduction (less than EUR 220 million) (2019)	EUR 246 million (decrease of 16 percent), with none to SOEs in the PA portfolio (2019)	Mostly Achieved

23. *Achieved*. The CLR reports that subsidies outside the PA portfolio increased somewhat because toll collections were channeled to the budget and then returned to the Road Authority as transfers; for this reason, the indicator is not a good measure of progress. The country team provided additional verifiable information that subsidies (not including transfers to the Road Authority) were reduced to EUR 195.41 million in 2018 and EUR 206.46 million in 2019. Achievement on reduction of SOE subsidies and guarantees was also demonstrated through supplemental indicators. Annual guarantees for liquidity purposes were reduced from EUR 265 million (average 2012-2014) to zero in 2017, exceeding the target of less than EUR 50 million. The CLR states that no new guarantees for liquidity purposes were issued in 2020, and the last guarantee for capital investment was a single guarantee of EUR 20 million in 2019 for construction of a gas pipeline. Budget allocations for subsidies and soft loans to SOEs in the former PA portfolio were reduced from EUR 72 million in 2013-2014 to EUR 8 million in 2018, EUR 2.9 million in 2019, and EUR 2.5 million in 2020, exceeding the target of less than EUR 10 million. New tax obligations and contribution arrears by SOEs in the former PA portfolio were decreased from EUR 197 million in 2013 to EUR 10 million in 2017 and EUR 7.3 million in 2019, achieving the target of less than EUR 25 million in 2019.

24. **Objective 2: More efficient public administration and select service delivery improvements.** The objective was supported by the Modernization and Optimization of Public Administration PforR (FY16) and Disaster Risk Management DPL-CAT DDO (FY17), as well as ASAs covering reform of the justice sector, wage bill management, and open data. A RAS on results-based management helped develop a decision-making and implementation management dashboard system, introduced in 2017 as the main vehicle for coordinating and monitoring implementation of government programs. The PforR supported development of a

system for managing public sector staffing levels and monitoring the wage bill, and strengthening expenditure control and supervision of the government's financial management system. The CAT DDO supported creation of a Public Investment Management Office to manage reconstruction and recovery projects and strengthened risk assessment capacity and the associated legal landscape.

25. The assessment of performance on each of the indicators is as follows:

Indicator	Baseline (year)	Target (year)	IEG Validated Result (year)	IEG Rating
Plan to strengthen the policy making and coordination system prepared by end 2016 and implemented by 2020. Metcalfe Scale rating[2] improved.	2 (2015)	4 (2019)	No Metcalfe Scale evaluation undertaken.	Partially Achieved via proxy
Percentage of non-medical staff employed in public health facilities	30 percent of public health sector workers are not medically trained (2013)	25 percent	21 percent (2020)	Achieved

26. *Mostly Achieved*. No formal assessment using the Metcalfe Scale to evaluate policy making and coordination systems was undertaken. Supplemental information using the SIGMA policy management assessment tool is used as a proxy indicator, showing progress on the public administration service delivery and public service management dimensions, but insignificant progress on public administration efficiency (which was a central element of the objective). However, additional information provides some evidence of improved public administration efficiency. The public sector wage bill decreased from 11% of GDP in 2014 to 9.5% of GDP in 2019. There were no new budget arrears in 2020, a decrease from US$1.003 billion in 2013. The share of public procurement contracts with a value of over RSD5 million signed within 90 days of issuing of the bidding documents increased from 62% in 2016 to 93.9% in 2020. The Bank's TA program produced horizontal and vertical functional reviews that led to adoption of action plans in six sectors: agriculture, social protection, education, finance, health, and environmental protection; implementation of these action plans, aimed at rationalization of expenditures and human resources in each sector, is ongoing. Although the indicator on health facility staffing captures one element of health sector service delivery, there are no verifiable measurements of service delivery quality improvement in health or other sectors. More generally, the CPF indicators only partially captured the scope of the objective, which

2 The Metcalfe Scale measures the degree of policy coordination in organizations on a scale of 1 to 9, with 1 representing the absence of coordination and 9 representing a unified policy-making system.

addressed a wide range of legacy problems in the Serbian public administration that hampered effective public service delivery.

27. **Objective 3: A more efficient and sustainable power utility**. The objective was supported by the PEPU DPL series, with actions on increasing tariffs while protecting vulnerable consumers and labor cuts at Elektroprivreda Srbije (EPS, the state-owned electric utility), both of which were critical to achieving targets set out in the EPS Fiscal Consolidation Plan (2015-19) to help transform the company into a commercially and financially viable utility. IFC contributed with AS regionally on improving the regulatory framework on renewable energy. It also worked on building awareness among developers and potential sponsors and addressed the insufficient know-how of relevant financiers. IFC also supported a PPP on an energy-from-waste facility for Belgrade to treat construction and demolition waste following remediation, closing and aftercare of the existing landfill and the construction of a new EU-compliant landfill. MIGA has supported with a relevant guarantee. IFC also financed two transformative projects (Alibunar 42 MW and Dolovo 158 MW wind power plants) to construct over 200 MW of renewable energy capacity; both started operation in September 2018. These two investments created a significant demonstration effect, paving the way for other renewable energy projects to access long-term financing from IFIs. Other IFC interventions were not captured through monitorable indicators in the results framework.

28. The assessment of performance on each of the indicators is as follows:

Indicator	Baseline (year)	Target (year)	IEG Validated Result (year)	IEG Rating
EPS corporate governance and financial sustainability achieved. Collection rates increase and distribution losses decrease.	Collection rates: 93 percent (2015) Distribution losses: 14 percent (2014)	Collection rates: 95 percent (2019) Distribution losses: 12.1 percent (2019)	Collection rates: 98.65 percent (2019) Distribution losses: 11.22 percent (2019)	Achieved
Increase renewable energy generation capacity in wind	0 (2015)	100MW (2019)	397 MW (2020)	Achieved

29. *Achieved*. Targets for collection rates and distribution losses were achieved, as they were for supplemental indicators: a legal roadmap for transformation of EPS into a Joint Stock Company was adopted, the debt-to-EBITDA ratio was kept below three, and the accumulation of SOE and budget institution arrears to EPS from its largest 20 debtors stopped. The target for renewable energy generation capacity was achieved in September 2018.

30. **Objective 4: More efficient public transport companies**. This objective was supported by the PEPU DPL series, which supported measures toward labor optimization of the railway companies and accountability of the public enterprise Roads of Serbia for performance standards and financing; the Corridor X Highway AF (FY17) and Road Rehabilitation and Safety (FY13) projects, which focused on improving the condition and safety of the national road network and improving transport efficiency on three sections of Corridor X (a key north-south European arterial route); the Western Balkans Trade and Transport Facilitation MPA (FY19), which is intended to enhance transport efficiency and predictability in Albania, North Macedonia, and Serbia through investments in Intelligent Transport and Electronic Data Interchange systems; and the ASA Mainstreaming Climate Resilience in Road Transport Management (FY18).

31. The assessment of performance on each of the indicators is as follows:

Indicator	Baseline (year)	Target (year)	IEG Validated Result (year)	IEG Rating
Serbia Railways restructured and cargo company operating without subsidies	Subsidies of RSD 10.4 billion (2014)	Serbia Railways restructured. Subsidies of RSD 0 (2019)	Serbia Railways restructured (2015) Subsidies of RSD 0 in 2019.	Achieved
Roads maintained under performance-based maintenance	0 km (2015)	3000 km (2019)	3000 km (2021)	Achieved

32. *Mostly Achieved*. Serbia Railways was restructured, and roads were maintained under performance-based contracts. The CPF indicators were not adequate to measure improved roads efficiency. While the elimination of subsidies to the rail freight company is a strong indicator of improved rail efficiency, the indicator for roads represents an output, as the length of roads maintained under performance-based contracts does not demonstrate actual reduction of maintenance costs or other results related to efficiency. The ICR Review for the Corridor X project indicates that road user costs on two WB-financed road sections were reduced by 23 percent and 13 percent between 2009 and 2019, but that improved road management could not be verified due to lack of evidence. Supplementary indicators and additional evidence (including the ICRR for the Public Expenditure and Public Utilities DPL series) for this objective demonstrate that Serbia Railways was unbundled into autonomous infrastructure, freight, and passenger companies; that the number of traffic units (passenger km and freight ton km) increased well above targets; and that there was improvement above targets in the number of

train km per staff (119% increase between 2015 and 2018, compared with a 15% target) and cargo tons per km of track (27% increase between 2015 and 2018, compared with a 15% target).

33. **Objective 5: Resolution of SOE assets in Privatization Agency portfolio**. This objective was supported by the First and Second Programmatic SOE Reform DPLs (FY15 and FY17), and an IFC ASA on improving the investment climate. The DPLs had a pillar on accelerating the restructuring and divestiture program for companies in the PA portfolio and selected SOEs operating in the commercial sector, through actions to enact and implement a new Privatization Law and amend the Bankruptcy Law to facilitate the disposal and restructuring of companies, assist the government to design and implement methods for privatizing the companies, and assist companies in the PA portfolio to manage potential environmental risks that were slowing the privatization process.

34. The assessment of performance on this objective's indicator is as follows:

Indicator	Baseline (year)	Target (year)	IEG Validated Result (year)	Rating
Resolution of unproductive SOEs and state divestment from commercial SOEs under the Privatization Agency. Number of companies under PA portfolio resolved through asset and equity sales	Baseline: 640 companies in PA portfolio (2013)	178 (end 2017)	507 SOEs resolved and 78 still unresolved as of 2018.	Achieved

35. *Achieved*. The objective captured the reduction of resources allocated to SOEs by containing subsidies and limiting guarantees of new loans. More than 500 companies were privatized, mostly through bankruptcies. The CLR reports that none of the largest and most problematic companies remain in the portfolio, and that the remaining portfolio includes several companies whose resolution is beyond the control of the Ministry of Economy (companies with assets located in Kosovo) and companies without well-defined legal status. The government shut down the Privatization Agency at the beginning of 2016, but stated that it intends to resolve all remaining enterprises in its portfolio. The IMF and United States Department of State reported in 2021 that the Ministry of Economy has been preparing the remaining companies for divestiture in 2020 and 2021, but that several of these companies are "large, strategically important" SOEs that are drivers of local economies.

36. **IEG rates the outcome of WBG support under Focus Area I as Satisfactory** based on the assessment of objectives 1-5 above.

<u>Focus Area II:</u> Private Sector Growth and Economic Inclusion

37. Focus Area II supported the government's goal of improving the quality of the business environment through reducing transaction costs, strengthening property rights, boosting

internal connectivity and regional integration through improvements in road transportation, strengthening the financial sector, and producing better matches in the labor market through institutional strengthening of the National Employment Service.

38. **Objective 6: Priority business climate improvements**. This objective was supported by the First and Second Programmatic SOE Reform Development DPLs (FY15 and FY17), which aimed to improve monitoring and corporate governance arrangements in the SOE sector; the Serbia Competitiveness and Jobs Project (FY16), which helped develop a strategic framework for investment and export promotion; the Western Balkans Trade and Transport Facilitation (FY19), which aims to reduce trade costs and increase transport efficiency in Albania, North Macedonia, and Serbia; and IFC advisory support to improve the insolvency legal framework, train judges and bankruptcy administrators on implementation, and establish a new bankruptcy agency to centralize all bankruptcy procedures and administration. IFC's regional environmental, social, and governance (ESG) AS offered training and awareness building on ESG-related issues for firms; support for improving the ESG-related regulatory framework; support for developing local ESG-pertinent institutional capacity; and encouragement for investors and banks to adopt ESG issues in their financing decision-making. IFC's Debt Resolution program supported legal and regulatory reform and capacity improvement of relevant institutions to deal with debt resolution, and the Western Balkans Agribusiness Competitiveness Program supported appropriate regulatory enhancements. These interventions were in line with the CPF's specification of priority business climate issues – simplification of tax procedures, a reformed process for issuing construction permits, improved performance of the customs administration, and improved contract enforcement and insolvency mechanisms – to promote new investments and create jobs.

39. The assessment of performance on each of the indicators is as follows:

Indicator	Baseline (year)	Target (year)	IEG Validated Result (year)	IEG Rating
Improve Doing Business (DB) Distance to Frontier (DTF), with a special focus on trading across borders, paying taxes, resolving insolvency, and dealing with construction permits	DTF: 62.57 (2015)	72 (2019)	Ease of Doing Business: 73.49 (2019), 75.7 (2020)	Mostly Achieved
	Trading across borders: 72.13 (2015)	85 (2019)	96.6 (2020)	
	Paying taxes: 48.9 (2015)	64 (2019)	75.3 (2020)	
	Construction permits: 29.14 (2015)	44 (2019)	85.3 (2020)	
	Resolving insolvency: 57.9 (2015)	74 (2019)	67 (2020)	

40. *Achieved*. Of four indicators targeted under the objective, three (trading across borders, paying taxes, and construction permits) were achieved, and one (resolving insolvency) was not achieved. Serbia's overall Doing Business ranking improved from 91 in 2015 to 48 in 2019. This progress was due to substantive changes in the regulatory environment in key areas: starting a business, registering property, and dealing with construction permits. Serbia is now in 11th place globally when it comes to dealing with construction permits. IFC's digitalization project upgraded the e-Government platform and replaced time-consuming permitting and licensing procedures from a paper-based system to an electronic system. Planned amendments were made to the insolvency law and regulations and training campaigns were conducted for insolvency practitioners. Though improvement in resolving insolvency reached 67 instead of the targeted 74 (DTF) due to a low rate of asset recovery, the subcomponent of the Doing Business indicator on "strength of the insolvency framework"—which best captures IFC's contribution to the objective -- gave the Law on Bankruptcy a score of 15.5 out of 16, and the 2020 Report cited it as "best practice."

41. **Objective 7: More stable and accessible financial sector**. This objective was supported by the Deposit Insurance Strengthening Project (FY14), which recapitalized the Deposit Insurance Fund (DIF) and increased contribution to it via premiums from member banks, and the State-Owned Financial Institutions (SOFI) Strengthening Project (FY18), which supports a strategy for SOFIs to decrease fiscal costs, minimize the potential for soft budget support to SOEs, improve the performance of those institutions that the government chooses to retain, support the divestiture of all others, and develop a strategy for non-performing loan (NPL) resolution. ASAs included the Western Balkans Finance TA (FY16) and others covering government debt and risk management. IFC contributed to distressed assets resolution through its global Distressed Asset Recovery Program and helped finance the purchase of one NPL portfolio worth about US$250 million. Moreover, through its Debt Resolution Program (in partnership with Swiss Economic Cooperation and Development, SECO), it improved laws and regulations for the insolvency framework and created a secondary market for NPLs. IFC invested in a bank and a microfinance institution, thus somewhat contributing to better access to finance through various products, including small and medium enterprise (SME) finance, mortgage lending, microfinance, local currency lending, and trade finance. During COVID-19, IFC channeled US$14.5 million through the banks for a lending program directed to affected SMEs. IFC invested US$18.5 million in the European Fund for Southeast Europe, a collective debt investment vehicle for housing finance and on-lending to SMEs. IFC also invested in a newly created Real Estate Investment Trust focusing on retail property assets, and in a manufacturer of electric motors expanding its production in Serbia, leading to the creation of 1,100 new jobs. MIGA helped ease the capital pressure on banks by offering four guarantees, enabling faster loan growth of local subsidiaries.

42. The assessment of performance on each of the indicators is as follows:

Indicator	Baseline (year)	Target (year)	IEG Validated Result (year)	IEG Rating
Reduction of share of non-performing loans in total loans provided	22.5 percent (2014)	Less than 18 percent (2019)	5.5 percent (March 2019) 3.9 percent (March 2021)	Achieved
Increased availability of enterprise financing coming from banks	15 percent of firm financing coming from banks (2013)	29 percent of firm financing coming from banks (2019)	No data on indicator. Domestic credit to private sector by banks as percentage of GDP: 40.97 (2013), increased to 42.0 (2019) and 45.46 (2020) Domestic credit to non-government increased by 10.1 percent in 2018, 9.5 percent in 2019, and 12.0 percent in 2020	Not Verified

43. *Mostly Achieved*. The share of NPLs was reduced significantly, and there is evidence of growing credit to enterprises, though there is no data on the specific indicator on percentage of firm financing coming from banks.[3] The CLR reports on supplemental indicators: no state-owned banks have negative profitability, as targeted, and the DIF was replenished and its balance sustained. This was the first-ever WBG operation that recapitalized a depleted public insurance fund. Domestic credit growth to the private sector exceeded GDP growth every year from 2018 forward. The banking sector is better capitalized, liquid, and profitable (average CAR 21.7 in December 2021, liquidity ratio 2.1, and ROE 7.3). However, debt recovery rates through out-of-court workouts and insolvency did not reach the targeted 40 percent, increasing from 29.3 percent in 2014 to 34 percent in 2018. In addition, IFC's efforts and involvement in the privatization process for state-owned banks (in close collaboration with development partners) yielded results only after 2019, and the number of state-owned banks was reduced from six in 2017 to three in 2020. In 2020, total loan loss provisions increased by 12 percent and by an additional 1.9 percent in the first two months of 2021. Serbia implemented a comprehensive support package in 2020, which included financial sector support to increase credit growth in 2020, thereby playing a key role in mitigating the economic costs of COVID-19. In March 2021,

3 Republic of Serbia: First Review under the Policy Coordination Instrument, December 21, 2021. Table 8, page 34.

credit growth reached 7.7 percent. Credit activity was supported by the National Bank of Serbia's measures and the government guarantee scheme for bank lending to SMEs.

44. **Objective 8: More efficient land and property markets**. This objective was supported by the Real Estate Management project (FY15) and its AF (FY20), which is making investments to improve the efficiency, transparency, accessibility, and reliability of Serbia's real property management systems, including through support for electronic information systems, as well as IFC investments in housing/mortgage lending and an ASA on improving the investment climate.

45. The assessment of performance on each of the indicators is as follows:

Indicator	Baseline (year)	Target (year)	IEG Validated Result (year)	IEG Rating
Improve DB DTF on construction permits	29.14 (2015)	44 (2019)	73.49 (2019), 85.3 (2020)	Achieved
Efficiency of property registration system, measured as average number of days to complete recording of purchase/sale of property in the land administration system	48 (2015)	4 (2019)	3.3 (2021)	Achieved

46. *Achieved*. Targets were reached on construction permits. Progress was also made on property valuation, based on a modern regulatory framework adopted in 2016 and further refined in 2017, and the CLR provided supplemental data indicating that valuers are operating in accordance with new valuation standards.

47. **Objective 9: Enhanced transport infrastructure networks**. This objective was supported by the Corridor X Highway project (FY09) and its AF (FY17), the Road Rehabilitation and Safety project (FY13), the Public Expenditure and Public Utilities DPL series (FY17 and FY18), and the ASA Mainstreaming Climate Resilience in Road Transport Management (FY18). These investments covered road rehabilitation and safety works, institutional support for road safety, increased efficiency and traffic safety on three sections of Corridor X, and policy actions to improve the financial sustainability and efficiency of transport sector public enterprises and state-owned companies. Corridor X is the largest project in the Bank's portfolio in Serbia. Advisory work helped the government to develop a methodology for assessing the vulnerability of the road transport network to climate-related risks. IFC supported modernization of the Belgrade airport through a landmark "Maximizing Finance for Development" (MFD) transaction, with a financing package of $207 million. The airport previously operated as an SOE. The project introduced international best practices in operations, narrowed the connectivity gap, and supported tourism development. The airport project is an example of successful private participation in infrastructure. MIGA is also

supporting this project with political risk insurance. The ECA Energy Solutions for District Heating IFC advisory supported relevant efforts.

48. The assessment of performance on each of the indicators is as follows:

Indicator	Baseline (year)	Target (year)	IEG Validated Result (year)	IEG Rating
Corridor X completed (km)	0 (2015)	46 km (2019)	46.2 km (2019)	Achieved
National roads rehabilitated with safety measures incorporated (km)	0 (2015)	121 km (2019)	416.5 km (2019)	Achieved

49. *Achieved.* The target for completion of road segments of Corridor X was achieved, and more than three times the planned length of national roads was rehabilitated with safety measures incorporated. The main challenges in the transport sector included poor quality of the road and rail networks, limited maintenance, and safety issues. The government prioritized development of its section of the pan-European Corridor X, for which WBG led preparation and which was jointly financed with the European Bank for Reconstruction and Development (EBRD) and European Investment Bank (EIB). No indicator captured IFC's contributions to this objective.

50. **Objective 10: More efficient employment facilitation**. This objective was supported by the Serbia Competitiveness and Jobs project (FY15) and the First and Second Programmatic SOE Reform DPLs (FY15 and FY17). The Competitiveness and Jobs project aimed to improve the effectiveness and coordination of public programs to alleviate constraints to competitiveness and job creation, including investment and export promotion, active labor market programs, labor intermediation, and activation of social assistance beneficiaries. Strengthening the National Employment Service (NES), the major public institution in charge of smoothing labor market frictions, was the main focus of the objective.

51. The assessment of performance on each of the indicators was as follows:

Indicator	Baseline (year)	Target (year)	IEG Validated Result (year)	Rating
Number of active job seekers per case worker	1,238 registered unemployed (2014)	800 active job seekers (2019)	816 active job seekers (2020)	Mostly Achieved

Increased number of registered unemployed who found a formal job	232,280 (2014)	Not provided	218,854 (2020)4	Achieved
Increased number of registered unemployed women who found a formal job	122,491 (2014)	Not provided	109,314 (2020)	Not Verified
Increased number of registered unemployed youth (age 15-24) who found a formal job	41, 598 (2014)	Not provided	39,043 (2019) 34,591 (2020)	Not Verified
Increased number of registered unemployed Roma who found a formal job	1,592 (2014)	Not provided	5,377 (2019) 5,204 (2020)	Not Verified

52. *Partially Achieved*. There was a decrease in the number of registered unemployed persons who found formal jobs, but the indicators are flawed. Framing these indicators in terms of numbers of persons does not take into account rising or falling employment and population levels; these indicators are therefore not valid measures of achievement, and indeed, the CLR notes that the unemployment rate fell from 19.2 percent in 2015 to 9 percent in 2020, almost guaranteeing that the number of registered unemployed who found jobs would also decrease (rather than increase, as targeted). The CLR provides additional data on the denominator for the total number of registered unemployed persons, enabling an assessment of achievement of that indicator, but disaggregated denominators are not provided for women, youth, or Roma. Systematic training and certification of NES workers led to 88.7 percent of its staff being certified as case workers by the end of 2020 (the CLR does not provide a baseline for this supplemental indicator). NES caseload management was improved though the target for active job seekers per case worker was not quite met, and the CLR states that regional variation in caseload was reduced, though data are not provided.

53. **IEG rates the outcome of WBG support under Focus Area II as Satisfactory** based on the assessment of objectives 6-10 above.

V. WBG Performance

Ownership, Learning, and Adaptation

54. **The government showed broad commitment to the WBG-supported program, with some notable exceptions, and the WBG demonstrated learning ability and adaptation during**

[4] Due to changes in the denominator, this represented an increase in percentage of registered unemployed who found formal jobs, from 30 percent in 2014 to 43 percent in 2020.

program implementation. The government sustained focus on the main priorities in its 2020-2022 reform program. However, changes arising from elections and high-level staff turnover impacted decision dynamics such that, at the PLR stage, there had been no progress reforming the social contribution system and labor market taxation law to incentivize part-time and low-wage employment. As a result, the program's planned measures to support social assistance beneficiaries' activation did not materialize, and the WBG shifted its efforts under the tenth objective almost entirely to enhancing the performance of the National Employment Services. Country systems were used extensively. As noted, the program adapted flexibly to changing circumstances by dropping the skills objective under the second Focus Area at the PLR stage and taking advantage of new receptivity by the government to add operations in agriculture, mining, and innovation and entrepreneurship. A newly-established Central Fiduciary Unit (CFU) within the Ministry of Finance took over all fiduciary functions for WBG-supported projects in 2017. With support from the Bank team, the CFU performed well, and the centralization of the fiduciary function saved approximately US$280,000 annually. Citizen engagement (CE) was robust, with gaps at the PLR stage eliminated by the end of the CPF period; the railway sector modernization project, for example, employed a wide variety of CE mechanisms including participatory planning, focus group discussions, satisfaction surveys, and a grievance redress mechanism.

Risk Identification and Mitigation

55. **Risks for the WBG-supported program were well identified, assessed as substantial, and largely well mitigated**. External risk stemmed from the close linkage of Serbia's economy with the economies of the EU and Southeastern Europe; a protracted slowdown there could jeopardize Serbia's macroeconomic stability and growth performance. Serbia's vulnerability to natural disasters created environmental risk that could again damage the economy and the well-being of vulnerable populations; it was clear that climate change was exacerbating this risk. Political risk emerged from the tension between Serbia's EU ambitions and its relationships with other geo-strategic partners, most notably Russia. Key domestic downside risks included the difficulty of implementing the necessary structural reforms aimed at fiscal consolidation, including public sector wage reform and sensitive SOE reforms that formed the core of the IMF program and the WBG's first Focus Area. Governance risk was assessed as high. Political stability was fragile, and although the legislative framework for anti-corruption and ethics in the public sector was in place and aligned with European good practices, implementation was uneven. Mitigation measures included a three-year Stand-By agreement with the IMF, prepared in close coordination with WBG staff; targeted capacity building support; increased use of government structures during implementation; and careful sequencing of projects to allow for identification and addressing of weaknesses and providing flexibility for course correction. The program's risk-taking was warranted given potential development impact, particularly the importance of fiscal consolidation as a prerequisite to progress in other areas, and the program's deployment of a mix of instruments, efforts at institution building, demonstration of improvements for beneficiaries, and flexibility in implementation helped to minimize the

likelihood of emergence of these risks and to facilitate effective response when risks did materialize.

WBG Collaboration

56. **WBG adopted a collaborative approach to the CPF that translated into parallel efforts during implementation of several development interventions.** IBRD and IFC worked in parallel on the regulatory environment for renewable energy. MIGA supported this work with guarantees. Similarly, on business climate, parallel efforts of IBRD and IFC improved Doing Business indicators. Work on distressed assets from IBRD and IFC contributed to reducing NPL rates. MIGA supported IFC projects in energy and finance. On transport, the CPF intended to have IFC and IBRD cooperate on PPPs.

Partnerships and Development Partner Coordination

57. **There was effective coordination and collaboration with development partners, with widely shared objectives supporting key reforms and catalyzing financing**. Given the prominence of the EU accession agenda, the WBG sustained that partnership over a wide range of areas during the CPF period. EU support and Instrument for Pre-Accession Assistance financing supported public administration reform area, specifically WBG vertical and horizontal functional reviews. The WBG used four DPLs in coordination with the IMF in support of fiscal consolidation and SOE reform. EIB and EBRD collaborated with the WBG on the first phase of the National Road Rehabilitation and Safety project, which led to the completion of Corridor X and its ability to withstand extreme floods. The PLR, however, notes that harmonization of procedures for co-financed activities in the transport sector caused significant delays and extra transaction costs for the Serbian government, requiring much effort to resolve issues and operationalize functional processes. The CLR does not provide information on the role the WBG played in improving coordination.

Safeguards and Fiduciary Issues

58. **Serbia achieved compliance with environmental and social safeguards during the CPF, with successful mitigation of all implementation challenges.** One reported inspection panel case was later dropped when the local government resolved the issue with the complainants. Ten projects were closed and validated by IEG during the CPF in the trade and competitiveness, macroeconomics, finance, transport, water, and governance sectors. The CLR reports satisfactory safeguards performance throughout the portfolio despite some delays and staff turnover. ICRRs indicate that the projects teams initially experienced difficulties with safeguard policy requirements due to staff shortages and low capacity on the ground. With the support of Bank capacity enhancement activities, good stakeholder engagement, and beneficiary participation, performance improved and compliance was rated satisfactory in all operations by project closure.

59. **One Inspection Panel case was closed without having been registered**. On January 6, 2017, people from Serbia sent a request for investigation to the inspection panel claiming that they had suffered harm after their land was taken without compensation for the Bank-funded

Floods Emergency Recovery Project (P152018). The Inspection Panel did not register the claim because one of the complainants later reported that he had received his compensation from the local municipality. The case is now closed.

Overall Assessment and Rating

60. **Overall, IEG rates World Bank Group performance as Good**.

<u>Design</u>

61. Program design was adequate and appropriately selective, addressing Serbia's most binding development constraints in a focused way. The CPF effectively drew lessons from the previous CLR, from intensive dialogue with the government on its reform program, and from extensive conversations with stakeholders conducted during the preparation of the 2015 SCD. The suite of WBG interventions was capable of achieving the CPF objectives, with strong innovation in the use of RAS. Well-conceived program sequencing front-loaded fiscal consolidation and SOE reforms, creating space for later investments. ASA activities informed lending activities. There was strong alignment with the Bank's corporate priorities. Risks were well identified and mostly well mitigated. However, there were shortcomings with the results framework. Some objectives were not adequately measured by the indicators due to a focus on outputs rather than outcomes or failure to measure all dimensions of an objective, and additional information was required to assess achievement.

<u>Implementation</u>

62. There were some good parallel efforts across the three WBG institutions, particularly in improving the business climate, recovering distressed assets, and improving the regulatory framework on renewable energy. IFC and MIGA collaborated well on the waste-to-energy project and in the financial sector. Despite some movement, rationalization and modernization of Serbia's public administration fell short of expectations. Coordination with development partners was strong, though there were challenges in harmonizing processes for transport sector interventions. Project documents indicate that supervision was consistently well done, complete and candid reporting, and effective communication with counterparts and stakeholders. Safeguards compliance and fiduciary performance were satisfactory. Citizen engagement was adequate, though the PLR implies that there were missed opportunities to use CE to enhance performance. The program adapted well to changing circumstances and priorities at the PLR stage, dropping one objective and introducing changes in the results matrix in response to implementation challenges and new opportunities in agriculture, mining, and the innovation agenda; however, given the importance of the human capital development agenda in Serbia, removing the skills objective at the PLR stage moderately decreased overall program relevance. The WBG responded rapidly and flexibly to new needs posed by the COVID-19 pandemic.

VI. Assessment of CLR

63. **The CLR provided a coherent narrative of the program's interventions, but there were some gaps in the evidence available to assess the achievement of WBG program objectives**.

There was limited assessment of the direct and indirect pathways through which the program's interventions were to achieve CPF objectives. For some of the objectives where results framework indicators were inadequate to assess performance, the CLR provided additional useful information. For the most part, discussion of risk assessment and mitigation was adequate, as was the explanation of the Bank's dealing with safeguard and fiduciary issues. The CLR contained limited political economy analysis to explain resistance to SOE reform, and there was no discussion of the status or impact of the EU accession process during the CPF period. The CLR presented evidence and analysis of the design and implementation of IFC and MIGA interventions.

VII. Lessons

64. **IEG broadly agrees with the CLR's lessons**, particularly on the long-term time frame required for implementation of complex transformation agendas, especially in areas where reform was politically sensitive, and the important role that demonstrable, significant improvements for beneficiaries can play in building not only sustainable institutions but also constituencies for reform. IEG notes that the program's results framework did not provide comprehensive measurement of outcomes across all dimensions of each objective. Additional lesson from this CLR Review are therefore that close tracking of results and impact taking into account each element of every objective can best serve assessment of outcomes and learning, and that the WBG should apply a more thorough filter to the activities it finances based on the prospects of getting good information on their impact.

Annexes

Annex 1: Summary of Achievements of CPF Objectives – Serbia

CPF FY16-20	Actual Results	IEG Comments
Focus Area I: Economic governance and the role of the state		
Objective 1: Supporting sustainable public expenditure management		
Indicator 1: Reduction of public expenditures through lower direct subsidies and guarantees to SOEs. **Direct subsidies** (million Euro): **Baseline** (average 2012-2013): 293 million EUR (out of which 73m for SOEs in the PA portfolio) **Target** (2019): 25% reduction (less than 220 million EUR)	**IEG: Partially Achieved.** **2019**: 246 EURO • 80M EURO allocated to PERS • 123m EUR allocated to Railways • 43m EUR allocated PE Resavica **Grand total: 246m** EURO allocated subsidies to SOEs. Source: 2019 State budget Page #107, line 22.0 001 451 allocates subsidies to PERS in the amount of 9.4 billion RSD (80m EUR); Page #108 line 22.0 002 451 allocates subsidies to Railways in the amount of 14.55 billion RSD (123m EUR); Page #149 line 28.0 4003 451 allocates subsidies to PE Resavica in the amount of 5.1 billion RSD (43m EUR); no subsidies to Airport **Note:** The 2019 State budget does not include line item 21.0 158 410 4002 621 with allocation for SOEs in PA portfolio, as in previous years. 2018 State budget page #106, with 8.5 m EUR allocation, while in 2017 it was 20m EUR). **Note:** Government of Serbia 2021 Fiscal Strategy, Table 16, p. 58, shows subsidies without transfers to Roads of Serbia at EUR 195.41 million in 2018 and EUR 206.46 million in 2019.	Indicator revised at the PLR stage. Both baseline and target for the first part of this indicator (on subsidies) were adjusted to reflect the changes in reporting on subsidies in the budget. Indicator now includes direct subsidies to: Railroads, PE Resavica, Airport and PE Roads of Serbia, plus soft loans and subsidies to SOEs from the PA portfolio. New supplementary indicators added at PLR stage: (i) *Allocation from the budget for subsidies, and (ii) decrease in gross tax contributions.*
Annual guarantees for liquidity purposes (million Euro): **Baseline** (average 2012-2014): 265 **Target** (2019): less than 50	**IEG: Achieved** **2019:** The 2019 State budget list of only a single guarantee for a 20.000.000m EURO capital investment for the long-term construction loan distribution pipeline (Aleksandrovac - Brus - Kopaonik - Raska - Novi Pazar – Tutin). Dated 05.24.2019. Page #24, line 1.11 Source: 2019 State budget provided by the Country Team.	Indicator supported by First and Second Programmatic State-Owned Enterprises Reform Development Policy Loan Projects (P127408, FY15); (P149750, FY17); First and Second Public Expenditure and Public Utilities DPL (P155694, FY17) (P161184, FY18) At the PLR stage, the definition of public sector wage bill was revised in

CPF FY16-20	Actual Results	IEG Comments
	Additional Evidence **Results Indicator B2**: Reduction of direct subsidies and reduction of issuance of new guarantees for liquidity purposes for large SOEs: a. Direct subsidies for recurrent expenditures (million Euro) **Baseline** (average 2012- 2014): 250 **Target** (2016): Less than 150 (DPL1 target was less than 200) **Actual** (2017): EUR 170 **Actual (**2015): EUR 139 b. Annual guaranties for liquidity purposes (million Euro): **Baseline** (average 2012- 2014): 265 **Target:** : 0 (DPL-1 target was less than 100 million) **Actual** (2017): 0 Source: P149750 ICR. Page #9	agreement between the government and IMF. It includes the share of taxes and social insurance contributions payable by employees. Wage bill to GDP ratio was revised for the previous years: 8.8 to 10.4 in 2015, 8.3 to 9.8 2016, 8.1 to 9.5 2017. At the PLR stage, the language of the indicator was revised to remove the linkage to the Fiscal Strategy. No related annual decrees have been adopted in previous years, however, this was not crucial to reductions of public sector employees. Baseline and Actual targets are based on the First and Second Programmatic State-Owned Enterprises Reform Development Policy Loans (P149750, FY18)
Supplementary Progress Indicator: *Allocation from the Budget for subsidies and soft loans to the SOEs in the former Privatization Agency portfolio* **Baseline:** 72 million EUR (2013-14 average): **Target**: less than 10 million EUR (2019):	**IEG: Achieved** **2019:** 350,000,000 <10m EURO Source: 2019 State budget. Page #104, line 1508.621is defined as *credit support to companies in the privatization process.* **Additional Evidence** **2020: IEG: Achieved** **2018**: 8 million (Euro) **2017**: 20 million (Euro) Source: ICR (P149750) FY18 Page #32. *Verified for only year 2018.	
Supplementary Indicator: *Decrease in gross tax and contribution arrears by SOEs in the former Privatization Agency portfolio* **Baseline** (2013): 197 million EUR **Target (**2019): less than 25 million	**IEG: Not Verified.** New tax obligations and social contributions arrears of the targeted public enterprises were reduced from EUR 190 million baseline to EUR 10 million in 2017 and EUR 7.3 million in 2019. Source: ICR (P149750) FY18 Page #32. Source : Tax Administration list of arrears	

CPF FY16-20	Actual Results	IEG Comments
Supplementary Indicator: *Freeze on public sector wage indexation in line with the agreement reached with IMF*	**IEG: Not Verified.** **2020:** Based on IMF Country Report No. 20/270 , a revision to the general government employment framework governed by the Budget System law, which regulates an employment freeze, with exceptions managed through the Employment Commission, was delayed due to COVID. IEG is unable to confirm a wage freeze.	
Supplementary Indicator: *Freeze on public sector pension indexation in years in which pension spending is expected to exceed 11 percent of GDP*	**IEG: Achieved.** **2020:** Pension indexation in line with Swiss formula. Pension growth linked to inflation and average wage growth. This led to countercyclical pension increases in 2020 and 2021. Page #69, paragraph #13	
Supplementary Indicator: *Attrition and targeted reduction of public sector employees*	**IEG: Not verified.** **2016:** The target was that at least 30 percent of workers made redundant from public enterprises had to be registered with the National Employment Service (NES) **Baseline:** Approx. 5,700 (2014) **Target:** At least 25,000 (cumulative 2015 and 2016) (DPL-1 target was 10,000 for 2015) **Actual:** 19,791 (2015) of which 6,366 were women, and the cumulative number for 2015-2016 was 25,378, of which 8,103 were women. **Source:** **ICR (P149750)** Page #31.	
Objective 2: More effective public administration & select service delivery improvements		
Indicator 1: A plan to strengthen the policy-making and coordination system prepared by end 2016 and implemented by 2020. Metcalfe Scale rating improved **Baseline** (2015): 2 **Target** (2019): 4	**IEG: Achieved via proxy.** The SIGMA Monitoring Report for Serbia shows: **2019:** Public administration service delivery has been improving steadily from 2 in 2017, and 3 in 2019, on a scale of 5. Page #108, paragraph # 1. **2021:** Public administration efficiency increased with the reduction in the number of civil servants and the overall policy development and coordination increased	Indicator verified for 2016, and not target year. The indicator was supported by the Serbia Wage Bill Management (P151243, FY17); on Modernization and

CPF FY16-20	Actual Results	IEG Comments
	slightly from 2.7 in 2017 to 2.8 in 2021 (page #28). **2021:** In the area of public service management significant improvement has been recorded from 2.2 in 2017, 3 in 2019 and 3.2 in 2021 (page. #62). **Additional Evidence** 2016: The completion report confirms a Metcalfe score of 2 (out of 9). Source: P158187. Page #3	Optimization of Public Administration PforR (P155172, FY16); Disaster Risk Management DPL-CAT DDO (P157489 FY17); Serbia Result Based Management RAS (P163203, FY16); MDTF for Justice Sector Support TF on Disaster Risk Management; Implementing Open Data Plan for Serbia (P110249, FY19)
Supplemental Indicator: *Right Sizing (Organizational rationalization) plans* *for at least 4 sectors designed and implemented by* *(2019)* Overall institutional architecture strengthened to manage EU Accession process	**IEG: Over-Achieved.** **2019:** Six plans adopted and implemented. Source: Agriculture , Social Protection, Education, Finance, Environmental Protection	
Indicator 2: Reduce percentage of non-medical staff employed in public health facilities in Serbia (by 15 percent) **Baseline:** 30 percent of public sector health workers are not medically trained (estimate based on 2013 data) **Target:** 25 percent	**IEG: Achieved.** **2020**: Health care institutions employed a total of 22,094 (21%) non-medical staff, of which 5,533 (25%) were administrative workers and 16,013 (72%) were technical workers. Source: Serbia Health Statistical Yearbook 2020. Page #63.	The indicator does not measure improved health service delivery resulting from these staff adjustments, and there are no indicators on improved service delivery in other sectors. The country team offered additional information on quality of health services that could not be verified.
Objective 3: A more efficient and sustainable power utility		

CPF FY16-20	Actual Results	IEG Comments
Indicator 1: EPS corporate governance and financial sustainability achieved Collection rates increase from 93% (2014) to 95% (2019) Distribution losses decrease from 14% (2014) to 12.1% by 2019	**IEG: Achieved** **2019:** 98.65% (average collection rate) Source**: PUBLIC ENTERPRISE ELEKTROPRIVREDA SRBIJE (EPS) Consolidated Financial Statement 2019.pdf** Page #93 **IEG: Achieved** (distribution losses) 2019: 11.22% Source: Energy Community Country Report (facts and figures)	At the PLR stage, the indicator was revised to clarify and reflect realistic results and increase the attributability of the results to the ongoing Bank support to the sector. Previously language: EPS corporatization completed, and financial sustainability achieved.
Supplementary Indicator: *Legal transformation (roadmap for establishment of JSC) of the EPS into a JSC by June 2019*	**IEG: Achieved** The roadmap for establishment of the EPS into a JSC is outlined in the EPS three-year business plan 2019-2021	At the PLR stage, *legal transformation* was revised to suggest more adequate measurement and remove the target year so to retain it in the matrix for end CPF assessment. Previously language: Debt/EBITDA ratio below 3% by end of 2016.
Supplementary Indicator: Debt/EBITDA ratio below 3 (2016-2019, average)	**IEG: Achieved** **2019**: 2.5% Source: EPS RAS, Strategic Risks In EPS. Page #98	
Supplementary Indicator: *No further accumulation of SOE and budgetary institutions payables/arrears to EPS*	**IEG: Achieved.** **2016:** The reduction of new tax obligations and social contributions arrears was met. €5 million in 2017, from a baseline of €190 million (2010-2012). Source: ICRR YF First SOE Reform DPL(P127408) Page #6	At the PLR stage, the indicator *no further accumulation of SOE payables/arrears to EPS* was revised to suggest adequate measurement and remove the target year so to retain it in the matrix for end CPF assessment. Previous language: No further accumulation of SOE and budgetary institutions payables/arrears to EPS by end-2017. This indicator was supported by the RAS 'Serbia EPS Results Based Management Project', (P167033, FY22);

CPF FY16-20	Actual Results	IEG Comments
		Public Expenditure and Public Utilities DPL series (P155694, FY17 and P161184, FY18); Serbia energy affordability TA (P158014, FY17); Serbia Power System Study And Re Integration Assessment AAA (P162942, FY18); Serbia Natural Gas Sector Analysis AAA (P159271, FY16) Serbia gas sector reform plan AAA (P157807, FY16)
Indicator 2: Increase Serbia's renewable energy generation capacity in wind by 100 MW **Baseline** (2015): Wind energy: 0 MW **Target** (2019): Wind energy: 100 MW	**IEG: Achieved.** **2019:** 8 wind power plants with the capacity of around 397,960 MW generating an increase in renewable energy, confirmed in the Report on the Implementation of the National Renewable Energy Action Plan of the Republic of Serbia for 2018 and 2019. Page #6 under wind, and page #9. **Additional Evidence:** Renewable energy generation capacity in wind: **Actual (2020):** 397 MW Source: International Renewable Energy Agency, Page #2.	Indicator verified for year 2020, and not the target year.
Objective 4: More efficient public transport companies		

CPF FY16-20	Actual Results	IEG Comments
Indicator 1: Serbia Railways restructured and cargo company operating without subsidies. **Baseline (2014)**: RSD 10.4 Billion **Target (2019)**: RSD 0	**IEG: Mostly Achieved** **2019:** Serbia Railways restructured. Total budget support to railway companies in 2018 declined to RSD 11.6 billion (or RSD 11.29 billion, close to the 11 billion target). Source: ICR P161184. Paragraph #39. **2017-2018**:Serbia Cargo business plan 2020 with 2019 financial statement, page#22, shows a modest level of subsidies used for severance packages for redundant workers from 2017 to 2018. **2019**: Allocation for subsidies in the amount of 1 million EUR was not utilized (same report source as above).	The restructuring of Serbia Railways is an output. The operation of the cargo company without subsidies is an outcome. Indicator supported by the Public Expenditure and Public Utilities DPL series (P155694, FY17 and P161184, FY18); Mainstreaming Climate Resilience in Road Transport Management in Serbia (P162823, FY18);Road Rehabilitation and Safety Project (P127876, FY13); Corridor X Highway Project (P108005, FY10); Western Balkans Trade and Transport Facilitation MPA (P162043,FY19); Serbia Railway Sector Modernization (P170868, FY21)
***Supplementary Indicator:**: Establishment of autonomous infrastructure, freight and passenger companies.*	**IEG: Achieved.** The three companies established are functioning as independent companies (property divided, first balance of payments submitted). Source: ICR P155694 P161184 series Table 4 **<u>Additional Evidence</u>** 2015: The GoS Railway Reform Steering Committee was established, and Serbian Railways was unbundled into three operating companies (passenger, freight, and infrastructure) plus a transitional company	

CPF FY16-20	Actual Results	IEG Comments
	Source: Serbia Railways Asset Management Plan Using Life Cycle Costs. Page #12 of the introduction	
Supplementary Indicator: *Number of traffic units (passenger km + ton km) per staff.* **Baseline (**2013): 206,500 **Targe**t (2017): 290,000	**IEG: Achieved** **2017:** 377 million passengers. Source: World Bank data on Railways). The indicator is a composite indicator that measures passenger transport by rail (in passenger-km) and rail freight traffic (in ton-km). 2017: Number of passengers carried (million passengers-km): 377 million. Source: [WBG open data]	Unable to verify number of traffic units per staff, but rather number of passengers carried in general. At PLR stage, the indicator's timeline was revised to reach the target is extended to reflect the additional time needed for implementation of all foreseen contracts.
Indicator 2: Roads maintained under Performance based maintenance reaches 3000 kilometers Kilometers of roads under performance-based maintenance in 2015: 0 Target for 2019: 3000	**IEG: Achieved** **2019:** PBMC for 1,500km implemented and an addition PBMC for an additional 1,500km in implementation. Source: Specific Report Audit of Achievement of DLIs for 2019. DLI3.6 and DLI3.7 , pages #11 and #14. **Additional Evidence** **2021:** Length of national roads maintained (Kilometers) Actual: 3,000.00 (05-May-2021) Source: [P163760 - Sequence No : 07] FY18	
Objective 5: Resolution of SOE assets in Privatization Agency Portfolio		
Indicator 1: Resolution of unproductive SOEs and state divestment from commercial SOEs under the Privatization Agency Number of companies under PA portfolio resolved through asset and equity sales: 178 by end 2017	**IEG: Achieved.** **2017:** Not able to obtain documentation on 178 companies resolved by target year because the government shut down the Privatization Agency. **2018:** 507 companies were resolved Source: ICR (p. #12, Table 1) 2021: 78 companies still unresolved. **Source:** U.S State Department**,** 2021 Investment Climate Statements: Serbia	Indicator changed in the PLR to the "Number of remaining companies in the PA portfolio by 2019: <50" AT PLR stage, the indicator was revised from *Commercial SOEs under the Privatization Agency Privatized.* The objective was reformulated to reflect limited traction in privatizing a substantial portion of the SOEs in the Privatization Agency portfolio. The SOES were not appealing to

CPF FY16-20	Actual Results	IEG Comments
		private investors mostly due to legacy issues including complex liabilities difficult to resolve through privatization. Verified for 2021, not target year. Indicator supported by First and Second Programmatic State-Owned Enterprises Reform Development Policy Loan Projects (P127408, FY15) (P149750, FY17); Serbia Improving Investment Climate IFC ASA (602258, FY18)
FOCUS AREA II: PRIVATE SECTOR GROWTH AND ECONOMIC INCLUSION		
Objective 6: Priority business climate improvements		
Indicator 1: Improve Doing Business Distance to Frontier (DTF). **Special focus on:** Trading across Borders DTF: **Baseline** DB 2015: 72.13 **Target** DB2019:85 Paying taxes DTF: **baseline** DB2015: 48.9 **Target** DB2019: 64 Resolving insolvency DTF: **Baseline** DB2015: 57.9 **Target** DB2019 :74 Construction Permits DTF: **Baseline** DB2015: 29.14; **Target** DB2019: 44	**IEG: Achieved.** **2019:** Rank – 48, Score 73.49 (ease of doing business) Source: DB 2019 **Additional Evidence** 2019: (i) Trading across borders (rank: 23, score: 96.64) – **Achieved,** (ii) (iii) Paying taxes (rank: 79, score: 74.75)-A**chieved,** (v) Resolving insolvency (rank: 49, score: 60.78)-N**ot Achieved**, (iv) Dealing with Construction Permits (rank: 11, score: 84.42) – **Achieved.** Source: DB 2019, page #201	In target year, the name of the Doing Business distance to frontier score has been changed to "ease of doing business score" to better reflect the main idea of the measure—a score indicating an economy's position to the best regulatory practice. Overall DTF was achieved, but resolving insolvency – one of the three areas of special focus – was not achieved. Indicator supported by First and Second Programmatic State-Owned Enterprises

CPF FY16-20	Actual Results	IEG Comments
		Reform Development Policy Loan Projects (P127408, FY15) (P149750, FY17); Serbia Improving Investment Climate IFC ASA (602258, FY18)
Supplemental Progress Indicator: *Amendments to the insolvency law and regulations; trainings and awareness campaign for insolvency practitioners, courts and other stakeholders by end 2015*	**IEG: Achieved** **2020:** Resolving insolvency rank: 41, Score:67 Source: DB 2020. Page #4 **2016:** Resolving insolvency rank: 41, Score: 67 Source: DB 2016	Indicator verified for 2020, but not target year. Compared to Serbia's 2015 DB insolvency rank (50), the country's rank improved per DB 2020 (41).
Objective 7: More stable and more accessible financial sector		
Indicator 1: Reduction of share of Non-Performing Loans (NPLs) in total loans provided. **Baseline:** 22.5 percent (2014) **Target:** less than 18 percent (in 2019)	**IEG: Achieved.** **2019** (March): 5.5% Source: Article IV (2019). Executive Summary **Additional Evidence:** **2021**: NPLs remained low (at 3.9 percent at end-March 2021) Source: Article IV (2021). Page #14. Paragraph # 21 * The National Bank of Serbia reports that the country's Distressed Assets Resolution Strategy made significant progress in decreasing NPL rates. The banking sector is well-capitalized, liquid, and profitable (average CAR 21.7 in December 2021, liquidity ratio 2.1, and ROE 7.3).	At PLR stage, the supplementary indicator no state-owned banks with negative profitability was added. Indicator supported by Deposit Insurance Strengthening Project (P146248, FY14); Western Balkans Finance TA (P152742, FY16); PforR on Modernization of Pub. Admin. (P155172, FY16);Serbia Public Finance Review ASA (P151518, FY16); Serbia - Government Debt and Risk Mgmt AAAn(P129414 FY19); Risk financing (P155582, FY18) Verified for 2020, not target year.
Supplemental Indicator: *No state-owned banks with negative profitability*	**IEG: Achieved.** No state banks have negative profits. According to the total balance sheets, all state banks produced profit (as of 11/19/21). Source: NBS Financial Statements of SOBs	
Supplementary Indicator: *Deposit Insurance Fund replenished, and balance sustained*	**IEG: Achieved.** As of 31 December 2017, the DIF balance was EUR 392.25 million, equaling 3.4 percent of the insured deposits compared to the December 31, 2013 baseline.	

CPF FY16-20	Actual Results	IEG Comments
	Cumulative inflows into the DIF exceeded targets. Source ICRR P146248. Page #8 *First-ever WBG operation that recapitalized a depleted public insurance fund.	
Supplemental Indicator: *Increased debt recovery rate through out of court workouts and insolvency* Indicator: proceedings **Baseline:** 29.2 % (2014) **Target:** 40% percent (2018)	**IEG: Not verified.** **2018**: 34.0 Recovery rate (cents on the dollar) Source: DB 2018. Page #190 **Additional Evidence** *Dinarisation demonstrated steadily improving trends (dinarisation of household receivables had an upsurge from 35.1% in 2012 to 54.4% in January 2022, while dinar savings of households showed steady growth from 22% in 2018 to 12% in 2021). However, debt recovery rates through out-of-court workouts and insolvency did not reach the targeted 40 percent, increasing from 29.3 percent in 2014 to 34 percent in 2018.	
Indicator 2: Increased availability of enterprise financing coming from banks: Percent of firm financing coming from banks: **2013**: 15 percent **2019:** 29 percent	**IEG: Mostly achieved.** Domestic credit to private sector: **2013:** 40.97 **2019:** 42.03 Source: WBG open data **Additional evidence:** **2020:** 34.5 percent: DB 2020 Domestic credit to non-government: **2018:** 10.1, 2019: 7.1 (projection), **2020**: 5.6 (projection) Source: Article IV 2019 * Initially, credit was primarily directed to consumption, but after 2018, credit for firms started increasing	Indicator supported by First and Second Programmatic State-Owned Enterprises Reform Development Policy Loan Projects (P127408, FY15) (P149750, FY17); Eurobank MTG/WCL IFC investment (36797, FY16); Serbia Improving Investment Climate IFC ASA (602258, FY18)
Supplemental Indicator: *Credit growth exceeds GDP growth from 2018*	**IEG: Achieved.** Domestic credit to private sector: **2013:** 40.97 **2019:** 42.03 Source: WBG open data [GDP Growth (annual %)] **2018:** 4.495	

CPF FY16-20	Actual Results	IEG Comments
	Source: WBG open data * Domestic credit growth to the private sector exceeded GDP growth every year from 2018 forward.	
Objective 8: More efficient land and property markets		
Indicator 1: Improve *Doing Business Distance to Frontier* (DTF) Construction Permits DTF: **Baseline** DB 2015: 29.14 **Target** DB 2019: 44	**Achieved.** 2019: Rank – 48, Score 73.49 (ease of doing business) Source: DB 2019 **Additional Evidence:** Dealing with Construction Permits **Actual**: (2020 rank): 9 Score of dealing with construction permits (0-100) **Actual** (2020): 85.3 Source: DB2020	In target year, the name of the Doing Business distance to frontier score has been changed to "ease of doing business score" to better reflect the main idea of the measure—a score indicating an economy's position to the best regulatory practice. Indicator supported by First and Second Programmatic State-Owned Enterprises Reform Development Policy Loan Projects (P127408, FY15) (P149750, FY17); Eurobank MTG/WCL IFC investment (36797, FY16); Serbia Improving Investment Climate IFC ASA (602258, FY18)
Supplemental Indicator: *System for electronic issuing of building permit established and applied*	**IEG: Achieved.** **2019:** Dealing with construction permits- Serbia made dealing with construction permits faster by introducing an electronic application system. Source: DB 2019. Page #148	
Indicator 2: Efficiency of property registration system improved: Average number of days to complete recording of	**IEG: Achieved.** **Additional Evidence** Days to complete recording of purchase/sale of property: Actual (current): 3.30 (10-jun-2021)	Verified for 2022, not target year. Indicator supported by Real Estate Management Project (P147050, FY15) and Real Estate

CPF FY16-20	Actual Results	IEG Comments
purchase/sale of property in the land administration system **2015:** 48 **2019:** 4	**Source:** Real Estate Management Project - P147050 - Sequence No : 12 **FY15**	Management Project Additional Financing (P168640, FY20)
Supplemental Indicator: *Rules, procedures, methodologies and information on property registration widely and easily accessible and procedures operate for public to verify their information*	**IEG: Achieved.** **2020:** Available – (i) Publicly official statistics tracking the number of transactions at the immovable property registration agency available, (ii) applicable fee schedule for accessing maps of land plots made publicly available online, (iii) list of documents that are required to complete any type of property transaction made publicly available online, (iv) format are past and newly issued land records kept at the immovable property registry of the largest business city of the economy available in digital form. Source: DB 2020. Page # 30-31	
Supplemental Indicator: *Valuers operating in accordance with valuation standards in compliance with international standards*	**IEG: Achieved** **2020:** Valuers operating in accordance with the valuation standards. Source: Real Estate Management Project - P147050 - Sequence No : 12 FY15. Page # 4	New supplemental indicator added at PLR stage.
Objective 9: Enhanced transport infrastructure networks		
Indicator 1: Corridor X completed Kilometers to be completed by end 2019: 46	**IEG: Achieved.** **2019:** The final length of highway E-75 was 5.6 km + 6.0 km + 26.3 km = 37.9 km. The final length of E-80 was 8.3 km.Total: 37.9 km + 8.3k = 46.2 Source: ICR (P108005) Page #29	Indicator's timeline revised at PLR stage to reach the target is adjusted to the extended closing date of the project (September 30, 2019).
Indicator 2: National roads rehabilitated Kilometers to be rehabilitated with safety measures incorporated **Target:** 121km (2019)	**IEG: Achieved.** **2019:** 416.5 kilometers rehabilitated, exceeding the revised target of 389.80 km (but well short of the original target of 800 km), P127876. National Road Safety Strategy developed and launched in 2019. Source: ICR P108005. Page #29 **2019-2020:** A Road Safety Inspection was done on a total of 1,016 km of the road network. Source: **ICR.** P127876. Paragraph #38.	Indicator added at PLR stage. Indicator supported by Mainstreaming Climate Resilience in

CPF FY16-20	Actual Results	IEG Comments
		Road Transport Management in Serbia (P162823, FY18) Public Expenditure and Public Utilities DPL Series (P155694, FY17 and P161184, FY18);Corridor Highway X project (P108005, FY09) Road Rehabilitation and Safety Project (P127876, FY13) Corridor Highway X project (P108005, FY 09)
Objective 10: More efficient employment facilitation		
Indicator 1: NES services enhanced. Performance indicators: Number of active job seekers per case worker: **2014:** 1,238 (registered unemployed) **2019:** 800 (active job seekers)	**IEG: Achieved** **2020:** According to the National Employment Service Annual Report for 2020 (page #84) there were 816 job seekers per case worker. 90.03% of NES staff has been certified as case worker by the end of 2020.	Indicator supported First and Second Programmatic State-Owned Enterprises Reform Development Policy Loan Projects (P127408, FY15) (P149750, FY17) Serbia Competitiveness and Jobs (P152104, FY15); New Growth Agenda Country Economic Memorandum (CEM) (P169068, FY20) Baseline and target based on Serbia
Indicator 2: Increased number of registered unemployed who found a formal job. **Baseline:** 232,280 (2014)	**IEG: Achieved.** **Actual** (2020): 218,854.00 **Baseline**:232,280.00 (31-Dec-2014) **Target:** 280,000.00 (31-Dec-2020) Source: P152104 Sequence No : 12 Figures based on P152104	
Indicator 3: Increased number of registered unemployed women who found formal job **Baseline:** 122,491 (2014)	**Not Achieved.** **Baseline**: 122,491.00 (31-Dec-2014) **Target**: 145,000.00 (31-Dec-2020) **Actual**: 109,314.00 (30-Nov-2020) Source: P152104 ISR #11. Page #9	
Indicator 4: Increased number of registered unemployed youth (15-24) who found formal job: **Female:** 19,100 (2014)	**IEG: Achieved** Baseline Female: 19,100 (2014); Baseline Male: 22,498 (2014); In 2019 50,726 unemployed youth	

CPF FY16-20	Actual Results	IEG Comments
Male: 22,498 (2014)	were registered with NES, with the following transitioning to formal jobs in 2019 and in 2020. **2019:** 39.043 male 21.293 female 17.750 **2020:** 34.591 male 18.726 female 15.865 NES Evidence Source: supplemental indicatc	Competitiveness and Jobs - P152104
Indicator 5: Increased number of registered unemployed Roma who found formal job: **Female:** 633 (2014) **Male:** 959 (2014)	**IEG: Achieved.** The number of Roma registered as unemployed has been increasing during the CPF period. In 2019 there were 29,266 registered unemployed Roma, up from 22,437 in 2015. But how many of them found formal job in 2019 and in 2020? **2019:** 5.377 male 3.372 female 2.005 **2020:** 5.204 male 3.129 female 2.075 NES Evidence Source: supplemental indicatc	
Supplemental Indicator: *Percentage of total NES staff that is operating as certified case worker*	**IEG: Achieved.** **2020**: 89.3% % of total NES staff that is operating as certified case worker Target (2020): 85% Baseline (2014): 0 Source: P152104 ISR #11. Page #7-9.	Supplemental indicator revised at PLR stage to suggest more adequate measurement of results achieved. The previous language was the *Number of Certified Case managers reaches 600.*

Annex 2: Comments on Lending Portfolio

IEG's review found no differences in lending portfolio data vs. what is presented in the CLR.

Annex 3: Comments on ASA Portfolio

IEG's review found no differences in ASA portfolio data vs. what is presented in the CLR.

Annex 4: Comments on Trust Fund Portfolio

IEG's review found no differences in Trust-funded activities vs. what is presented in the CLR.

Annex 5: IEG Project Ratings

IEG Project Ratings for Serbia, FY16-21

Exit FY	Proj ID	Project name	Total Evaluated	IEG Outcome	IEG Risk to DO
2016	P126229	YF Innovation Serbia	0.0	SATISFACTORY	LOW
2016	P127408	YF First SOE Reform DPL	101.5	SATISFACTORY	MODERATE
2018	P146248	Deposit Insurance Strengthening Project	173.1	SATISFACTORY	#
2018	P149750	YF Second Programmatic SOE Reform DPL	96.9	SATISFACTORY	MODERATE
2018	P155694	Public Exp. and Utilities DPL1	207.5	SATISFACTORY	NOT APPLICABLE
2020	P108005	CORRIDOR X HIGHWAY PROJECT	375.5	SATISFACTORY	#
2020	P152018	Floods Emergency Recovery Project	238.9	SATISFACTORY	#
2020	P155172	PforR on Modernization of Pub. Admin.	63.5	SATISFACTORY	#
2020	P161184	Public Exp. & Public Utilities DPL2	182.6	SATISFACTORY	NOT APPLICABLE
2021	P127876	ROAD REHABILITATION AND SAFETY PROJECT	63.2	MODERATELY SATISFACTORY	#
		Total	**1,502.7**		

Source: Business Intelligence Key IEG Ratings as of March 24, 2022

IEG Project Ratings for Serbia and Comparators, FY16-21

Region	Total Evaluated ($M)	Total Evaluated (No)	Outcome % Sat ($)	Outcome % Sat (No)	RDO % Moderate or Lower Sat ($)	RDO % Moderate or Lower Sat (No)
Serbia	1,502.7	10.0	100.0	100.0	33.7	40.0
ECA	19,016.1	174.0	81.5	83.9	35.3	42.5
World Bank	135,404.2	1,330.0	83.5	78.9	35.8	37.6

Source: WB Business Intelligence as of March 24, 2022

Annex 6: Portfolio Status for Serbia and Comparators, FY16-21

Fiscal year	2016	2017	2018	2019	2020	2021	Avg FY16-21
Serbia							
# Proj	8	12	13	14	13	12	12
# Proj At Risk			2	1		1	1
% Proj At Risk	-	-	15	7	-	8	11
Net Comm Amt ($M)	1,247	1,706	2,006	1,880	903	819	1,427
Comm At Risk ($M)			200	75		50	108
% Commit at Risk			10	4		6	7
ECA							
# Proj	197	202	204	215	228	236	214
# Proj At Risk	40	34	45	42	28	27	36
% Proj At Risk	20	17	22	20	12	11	17
Net Comm Amt ($M)	27,214	25,220	26,525	27,132	29,784	32,249	28,020
Comm At Risk ($M)	4,288	5,460	4,138	4,379	2,729	3,039	4,006
% Commit at Risk	16	22	16	16	9	9	15
World							
# Proj	1,398	1,459	1,496	1,570	1,723	1,763	1,568
# Proj At Risk	336	344	348	346	311	331	336
% Proj At Risk	24	24	23	22	18	19	21
Net Comm Amt ($M)	207,350	212,503	229,956	243,812	262,931	279,168	239,287
Comm At Risk ($M)	42,715	50,838	48,149	51,949	47,640	42,669	47,327
% Commit at Risk	21	24	21	21	18	15	20

Source: WB Business Intelligence as of March 24, 2022
Agreement type: IBRD/IDA Only

Annex 7: Comments on IFC Investments in Serbia

IEG's review found no differences in IFC investment data vs. what is presented in the CLR.

Annex 8: Comments on IFC Advisory Services in Serbia

IEG's review found the following IFC advisory services that are not included in the CLR's annex table:

Advisory Services Approved in FY16-21

Project ID	Impl Start FY	Impl End FY	Project Status	Primary Business Area	Total Funds Managed by IFC
603482	2019	2024	PORTFOLIO	REG	3.6
602258	2018	2021	PORTFOLIO	REG	3.8
601333	2017	2020	COMPLETED	INR	5.5
600610	2015	2020	COMPLETED	CTA-PPP	3.4
595728	2013	2017	COMPLETED	INR	3.4
	TOTAL				**19.8**

Source: IFC AS Portal Data as of 7/31/21

Annex 9: Comments on MIGA Guarantees

IEG's review found no differences in MIGA guarantees vs. what is presented in the CLR.

Annex 10: Economic and Social Indicators for Serbia FY16-20*

Series Name	2016	2017	2018	2019	2020	Serbia	ECA	World
						Average 2016-2021		
Growth and Inflation								
GDP growth (annual %)	3.3	2.1	4.5	4.3	-0.9	2.7	0.6	1.8
GDP per capita growth (annual %)	3.9	2.6	5.1	4.9	-0.4	3.2	0.3	0.6
GNI per capita, PPP (current international $)	14,990	15,540	16,800	17,830	18,530	16,738.0	34,701.4	16,618.5
GNI per capita, Atlas method (current US$)	5,700	5,570	6,410	7,040	7,420	6,428.0	24,032.3	10,925.2
Inflation, consumer prices (annual %)	1.1	3.1	2.0	1.8	1.6	1.9	1.4	2.1
Composition of GDP (%)								
Agriculture, forestry, and fishing, value added (% of GDP)	6.8	6.0	6.3	6.0	6.3	6.3	2.0	4.1
Industry (including construction), value added (% of GDP)	25.8	26.1	25.5	25.6	24.9	25.6	23.2	26.5
Services, value added (% of GDP)	50.3	50.9	51.0	51.2	51.9	51.1	64.5	64.6
Gross fixed capital formation (% of GDP)	18.1	19.6	22.7	25.1	24.2	21.9	22.1	26.1
External Accounts								
Exports of goods and services (% of GDP)	48.5	50.5	50.4	51.0	48.2	53.6	43.5	27.9
Imports of goods and services (% of GDP)	53.3	57.1	59.1	60.9	56.5	26.3	40.2	27.2
Current account balance (% of GDP)	-2.9	-5.3	-4.9	-6.9	-4.1	33.2		
External debt stocks (% of GNI)	73.7	76.1	65.5	66.8	74.4	41.9		
Total debt service (% of GNI)	15.3	11.8	11.5	14.1	9.7	8.9		
Total reserves in months of imports	5.2	5.0	4.7	5.2	6.1	5.2	9.2	11.9
Fiscal Accounts [/1]								
General government revenue (% of GDP)	40.7	41.5	41.5	42.1	41.3	41.4	35.2	
General government total expenditure (% of GDP)	41.8	40.1	40.7	42.1	48.6	42.6	37.3	
General government net lending/borrowing (% of GDP)	-1.1	1.4	0.8	0.0	-7.3	-1.2	-2.1	
General government gross debt (% of GDP)	68.8	58.6	54.4	52.8	58.4	58.6	32.4	
Health								
Life expectancy at birth, total (years)	75.7	75.5	75.9	75.7	..	75.7	77.8	72.5

Series Name						Serbia	ECA	World
	2016	2017	2018	2019	2020	Average 2016-2021		
Immunization, DPT (% of children ages 12-23 months)	92.0	95.0	96.0	97.0	..	95.0	94.0	85.7
People using at least basic sanitation services (% of population)	97.6	97.8	97.9	97.9	97.9	97.8	96.7	76.0
People using at least basic drinking water services (% of population)	93.8	94.1	94.5	94.9	95.3	94.5	98.2	89.3
Mortality rate, infant (per 1,000 live births)	5.2	5.1	5.0	4.9	4.9	5.0	7.1	28.9
Education								
School enrollment, preprimary (% gross)	58.8	61.1	62.3	63.8	65.4	62.3	76.0	59.8
School enrollment, primary (% gross)	100.6	100.3	100.3	99.6	97.7	99.7	100.9	102.8
School enrollment, secondary (% gross)	96.2	95.5	95.1	94.5	92.2	94.7	105.0	75.8
School enrollment, tertiary (% gross)	62.1	66.5	67.2	67.8	68.1	66.3	71.9	38.7
Population								
Population, total (Millions)	7,058,322	7,020,858	6,982,604	6,945,235	6,908,224	6,983,048.6	917,553,674.6	7,600,039,871.0
Population growth (annual %)	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	0.4	1.1
Urban population (% of total)	55.8	55.9	56.1	56.3	56.4	56.1	72.2	55.3
Rural population (% of total pop)	44.2	44.1	43.9	43.7	43.6	43.9	27.8	44.7
Poverty								
Poverty headcount ratio at $1.90 a day (2011 PPP) (% of pop)	6.4	5.4	..	..	..	5.9	1.2	9.5
Poverty headcount ratio at national poverty lines (% of pop)	25.7	24.3	23.2	..	..	24.4		
Rural poverty headcount ratio at national poverty lines (% of rural pop)								
Urban poverty headcount ratio at national poverty lines (% of urban pop)								
GINI index (World Bank estimate)	38.8	36.2	..	..	..	37.5		

Source: Worldbank DataBank as of March 24, 2022
International Monetary Fund, World Economic Outlook Database, October 2022
*Data available until FY20