



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

FOR OFFICIAL USE ONLY

Report No: RES40471

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESTRUCTURING PAPER

ON A

PROPOSED PROGRAM RESTRUCTURING
OF
ENHANCING INFRASTRUCTURE EFFICIENCY AND SUSTAINABILITY
APPROVED ON NOVEMBER 2, 2017

TO THE

REPUBLIC OF SERBIA

Transport Global Practice
Europe And Central Asia Region

Regional Vice President: Anna Bjerde

Country Director: Linda Van Gelder

Regional Director: Charles Cormier

Practice Manager: Karla Gonzalez Carvajal

Task Team Leader(s): Victor A Aragones, Katharina B. Gassner



ABBREVIATIONS AND ACRONYMS

DLI	Disbursement Linked Indicator
DLR	Disbursement Linked Results
EU	European Union
GoS	Government of Serbia
IVA	Independent Verification Agency
LSG	Local self-government/
M&E	Monitoring and Evaluation
MCTI	Ministry of Construction, Transport and Infrastructure
MME	Ministry of Mining and Energy
MoF	Ministry of Finance
PBMC	Performance-based maintenance contracting
PERS	Public Enterprise Roads of Serbia
PforR	Program-for-Results
PIMO	Public Investment Management Office
PBMP	Performance Based Maintenance Plan
RRSP	Road Rehabilitation and Safety Project
SOE	State Owned Enterprise
SLA	Service Level Agreement
TA	Technical Assistance
TF	Trust Fund
UNDP	United Nations Development Program
WB	World Bank



DATA SHEET (Enhancing Infrastructure Efficiency and Sustainability - P163760)

Project ID P163760	Financing Instrument Program-for-Results Financing	IPF Component No
Approval Date 02-Nov-2017	Current Closing Date 31-Dec-2021	

Organizations

Borrower Republic of Serbia	Responsible Agency Public Enterprise "Roads of Serbia", Public Investment Management Office
--------------------------------	--

Program Development Objective(s)

The Program Development Objective is to improve the management and sustainability of select public infrastructure by strengthening government capacity and systems, upgrading assets, and increasing expenditure efficiency.

Summary Status of Financing (US\$, Millions)

Ln/Cr/TF	Approval Date	Signing Date	Effectiveness Date	Closing Date	Net Commitment	Disbursed	Undisbursed
IBRD-87920	02-Nov-2017	02-Nov-2017	12-Jan-2018	31-Dec-2021	118.60	72.09	45.87

Policy Waiver(s)

Does the Program require any waivers of Bank policies applicable to Program-for-Results operations?

No



I. PROGRAM STATUS AND RATIONALE FOR RESTRUCTURING

A. Program Description.

1. The Enhancing Infrastructure Efficiency and Sustainability Program (“the Program”) was approved on November 2, 2017 in the amount of EUR 100 million (USD 118.6 million equivalent) and became effective on January 12, 2018. The Program Development Objective (PDO) is to improve the management and sustainability of select public infrastructure by strengthening government capacity and systems, upgrading assets, and increasing expenditure efficiency. To achieve the PDO, the Program is providing support to the Public Enterprise Roads of Serbia (PERS) with implementation of the transport component and to the Public Investment Management Office (PIMO) with implementation of the energy component.

2. Program Components

(a) Transport component: For the transport component, the goal of the government is the substantial implementation of Performance Based Maintenance Contracting (PBMC). This transition from traditional maintenance to PBMC will bring better planning, contracting and fiscal discipline in PERS.

(b) Energy component: For the energy component, the Program supports the government’s Program for Reconstruction and Improvement of State-Owned Public Facilities, by improving energy efficiency and safety in renovated public buildings and strengthening the implementation capacity for the program.

3. Program Results. The key program results indicators include:

(a) For the transport sector:

(i) Enhanced motorist satisfaction through better pavement condition by IRI<2.5 (kilometers).

(ii) Implementation of a Service Level Agreement (SLA) between the Ministry of Construction, Transport, and Infrastructure (MCTI) and PERS defining agreed maintenance service levels and the commensurate financing to ensure financial sustainability of the maintenance programs.

(b) For the energy sector:

(i) Projected lifetime energy savings (core) in renovated public buildings.

(ii) Number of renovated buildings that meet Serbia’s Class C energy performance (or at least two classes higher than the baseline) and receive a final acceptance report.

B. Program Status.

4. **Progress toward achievement of the PDO and intermediate results indicators (IRIs).** Progress towards achievement of development objectives is currently rated as Moderately Satisfactory. With regard to the achievement of the PDO level indicators:

a. The project has made progress under PDO indicator #1 “Enhanced motorist satisfaction through better pavement condition by IRI<2.5)” by completing 2,000 km of road maintained under this condition. The



remaining 5,000 km of roads meeting that criteria will be completed under DLI 3.1 which entails the use of PBMC for 5,000 km. Delay in attainment of the additional 5,000 km is due to COVID-19 impact on PERS' finances. Toll revenues seem to be recovering and the team expects that as the COVID-19 situation stabilizes and there is a return of traffic to normal levels, PERS will be able to achieve this PDO under a revised timeline.

- b. The project has not achieved PDO indicator #2 "Implementation of an SLA between MCTI and PERS defining agreed maintenance and financing." The development of the SLA has made progress as PERS and MCTI are negotiating terms and key performance indicators to include in a pilot SLA which would be followed by a permanent SLA. Completion of the SLA is a priority as the other project activities are a result of what is agreed by PERS and the Government of Serbia (GoS) in the SLA.
 - c. Progress toward PDO indicator #3 "Projected lifetime energy savings (in renovated public buildings)" stands at 468,072 MWh at end-November 2021 against an overall project target of 1,100,000 MWh (42.5 percent), reflecting delays in building renovation completion and securing of energy certificates by municipalities. During the pandemic, procurement of new work contracts has been suspended by the Ministry of Finance, but the restrictions have eased in the later part of 2021.
 - d. PDO indicator #4 "Renovated buildings that meet Class C (or 2 classes higher) energy performance certificate" stands at 61 percent of completion: 144 buildings have so far been verified in terms of certified energy performance with 39 additional buildings added in the second half of 2021. Further certificates are pending at municipal level and the extension of project closure is estimated to allow meeting this PDO indicator.
5. For the transport component, the IRIs status is as follows: (i) length of national roads maintained is 37.5 percent achieved; (ii) completion of road asset survey has been achieved; (iii) a PERS' 3-year plan was completed; (iv) completion of PERS' asset management plan has not been achieved, and (v) road safety inspection carried out and safety measure implemented (kilometers) has not been achieved. For the energy efficiency component, the IRIs status is as follows: (i) Reduction of associated CO2 emissions saved from renovated buildings: 66% achieved (12,611 metric tons achieved, 19,000 target); (ii) Direct project beneficiaries: 66% achieved (933,987 beneficiaries recorded, 1,381,000 target); (iii) Bidding documents, including technical designs, completed and approved (263 achieved, 234 target); (iv) Government adoption of a medium term renovation plan for public buildings: not achieved; and (v) Stakeholder satisfaction with program: 86% (target 98%). To date, disbursements total 61 percent of the loan, with the Energy Efficiency component totaling EUR16 million in disbursement linked indicator (DLI) payments and the transport component totaling EUR25 million disbursed in DLI payments and EUR20 million in advance payments. The DLIs that have been achieved are DLI# 1, DLI# 2.3, DLI# 4, DLI# 7.1 and DLI#7.2 (partially). Additionally, the client requested a EUR 20 million advance towards DLI #3.1 in order to support implementation of PBMC under difficult pandemic conditions. The advance was processed in September 2020. All agreed DLIs for the Program are listed below with a short status description:



6. Transport component:

- (a) **DLI#1 – Achieved** (PERS completes maintenance of 1,000 km of national road network). DLI#1 was achieved in May 2019 and EUR 15 million disbursed, for the completion of 1,000 kilometers of road maintenance. Furthermore, PERS and the government completed important actions in the environmental and social action plan.
- (b) **DLI# 2.1 – Not Achieved** (Service Level Agreement (SLA) between PERS and MCTI is signed). As noted above, DLI #2.1 has been delayed due to the pandemic and complexity of the task. World Bank support and renewed interest from stakeholders indicates that SLA could be signed in the short term and is likely to meet the timeline proposed in this restructuring paper. Discussions between MCTI, MoF, and PERS are centered around the recommendations made by the international consultant (brought by the World Bank through the Road Rehabilitation and Safety project) which recommended three steps; (i) development of a pilot SLA for the Serbian road sector for year 2022, provision of operational support to the MCTI and MoF; (ii) development of the SLA for the period 2023-2025 and (iii) development of a 3-year Performance Based Maintenance Plan (PBMP) structure and provision of guidance to PERS in developing a PBMP in support of the SLA. This timeline is consistent with the proposed extension.
- (c) **DLI# 2.2 – Not Achieved** (PERS adopts its 3-year Business Plan). Completion of PBMP is based on work and performance agreed under the signed SLA. Given that SLA has not been signed between PERS and the Government of Serbia (MCTI and MoF), the PBMP has not been developed and adopted by PERS. The PBMP has to be in line with the SLA and articulate the commercial management strategy to meet SLA targets along three primary objectives; (i) link infrastructure requirements to usage; (ii) minimize road maintenance cost; and (iii) establish core activities. This document is expected to be completed upon adoption of SLA.
- (d) **DLI# 2.3 – Achieved** (PERS Completes maintenance of 2,000 km of national road network using enhanced road maintenance contracts). DLI# 2.3 has been achieved and disbursed. Results for the completion of 2,000 kilometers of road maintenance using enhanced maintenance contracting were verified. Accordingly, the amount corresponding to the achievement was disbursed. Disbursements were processed in two steps; one for EUR 5 million on May 8, 2020 and the other for EUR 5 million on June 3, 2020. The verification of DLR# 2.3 converted advances made in 2018 into disbursements (advance in 2018 amounted to EUR 25 million). Enhanced road maintenance is road maintenance work done through traditional contracts with clear performance standards which is a good precursor to PBMC implementation.
- (e) **DLI# 3.1– Not Achieved** (At least 5,000 km of the national road network managed by PERS is maintained using PBMC). DLI# 3.1 has not been completed and entails a disbursement of EUR 20 million, according to the program budget allocation.
- (f) **DLI# 3.2– Not Achieved** (Adoption of the Asset Management plan for PERS). DLI# 3.2 has not been completed. Delay in the implementation of the SLA has affected the completion of the Asset Management plan as PERS will complete the Asset Management plan based on the performance and resources agreed under the SLA.

7. Energy component:



- (a) **DLI#4 – Achieved** (Adoption and publication by PIMO Management of a Program Operations Manual (POM), EUR 3 million, not scalable). DLI#4 was achieved on October 8, 2018 with PIMO management adoption and publication of the POM. The World Bank confirmation of results achievement was issued on February 20, 2019 and the withdrawal application for EUR 3 million was submitted on May 24, 2019. DLI#4 was fully disbursed against shortly after.
- (b) **DLI#5 – Not Achieved** (Issuance of a Government Decision on the Borrower's adoption of a medium-term national plan for the renovation of public buildings, and its publication in the Official Gazette, EUR 4.9 million, not scalable).
- (c) **DLI#6 – Not Achieved** (Design and operationalization of consolidated program monitoring and evaluation (M&E) system, EUR 2 million, not scalable).
- (d) **DLI#7 – Partially Achieved** (Renovated buildings meeting national building regulations and C Class – EUR 30 million, scalable). Three partial disbursements totaling EUR 13 million have taken place to date.

8. **Financial Management performance.** Financial management arrangements continue to be acceptable and there are no overdue audits for the program.

9. **Status of the Program Action Plan (PAP).** On the transport side, most actions in the PAP have been complied since mid-2019 and clients continue to renew its recurring commitments. The only PAP action not fully complied with and still in progress of full implementation is the alignment of the legal framework to ensure compliance of PBMC scope to the national framework. However, recently completed consultancy found that SLA and PBMC can be implemented under the current legal framework. On the energy side, compliance with the PAP is also confirmed with all actions completed as of 2018 and only two actions which are repeated annually affected by Covid restrictions in 2020 and 2021: the annual social survey results have been delayed due to access restrictions to renovated buildings (schools and hospitals) and annual training at municipal level has been postponed and will be shifted to the on-line format.

C. Rationale for restructuring

Overview

10. The Program restructuring will extend the Program closing date by two years from December 31, 2021 to December 31, 2023. No changes to the project development objective (PDO), DLIs, or safeguards policies are put forward. The project will maintain the original objective to strengthen the governance in the transport and energy efficiency sectors and to increase efficiency and sustainability of road maintenance and public building renovation. The progress towards PDO achievement is Moderately Satisfactory, and the PDO will remain achievable after the restructuring. The key reason for project restructuring is the delays and bottlenecks incurred during



implementation, with a significant deterioration due to the Covid-19 pandemic. Below is a brief description of key issues and actions that explain the need for additional time for implementing the DLIs.

Implementation delays and the need for extending delivery dates

Transport component

- 11.** As stated in section B above, four out of six of the sub-DLIs under the transport component have not been achieved to date. Completion of DLI #2.1 (Service Level Agreement (SLA) between PERS and MCTI is signed) is a priority as the other project activities are a result of what is agreed within this DLI. Development of the SLA has been affected by COVID-19 because experts were not able to travel to Serbia nor to have intense negotiations among all relevant stakeholders and there was a deep financial impact of the pandemic on toll road revenues during 2020. Acknowledging these difficulties, contracts for SLA experts were extended (under the Serbia Road Rehabilitation and Safety Project (RRSP) (P127876)) and deadlines were adjusted to accommodate more time needed for agreed deliverables. DLI # 2.2 (PERS Adopts its 3-year Performance Based Maintenance Plan (PBMP)) has not been achieved yet, as the PBMP depends on the SLA, which has not been signed. DLI # 3.1 which requires 5,000 km of the national road network managed by PERS to be maintained using PBMC and entails a disbursement of EUR 20 million according to the program budget allocation, has not been completed as PERS saw its toll revenues drop by 17.4 percent during 2020. This prevented PERS to have the financial certainty to procure the rest of the PBMC lots that were planned initially. DLI # 3.2 (Adoption of the asset management plan by PERS) is delayed as details included in this plan will depend on the implementation of the SLA. Therefore, postponements in the SLA signature have affected the completion of the Asset Management Plan.

Energy Efficiency (EE) Component

- 12.** Two out of four energy efficiency DLIs have not been achieved, and one has been partially achieved, but actions have been taken to accelerate the progress towards implementation, as discussed below.
- 13. DLI#5** (adoption of a medium-term national plan for the renovation of public buildings) was initially postponed due to delay in securing donor financing to implement the planning exercise. In late 2019, funding from UNDP was secured but was re-programmed with the onset of Covid-19. The Ministry of Mining and Energy suspended preparation of medium-term national plan for the renovation of public buildings because the 2020 budget was re-balanced following the COVID outbreak; a new delivery date for the mid-term plan was agreed in February 2021. The funds for UNDP technical assistance were initially secured in the national budget for 2021 but this funding was reallocated again in the re-balanced 2021 budget as the COVID pandemic continued.
- 14. As regards DLI#6** (consolidated program monitoring and evaluation (M&E) system), PIMO, the implementing agency, decided to expand the coverage of the M&E system to all of its projects (PIMO acts as implementing agency to a number of public investment programs, with the public building renovation program covered by this PforR being one of these programs), resulting in an extension of the original deadline for installation of the M&E software to September 2020. The COVID 19 outbreak in March 2020 affected the implementation of this component, disrupting progress. The M&E software development was eventually completed in November 2020,



at which point project related data, held in paper form, had to be migrated online and uploaded on the server provided by the Government Office for IT and E-governance. Given the escalation of the epidemic situation and prioritization of the e-government system for the Covid-19 vaccination, additional time had to be allocated to make the M&E system fully operational and test it by using a dedicated secured server provided by the Government Office for IT and E-governance. By October 2021, PIMO staff used the system, although not to full capacity due to a pending technical issue the PIU is in the process of resolving with the Government Office for IT and E-governance. DLI#6 will be considered achieved on the basis of a positive Independent Verification Agency (IVA) report, confirming the use of the software output.

- 15. As for DLI#7** (building renovations completed), despite early progress and steady completion of building renovations from the start of the project, timely achievement of this DLI was initially hindered by difficulties with the IVA and its subsequent replacement in November 2019. Under the second IVA, three verification reports have been submitted under DLI#7, providing the basis for disbursements against three completed sets of buildings: EUR 5 million against DLI#7.1 (39 completed buildings) in April 2020; EUR 5 million against DLI#7.2 (39 completed buildings) in December 2020; and EUR 3 million (partial disbursement) against DLI#7.2 (24 completed buildings) in March 2021. The next IVA verification report for the fourth batch of renovated buildings (39 buildings) is expected to be submitted by the end of December 2021.
- 16.** Further delays in the completion of building renovations have been caused by slow issuance of energy performance certificates (only 144 certificates have been issued by October 2021, which is to a large degree due to the lack of technical and financial resources at local self- government (LSG) level), as well as the complexity of works (including in health facilities) and necessity to adjust the timing of the renovation schedule to align with the 2020/2021 heating season and comply with ongoing coronavirus pandemic health and safety measures. The COVID 19 outbreak also led to restrictions on payments for ongoing renovation works and halted all new public procurements for renovation works in 2020 due to budget re-prioritization. PIMO had to suspend 27 already published procurements for building renovations (estimated value of EUR 45 million).
- 17.** As discussed above, program implementation experienced delays in both components; these delays reached critical status with the arrival of the COVID -19 pandemic. As a result of assessment of the implementation status of the program and of the combined impact of earlier delays and the pandemic impact, a request for an extension of the project closing date by two years was received from the Ministry of Finance on April 9, 2021. This extension would allow the completion of disbursement in the transport and energy components.

Maintained strategic relevance of the program.

- 18.** Although the COVID-19 has imposed significant operational and financial restrictions on implementing agencies, progress in Program implementation has been achieved recently, underpinned by strong client commitment. This demonstrates that the strategic relevance of the Program remains high.



- 19.** On the transport side, progress included the conclusion of the international SLA consultancy, demonstrating commitment of the government to the signing of the SLA, and completion of road assets survey in 2021. Restructuring of this PforR has been endorsed by the client and extension will provide additional time for the completion of DLIs.
- 20.** As PERS and MCTI make progress towards the implementation of the SLA, the case to extend closing date of the program is strong, as there is a clear line of vision towards implementation of the SLA and further PBMC deployment. Due to the complexity, the implementation of an SLA between PERS and MCTI will be done on the basis of the deliverables by an SLA expert who provided advice to the three parties through the development and negotiation of the SLA. PERS is working on delineating the specific steps to take towards the signature and implementation of such an agreement. The SLA materials developed to date provide a realistic framework for implementation which can be used by PERS and other stakeholders, as a roadmap for remaining disbursements under the PforR.
- 21.** The technical competence of the implementing agency PERS is demonstrated by the fact that maintenance activities using traditional or enhanced maintenance contracting under this PforR and performance-based contracting under RRSP have not been an issue for PERS to complete. Also, until the pandemic struck, PERS was well underway to achieve DLI #3.1 for the procurement of 5,000 km of performance-based contract maintenance in the national road network. Additionally, PERS has noted that revenues for toll roads have recovered in 2021 and it expects to have resources to complete this DLI by the revised timeline.
- 22.** The restructuring of the program will allow the World Bank to continue its support for PERS in the implementation of the program and maintain the momentum in the implementation of PBMC. Signing of the SLA is considered under DLI #2 of the PforR in which funding and service levels must be agreed between PERS and MCTI as part of the SLA. The PforR has currently EUR 5 million linked to the disbursement upon completion and signing of the SLA between MCTI and PERS (DLI #2.2). MoF and MCTI have prioritized signing of SLA as the International Monetary Fund (IMF) and the European Bank for Reconstruction and Development (EBRD) are linking completion of the SLA to some of their own fiscal and financial support. The previously recommended implementation of a Pilot SLA is still the right step for PERS, MCTI, and MoF to take the first critical step in the adoption of the final SLA. As noted above, the approach was recommended by international experts on the matter through a consultancy financed by the World Bank's RRSP project in 2020. This extension gives the time needed for these organizations to learn about a complex institutional change in the infrastructure (maintenance) finance. It is important to note that this is the main area that has been lagging in this PforR and extending this operation is key as the lack of progress in the institutional strengthening would result in considerable risk of losing ground in this area after significant gains in the last 15 years.
- 23.** On the energy side, progress has been made on DLI #7 regarding the issue of suspended renovations of public buildings, which demonstrates that energy efficiency remains high on the national agenda despite other priorities



related to COVID-19. Following the re-prioritization of the budget funds after the COVID-19 breakout, only five new procurements (including one of the 27 previously suspended) received no objection from the MoF between August 2020 and March 2021. However, since then the situation has improved, and by late October 2021, MoF gave no objection to proceed with 18 building reconstruction tenders and PIMO urgently initiated procurement procedures with an objective to finalize the company selection process by the end of December 2021.

24. Currently, there are 83 buildings under the program with ready technical documentation suggesting rapid publication of tenders and initiation of reconstruction of 83 buildings in the pipeline. This will allow for an increased number of eligible buildings for EE performance verification in line with Program requirements and would result in reaching (or coming close to) the end target result of 234 completed reconstructions with verified EE performance levels, within an extended Program deadline of December 2023. Further, the issuance of energy performance certificates has improved in 2021, including as a result of the training sessions with local self-government representatives.
25. Program extension would also enable achievement of DLI #5, related to the development and adoption of a medium-term national plan for the renovation of public buildings. The Ministry has requested allocation of funds for UNDP TA in the budget for 2022 so that work on the medium-term plan could be initiated in 2022. Providing additional impetus for completion, the adoption of a new energy legislative framework in April 2021, which includes new laws on energy efficiency and renewable energy, supports the prioritization of energy efficiency and stronger energy management planning in the public sector.
26. Lastly, the Program extension would enable making the M&E software fully operational under DLI#6. The extension would provide time for PIMO to resolve the technical issue reported above and fully demonstrate the operationalization of the M&E system and make updates as needed.

Commitment to project completion.

27. The transport component stakeholders are fully committed to the continuation of the institutional road reforms in this PforR. The PERS has agreed with the revised timeline for the Program completion. The letter of request shows strong support for the proposed restructuring and reflects close work between PERS, the government and the World Bank (through the SLA support provided in 2019/2020). All signatories of SLA and PERS have committed to complete the remaining PforR DLIs.
28. Regarding the energy component, PIMO representatives assessed this extension to be adequate to complete the targeted number of buildings provided the constraints to procurement of new works contracts for building renovations remain lifted by Ministry of Finance. The Ministry of Mines and Energy confirmed that with the new funding secured from UNDP for the medium-term public building renovation strategy, a 2-year extension would be adequate to complete DLI #5.

**II. DESCRIPTION OF PROPOSED CHANGES**

29. For transport and energy sectors, DLIs remain unchanged but timeline would be extended in agreement with the program extension to 2023. Modifications to the implementation schedule will be updated in the Implementation Status and Result (ISR) report. The new timeline will be in line with the new closing date of December 31, 2023 and in agreement with the implementing agencies of each component. Table 1 below reflects pending DLIs contributing to the PDO, on both the transport and energy side.

Table 1. Pending DLIs

<i>Indicator</i>	<i>Budget Amount</i>
<u>DLI2.1</u> SLA between PERS and MCTI is signed.	EUR 5 million
<u>DLI2.2</u> PERS adopts its 3-year Business Plan (PBMP).	EUR 5 million
<u>DLI3.1</u> At least 5000 km of the national road network managed by PERS is maintained using PBMC.	EUR 20 million
<u>DLI3.2</u> Adoption of the asset management (AM) plan by PERS	EUR 4.85 million
<u>DLI 5.</u> Issuance of a Government Decision on the Borrower's adoption of a medium-term national plan for the renovation of public buildings, and its publication in the Official Gazette	EUR 4.9 million
<u>DLI 6.</u> Design and operationalization of consolidated program monitoring and evaluation system	EUR 2 million
<u>DLI 7.</u> Renovated buildings meeting national building regulations and C Class <i>DLI 7.1 up to 39 buildings as a prior result</i> <i>DLI 7.2 up to an additional 195 buildings</i>	EUR 30 million



III. SUMMARY OF CHANGES

	Changed	Not Changed
Change in Loan Closing Date(s)	✓	
Change in Implementation Schedule	✓	
Change in Implementing Agency		✓
Change in Program's Development Objectives		✓
Change in Program Scope		✓
Change in Results Framework		✓
Change in Cancellations Proposed		✓
Reallocation between and/or Change in DLI		✓
Change in Disbursements Arrangements		✓
Change in Disbursement Estimates		✓
Change in Systematic Operations Risk-Rating Tool (SORT)		✓
Change in Safeguard Policies Triggered		✓
Change in Legal Covenants		✓
Change in Institutional Arrangements		✓
Change in Technical Method		✓
Change in Fiduciary		✓
Change in Environmental and Social Aspects		✓
Other Change(s)		✓

IV. DETAILED CHANGE(S)



LOAN CLOSING DATE(S)

Ln/Cr/TF	Status	Original Closing Date	Revised Closing(s) Date	Proposed Closing Date	Proposed Deadline for Withdrawal Applications
IBRD-87920	Effective	31-Dec-2021		31-Dec-2023	30-Jun-2024



ANNEX 1: RESULTS FRAMEWORK

Results framework

Program Development Objectives(s)

The Program Development Objective is to improve the management and sustainability of select public infrastructure by strengthening government capacity and systems, upgrading assets, and increasing expenditure efficiency.

Program Development Objective Indicators by Objectives/ Outcomes

Indicator Name	DLI	Baseline	End Target
Improve the management and sustainability of select public infrastructure			
Enhanced motorist satisfaction through better pavement condition by IRI<2.5 (Kilometers)		0.00	7,000.00
Implementation of an SLA between MCTI and PERS defining agreed maintenance and financing (Yes/No)		No	Yes
Projected lifetime energy savings (in renovated public buildings) (Megawatt hour(MWh))		0.00	1,100,000.00
Renovated buildings that meet Class C (or 2 classes higher) energy performance certificate (Number)		39.00	234.00



Intermediate Results Indicators by Result Areas

Indicator Name	DLI	Baseline	End Target
PBMC			
Length of national roads maintained (Kilometers)		0.00	8,000.00
Completion of road asset survey (Kilometers)		3,755.00	14,894.00
Completion of PERS' 3-year business (Yes/No)		No	Yes
Completion of PERS' asset management plan (Yes/No)		No	Yes
Road safety inspection carried out and safety measure implemented (Kilometers)		0.00	5,000.00
Building EE Component			
Reduction of associated CO2 emissions from energy saved in renovated buildings (Metric ton)		0.00	19,000.00
Estimated direct project beneficiaries (Number)		0.00	1,381,000.00
Completed and approved bidding documents, including technical designs (Number)		60.00	234.00
Government adoption of a medium-term national plan for the renovation of public buildings (Text)		No national plan	Medium-term national plan adopted
Stakeholder satisfaction with program and reporting of positive socioeconomic benefits (Percentage)		0.00	98.00



Disbursement Linked Indicators Matrix

Disbursement Linked Indicators Matrix				
DLI 1	PERS Completes maintenance of 1000 km of national road network			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Kilometers	17,791,500.00	100.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
2018	1,000.00		17,791,500.00	
2019			0.00	
2020			0.00	
DLI 2	Service Level Agreement (SLA) between PERS and MCTI is signed. PERS Adopts its 3-year Business Plan PERS Completes maintenance of 2000 km of national road network using enhanced road maintenance contra			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Yes/No	23,722,000.00	42.15
Period	Value		Allocated Amount (USD)	Formula
Baseline	No			
2018			0.00	
2019	Yes		23,722,000.00	



2020			0.00	
DLI 3	Adoption of the asset management plan for PERS and 5000 km of the national road network managed by PERS is maintained using PBMC			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Yes/No	29,474,585.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	No			
2018			0.00	
2019			0.00	
2020	Yes		29,474,585.00	
DLI 4	Adoption and publication by PIMO Management of a Program Operations Manual			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Text	3,000,000.00	100.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	No documented program procedures			
2018	POM developed, adopted and published		3,000,000.00	
2019			0.00	



2020			0.00	
DLI 5	Issuance of a Government Decision on the Borrower's adoption of a medium-term national plan for the renovation of public buildings, and its publication in the Official Gazette			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Text	4,900,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	No strategy in place			
2018	Strategy or program plan drafted		0.00	
2019	Strategy or program plan adopted		4,900,000.00	
2020			0.00	
DLI 6	Design and operationalization of consolidated program monitoring and evaluation system			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	No	Text	2,000,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	No consolidated system			
2018	System developed		0.00	
2019	System operational		2,000,000.00	



2020			0.00	
DLI 7	Renovated buildings meeting national building regulations and C Class			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Number	30,000,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
2018	117.00		15,000,000.00	
2019	195.00		10,000,000.00	
2020	234.00		5,000,000.00	

**ANNEX 2: PROGRAM ACTION PLAN**

Action Description	Source	DLI#	Responsibility	Timing		Completion Measurement
				Due Date		
Appointment of environmental manager	Environmental and Social Systems		PIMO	Due Date	30-Nov-2018	Contract with qualified environmental manager
State certification of PIMO procurement staff	Fiduciary Systems		PIMO	Due Date	31-Oct-2017	State certification
Establish Program Steering Committee	Technical		Ministry of Mining and Energy (MME)	Due Date	17-Jan-2018	Decree by Ministry of Mining and Energy and minutes of meetings (August and November 2018)
Adopt Program Operations Manual	Technical		PIMO	Due Date	08-Oct-2018	PIMO management decision and publication of website as verified by IVA (DLI#4)
Internal environmental management guidelines	Environmental and Social Systems		PIMO	Due Date	31-Jan-2018	PIMO management decision to adopt internal environmental management guidelines on January 30, 2019; PIMO staff training was completed in March 2019 as per progress report.
Develop and administer annual social survey	Environmental and Social Systems		PIMO	Recurrent	Yearly	Survey questionnaire and results
Provide annual training to municipalities and contractors on program	Technical		PIMO	Recurrent	Yearly	Training reports
Contractor environmental management guidelines and waste management plan	Environmental and Social Systems		PIMO	Due Date	31-Jan-2019	PIMO decision on adoption of guidelines and waste management plan
Align legal framework to ensure compliance of PBMC scope to the national framework	Technical		MCTI	Due Date	27-May-2021	Completion of legal requirements to implement SLA.



Provide institutional support to develop robust road sector reform plans.	Technical		PERS and MCTI	Due Date	30-Jun-2018	Completion of this activity in a continued basis but was first accomplished in June of 2018
Road asset condition and data in support of PBMC to enable development of PBMC scope.	Technical		PERS	Due Date	30-Jun-2018	Completion of survey database.
Develop attractive contract packages to enable successful competition at tender.	Technical		PERS	Due Date	31-Aug-2018	PERS completed six PBMC lots. It will implement such contracts for entire network by the end of 2020. However, it is possible to see delays due to COVID-19. Team will monitor its progress.
Develop capable supply chain and "buyer" to enable successful delivery of PBMC across the road network.	Technical		PERS	Due Date	31-Aug-2018	Completion of workshops and communications with interested parties. Trainings have been provided since August 2018 and is something that PERS continues to work on.
Establish robust organizational arrangements for M&E PERS to assemble a PBMC Steering Committee and identify the Program Champion within its organization.			PERS and MCTI	Due Date	31-Mar-2018	
Training of staff in environmental management tailored to Program's needs;	Environmental and Social Systems		PERS	Due Date	21-Mar-2019	PERS held a series of workshops where staff was trained on environmental management. Now PERS' staff will be having these workshops to train other staff.
Ensuring there is a dedicated environmental manager position to work exclusively under the Program	Environmental and Social Systems		PERS	Due Date	31-Dec-2018	PERS appointed Djordje Mitrovic Bc CE as the Environmental Manager dedicated for PforR on December 17, 2018.
design of the environmental management	Environmental and Social Systems		PERS	Due Date	21-Mar-2019	Mr. Mitrovic submitted environmental management guidelines for PERS in March 14,



guidelines for environmental impact monitoring for PERS						2019 and WB approved in March 21, 2019. Documents have been uploaded to the portal.
Preparing a standard environmental management and monitoring guidelines for PERS-engaged contractors on road rehabilitation works	Environmental and Social Systems		PERS	Due Date	21-Mar-2019	Mr. Mitrovic submitted environmental management guidelines for PERS engaged contractors in March 14, 2019 and WB approved in March 21, 2019. Documents have been uploaded to the portal.
Preparing a standard/generic Waste Management Plan for road rehabilitation activities	Environmental and Social Systems		PERS	Due Date	21-Mar-2019	Mr. Mitrovic submitted a standard/generic waste management plan for PERS in March 14, 2019 and WB approved in March 21, 2019. Documents have been uploaded to the portal.
Adopting a rule that written approval of the environmental compliance report is obligatory precondition for the execution of the final payment of contractors.	Environmental and Social Systems		PERS	Due Date	07-Jun-2019	PERS agreed to send a memorandum directing PERS staff to have approval of the environmental compliance report as an obligatory precondition for the execution of the final payment of contractors. This task is pending proof of completion.