

ICR Review
Operations Evaluation Department

1. Project Data: Date Posted : 07/19/2004

PROJ ID : P067051	Appraisal	Actual
Project Name : SIMPLIFIED - First Programmatic Adjustment	Project Costs 150 US\$M)	150
Loan	(US\$M)	
Country : Bulgaria	Loan/	
	Loan US\$M) 150	
	/Credit (US\$M)	150
Sector (s): Board: PSD - General public administration sector	Cofinancing US\$M)	
	(US\$M)	
(30%), General finance sector (30%), General industry and trade sector (30%), General energy sector (5%), Railways (5%)		
L/C Number :	Board Approval	03
	FY)	
	(FY)	
Partners involved :	Closing Date 12/31/2003	12/31/2003

Prepared by : Michael R. Lav
Reviewed by : Lily L. Chu
Group Manager : Kyle Peters
Group : OEDCR

2. Project Objectives and Components

a. Objectives

To support the Government's medium term program whose main objectives are to achieve average annual growth rates of 4.5-5.0 % during 2002-2005, reduce the poverty rate by half by 2005 compared to 2001, reduce the unemployment rate from 17.5 % in 2001 to 12-14 % in 2005, and to achieve substantial progress toward EU accession.

b. Components

1. Sustain structural reforms in the enterprise sector with emphasis on restructuring of the energy, railway, telecommunications, and water sectors . 2. Establish a market-friendly business environment, focussing on entry and exit policies regulatory costs, delivery of public services, competition, and judicial reform . 3. Deepen the financial sector, addressing constraints to increase lending by the banking system and the development of financial markets. 4. Improving public sector governance, including implementing the anti -corruption strategy, strengthening local governments, and reforming public administration and the judiciary . 5. Investing in human capital and strengthening social programs, focusing on education, health, and pension reforms and social assistance

c. Comments on Project Cost, Financing and Dates

The project cost was US\$150 million financed by an IBRD loan for US\$150 million in one tranche. The PAL was

appraised in November, 2005, approved on February 20, 2003, made effective on April 11, 2003, and closed on

schedule on December 31, 2003.

3. Achievement of Relevant Objectives:

Note: This ICR review is based on a simplified ICR, which, in accordance with guidelines, contains only a summary

presentation of the project's achievements . See section 8 below.

(a) GDP growth has been 4.5-5.0 percent; (b) data on poverty rate reduction are not available; (c) unemployment has decreased from 18.1 percent in 2001 to 14.3 percent in 2003. The following achievements by component are relevant: (1) the Savings Bank and Bulgarian Telecommunications have been privatized; (b) energy intensity has been reduced by 13 % between 2001 and 2003; (c) subsidies to district heating companies have been reduced by half from 2001 to 2003; and (d) time needed for a telephone connection has decreased from 21 months in 2001 to 2 months in 2003. 2. (a) FDI inflows were US1.4 billion in 2003 (highest among the CEEC's in terms of FDI as a percent of GDP) of which 30 % were related to privatization; (b) private sector share of GDP in Bulgaria was about 65% in 2002; and (c) regulatory regimes were reduced by 21% (the impact on the cost of doing business being evaluated). 3. (a) private sector share of banking assets increased from 85% at end 2002 to 98% at end-2003; (b) credit to the private sector as percent of GDP increased from 19 % in 2002 to 27 % in 2003, and (c) banking system prudential indicators have remained satisfactory . 4. (a) a policy and legislative framework for merit - based and depoliticized civil service was established; (b) a performance related pay and performance evaluation system were introduced, and (c) a legislative framework was established for improving accountability, selection, and performance appraisal of judges. 5. (a) measures were implemented to improve the coverage and efficiency of social assistance programs; (b) National Health Insurance Fund administrative expenses were kept below 3 % of revenues, and (c) the mandatory contribution to the second pillar of the pension system was increased .

4. Significant Outcomes/Impacts:

The 2003 Regular Report of the EU on Bulgaria documents continued progress towards accession .

5. Significant Shortcomings (including non-compliance with safeguard policies):

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	As noted elsewhere, all ratings on the basis of this Simplified ICR are tentative, to be confirmed on the basis of an evaluation of the comprehensive ICR to be produced at the end of the series of PALs.

Institutional Dev .: Substantial
Sustainability : Likely

Substantial
Likely

The ICR mistakenly rates sustainability
"S", not a valid rating. This ICR review
infers that the intended rating was
"Likely".

Bank Performance : Highly Satisfactory

Highly Satisfactory

Borrower Perf .: Highly Satisfactory

Highly Satisfactory

Quality of ICR :

Satisfactory

NOTE:

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

7. Lessons of Broad Applicability:

1. Comprehensive programs such as this PAL need to be fully coordinated within the Government . In this case, the

Council for Economic Policy has played this role effectively . 2. Monitoring and evaluation are key components of

programmatic adjustment, and as noted in the ICR, these will have to be enhanced in Bulgaria if progress is to be

sustained. 3. An effective communications strategy to reach the public is required to maintain support for adjustment. This has been lacking to some extent in Bulgaria and will need to be strengthened .

8. Assessment Recommended? Yes No

Why? This review is based on a simplified ICR . Because of this, the ratings are tentative and it is essential that they be confirmed by an assessment following the ICR to be completed at the end of the PAL series .

Until then, ratings are tentative .

9. Comments on Quality of ICR:

The ICR conforms with the guidelines for a simplified ICR and as such is clearly written and conveys an adequate

amount of information. However, only when a comprehensive ICR is available at the end of the PAL process will a

more concrete evaluation of the PAL by OED be possible .

□