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IEG CASCR Review
Independent Evaluation Group

1. CAS Data	
Country: Former Yugoslav Republic of Macedonia	
CAS Year: FY2004	**CAS Period:** FY2004 – FY2006
CASCR Review Period: FY2004 – FY2006	**Date of this review:** March 15, 2007

2. Executive Summary

The FY 2004 CAS sought to support the Government's development program for FY04-06, the main objectives of which were regional/EU integration, political and social stability, creating jobs, poverty reduction, and tackling corruption. The CAS program sought to broadly support regional and EU integration through programs aimed at: (A) efficient management of public resources and reducing corruption; (B) creation of jobs through sustainable private sector driven growth; and (C) promotion of social cohesion and human capital, and protection of the most vulnerable.

The CASCR rates progress on the three pillars as *satisfactory* and provides substantial evidence on implementation of reforms. However, the CASCR does not adequately analyze progress on several key issues identified in the CAS for which Bank assistance was targeted, including reducing unemployment and increasing FDI. IEG agrees that progress towards objectives (A) and (C) has been satisfactory, but rates progress towards objective (B) as *moderately unsatisfactory,* because of continuing high unemployment and relatively low levels of FDI, which was equivalent to 2 percent of GDP in 2002 and 2003, increased to 2.9 percent of GDP in 2004, but then declined to 1.7 percent in 2005. Business environment indicators show little or no improvement. IEG weights the second pillar more than the others, given the need to reduce unemployment, although the overall CAS outcome is still rated as *moderately satisfactory.* The Bank's performance is rated *satisfactory.*

Going forward, the CASCR identifies a number of challenges including: (a) the need for strong economic growth and job creation which must be a main focus of the FY07 Country Partnership Strategy (CPS FY07), (b) FYR Macedonia's integration with the EU, and (c) capacity and institution building which will be important for EU accession, including the government's role in aid coordination. IEG concurs with this analysis while noting the importance of improved monitoring of key performance indicators to signal any needed program adjustments.

3. CASCR Summary

Overview of CAS Relevance:

With the signing of the General Framework Agreement for Peace (the Ohrid Agreement) on August 13, 2001 and its satisfactory implementation, FYR Macedonia moved beyond costly past hostilities and restarted its development efforts. The broad objective for FYR Macedonia during the CAS period (FY2004-2006) was to enhance integration with regional and EU markets and improve its prospects for joining the EU through implementation of the Stability and Association Agreement (SAA) signed in 2001. Key issues to be addressed included improving GDP growth based on private sector development and increasing investment (especially FDI), reducing unemployment which was in the 30-35 percent range, and reducing poverty, which in the first instance required a better understanding of the poverty situation. Tackling corruption was central to improved economic performance as corruption had ballooned between signing the Ohrid Agreement and elections in 2002 and was a key plank in the electoral platform of the government.

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The strategy and objectives of the FY04 CAS and its lending and non-lending program were realistic, building on the FY98 CAS and the FY02 Transitional Support Strategy (TSS) and were well grounded in the country's needs and priorities. The CAS program sought to broadly support regional and EU integration and, in particular, to support: (i) efficient management of public resources and reduction of corruption, (ii) creation of jobs through sustainable private sector driven growth, and (iii) promotion of social cohesion and human capital, and protection of the most vulnerable. The CAS objectives were fully consistent with the government's program.

The macro projections were realistic, aiming for GDP growth of 3, 4, and 4.5 percent for 2003, 2004, and 2005 respectively. Actual GDP growth was 3 percent in 2003 and 4 percent for both 2004 and 2005. Government revenues and expenditures were projected to decline modestly as a percent of GDP, which has also occurred. The programs proposed by the CAS to support macro and sectoral objectives were also realistic, and as discussed below, the high case triggers were met.

The proposed lending and non-lending assistance was generally consistent with the strategy. The lending program focused on public sector reforms, private sector development including infrastructure, and social sector development. AAA focused on public sector management, poverty, removing constraints to private sector development, and social sector development. AAA tasks added subsequent to the CAS were also relevant including private sector development and EU competitiveness, financial sector reforms (including post FSAP TA), and infrastructure constraints to growth. However, the CAS did not adequately address the need to reform labor institutions and policies despite the recommendation for such reforms in the FY04 CEM which was prepared concurrently with the CAS.

The key triggers to move from the base case (with proposed lending FY04-06 at US$90 million) at the beginning of the CAS period to the high case (with proposed lending at US$165 million) were: (i) satisfactory macro performance as demonstrated by successful implementation of an IMF-supported program, (ii) achievement of key structural measures including: (a) implement control over commitments to improve budget execution and progress in integrating extra-budgetary funds into the budget, (b) amend the law on public procurement and issue implementing regulations on accountability and transparency, (c) complete external audits of the Health Insurance Fund's control systems and develop an action plan to implement recommendations, and (d) progress towards achieving CAS Outcome targets. The CAS targets, all for FY06, were: integration of extra-budgetary funds into the budget, increased audit coverage of public accounts from 10 to 25 percent, improved banking sector performance as indicated by reducing bank spreads from 9 percent to 6-7 percent, increased private sector participation in infrastructure as demonstrated by initiation of at least two private investment/partnerships in roads, railway and energy, and increased use of poverty data to inform the policy debate (there was no access to poverty data in FY04, and the objective was full public access).

Several important issues such as poverty reduction and increasing FDI flows were explicitly addressed by the Bank's assistance program. However, an explicit program to reduce poverty was not formulated because better information about poverty was seen as prerequisite for identifying an effective poverty reduction program. Thus availability of better information was made the objective, which, along with the focus on private sector development and reducing unemployment, comprised a reasonable interim strategy.

Although overall aid flows are high at US$120 per capita, the political and social issues faced by FYR Macedonia because of its geographic location and hostilities in neighboring countries understandably elicited robust financial aid from a number of donors. Within this large aid program, the role played by the Bank was appropriately defined and complemented other donor programs. External debt is equivalent to about 45 percent of GDP and creditworthiness is not an issue.

Overview of CAS Implementation:

FYR Macedonia was deemed to have fully met the high case triggers and actual lending (US$166.8 million) was close to the CAS' high case scenario of US$165 million. Although there were changes in components of the program, most of the additions adhered to the objectives of the original components of the program while changing timing and, in some cases, emphasis. Thus, the US$30 million FY06 Programmatic Policy Development Loan (PPDL) replaced both the FY05 and FY06 PSALs each proposed for US$15 million. The FY04 Transport Restructuring project (US$ 15 million) was replaced by the FY06 Railways Reform project (US$19.4 million). The proposed FY04 Health and Social Protection project (US$15 million) was split into two projects, the Health project (US$10 million) and the Social Protection project for US$9.8 million (both FY04). The proposed FY05 Financial Sector project (US$15 million) was replaced by the FY05 Business Environment Reform and Institutional Strengthening project (US$11.3 million). Thus, actual lending closely matched projected lending in terms of total amount, sectoral allocation, objectives, and adjustment vs. investment lending.

Of the twelve proposed AAA tasks, five were delivered as planned, four were dropped, and three are yet to be delivered. At the same time, six new tasks were added (four in FY05 and two in FY06) in response to government requests and emerging indications of needed analysis and focus (including on such topics as EU Competitiveness and Energy Policy, while the FY05 Urban Policy TA replaced the dropped FY04 Urban Slums Analysis). Overall, the AAA program is judged to have been delivered in a satisfactory manner. There are no QAG reviews of these products, but quality appears to have been *satisfactory*.

Project quality is good. Seven out of eight projects (88 percent by number) exiting the portfolio during FY2004-2006 were evaluated by IEG as having satisfactory outcomes. 75 percent by number had substantial Institutional Development Impact (compared to 62 percent for ECA and 57 percent Bankwide) and 100 percent were rated as having likely Sustainability (compared to 90 percent for ECA and 82 percent Bankwide) (see Annex Tables 3A and 3B). There were no problem projects in the active portfolio during FY 2004-2006, an improvement over the previous period, when there were one or two problem projects (some 8-12 percent of the portfolio).

The CAS stated that IFC would partner with the Bank and was expected to make investments in the financial sector in leasing, insurance and capital market development, but none were made. IFC did seek to pursue these and other possible investments but none of these materialized, constrained by a number of factors including privatization processes not conducive to IFC participation (insider buy-outs, mass privatization), a lack of FDI which reduced the number of partners available for IFC investments, and issues related to the business environment discussed in paragraph 14 below. As a result, IFC pursued Technical Assistance and Advisory Services (TAAS) operations as a way to assist private sector development and to keep IFC active in FYR Macedonia with an eye to possible future investment operations.

Overview of Achievement by Objective:

Objective A: Promote the efficient management of public resources and tackle corruption.

- *Public Expenditure Management and Budget Processes*: Five extra-budgetary funds had accounted for 40 percent of central government spending. Four of these were fully integrated into the budget preparation and reporting systems, while the fifth was abolished. All budgetary transactions were consolidated into a single treasury account. Budget planning and execution were improved under the Public Sector Management Adjustment Loan II: revenues are more accurately projected, final proposals for budget expenditures were within four percent of established ceilings for 2004, while for 2005 budget expenditures approved by Parliament matched the final budget proposals.

- *Auditing*: Annual external audit coverage of budgets increased from 10 to 40 percent by value, thereby exceeding the 25 percent target. In addition, twelve internal audit units have now been established, including a new unit at MOF. The State Audit Office (SAO) increased staff under the FY06 Programmatic Development Policy Loan (PDPL) and conducted ten (external) audits for the first time in 2005. The SAO is now twinned with the Dutch audit agency.
- *Procurement:* A new Public Procurement Law was promulgated; new procedures implemented and substantial savings are now reported. Improved governance in the health sector with international tendering of pharmaceuticals generates savings of over US$10 million per year.
- *Civil Service Pay Reform:* Civil service wage decompression was begun under the FY03 Public Sector Management Adjustment Credit and is being implemented.
- *Social Protection:* The Social Protection project helped improve targeting of social protection instruments and reduced adverse incentives affecting the labor market.
- *Decentralization* is supported by the government and the Bank as key to achieving the Orhid Agreement, but no data is provided on key objectives such as tax revenue sharing and improving the financial viability of municipalities, or the municipal arrears workout, or other objectives, although the Bank is supporting decentralization through the PPDL, the Community Development Project, Community Development and Culture Project LIL, and a Child/Youth Development LIL.
- *Tackling Corruption:* FYR Macedonia appears to have made substantial progress in reducing corruption. According to the EBRD-World Bank Business Environment and Enterprise Performance Survey (BEEPS) for 2005, bribes as a share of annual sales have decreased from 2002 to 2005, and are much lower than averages for South-East Europe and ECA, with reduction across the board for unofficial payments for business licensing, fire and building inspections, and environmental inspections.

IEG rates the outcome for Objective A as *satisfactory*.

Objective B: Promoting the creation of jobs through sustainable private sector driven growth.

- Unemployment remains much too high with two-thirds of the unemployed more than four years out of work and high youth unemployment. While there is some uncertainty about the official unemployment estimate (35 percent in 2006), unemployment rates are acknowledged to be among the highest in Europe. Further, the CASCR notes (paragraph 24) that FYR Macedonia's transition from a post-conflict country to an EU candidate country has not been accompanied by a drop in the country's high unemployment rate." The CAS program for this objective could not be implemented as foreseen as the Government and donors needed to give sustained attention to programs to implement the Ohrid Agreement. Therefore, it was only during the second half of the CAS period that more attention could be devoted to this objective.
- *Financial Sector Reform:* Improved efficiency in the banking sector is being achieved as indicated by the reduction in average loan spreads. The target was a reduction from 9 percent CAS baseline to 6-7 percent end FY06 target which was met (CASCR, IMF Article IV Oct. 2006). The role of state-owned banks has declined while commercial bank lending increased from 12-13 percent of GDP for 1998-2002 to 24 percent by end 2005. The FY01 FESAL II supported strengthening the banking system as a number of measures were adopted including upgraded prudential regulations and a more efficient problem bank and bank failure resolution mechanism. The share of non-performing loans in total bank exposure decreased from 34 percent in 2001 to 15 percent in 2005 (IMF). FESAL II also assisted in other reforms: a Bankruptcy Law, supported introduction of a new mortgage law and a new moveable pledge register. Implementation of the FSAP recommendations has been improving if still uneven, according to the IMF 2006 Article IV Consultation. The legal framework has improved but the

implementation gap is still considerable. Opaque bank ownership structures and governance weaknesses need to be addressed, although the central bank (NBRM) has recently taken corrective measures to improve governance. Insurance supervision remains weak but is being strengthened.

- *Private Sector Investment:* Two private sector projects in infrastructure (the privatization of the electricity sector and hydro-plants concessions given to private operators) met the trigger for private sector investment. However, the needed improvement in FDI cited in the CAS has not been achieved. FDI was equivalent to 2 percent of GDP in 2002 and 2003, 2.9 percent in 2004 and only 1.7 percent in 2005. FDI per capita in FYR Macedonia (at US$570) in 2004 was far less than in Croatia, Bulgaria, and Romania, and only slightly higher than that in Albania, Bosnia and Herzegovina, and Serbia and Montenegro (IMF Article IV October 6, 2006, Table 6).
- *Privatization:* 100 remaining SOEs were privatized or liquidated which further reduced public sector intervention in the private sector and the drain on public finances. However, the CASCR is silent on whether the issue of insider buyouts was addressed. The FY01 Financial and Enterprise Sector Adjustment Loan (FESAL) II had supported a reduction in government transfers to SOEs, and the FY06 Railways Reform Project is assisting to reduce redundant labor and restructure the railways. As a result of these and other measures, government as a percentage of GDP was reduced from 38.5 percent in 2003 to 35.6 percent in 2005.
- *Energy:* The Power project (FY98, closed in FY06) supported an increase in hydropower generating capacity three times greater than projected and improved efficiency (measured by power generation per unit of water flow) by 59 percent more than planned, improved operating efficiency of the power generation and transmission facilities, and helped facilitate development of independent power plants.
- *Transportation:* Surveys implemented with the FY01 Trade and Transport Facilitation in South East Europe (TTFSE) project show that this project lowered transport costs through reduced waiting times for customs. The FY06 Railway project is addressing an important constraint, since the EBRD Transition Reports through 2005 rate the railway system as having most of the weaknesses of the past with a rating of 2 on a scale of 1 to 4.3, where 1 represents the standards met in a centrally planned economy and 4.3 the standards met in an industrialized economy.
- *Agriculture:* Weaknesses in the land title system were identified as an important impediment to private sector development, and these are being addressed through the FY05 Real Estate Cadastre and Registration Project. However, it is too early to report any impact.
- *Improve Business Environment and Increase Private Investment-*
  (a) Implementation of Bank assistance: The FY06 PDPL and the FY05 Business Environment and Institutional Strengthening (BERIS) projects are assisting to align FYR Macedonia's business environment more closely to that of the EU by building capacity at the ministry level, improving metrology and standards, and aligning competition policy with EU standards. The FY01 FESAL supported improvements in corporate governance. The FY2005 Report on Observance of Standards and Codes confirmed that corporate governance reform is proceeding, but recommended a more fundamental reform and an overhaul of the corporate governance code. Judicial and Regulatory reform is proceeding with assistance from the FY06 Legal and Judicial Implementation and Institutional Support Project to strengthen capacity which will support the new Law on the Judicial Council, new Bankruptcy Law and new legal framework for administrative disputes.
  (b) *Impact*: To date, Bank assistance has not yet had a substantial impact on private sector driven growth, and much more needs to be done. According to "Doing Business", FYR Macedonia ranked 92nd out of 175 countries in 2006 in the overall rating "Ease of Doing Business", showing virtually no progress over its 94th rank in 2005. FYR Macedonia also compares poorly to many neighboring countries including Serbia, which ranked 68th, Bulgaria, 54th, and Romania, 49th. Much more progress is needed in many areas measured by "Doing Business" including judicial reform, bankruptcy, and protecting investors. According to the

2006 Growth Competitiveness Index compiled by the World Economic Forum, FYR Macedonia is ranked 80th out of 125 countries, above Bosnia and Herzegovina, Albania, Serbia, but below Turkey, Romania, and other countries in the region. Private investment is still low relative to comparator countries (see Annex Table 7), and FDI is not increasing as a percentage of GDP.

IEG rates the outcome of objective B as *moderately unsatisfactory*, while recognizing that slippage in program implementation was in part due to the need for the Government and donors to focus instead on implementing the Ohrid Agreement.

Objective C: Promoting reconciliation, building human capital and protecting the most vulnerable.

- *Public Access to Poverty Data:* This CAS objective (to achieve public access to poverty data in order to promote public debate on poverty policies) was quite modest. There was no access in FY04, but there is now public access to poverty data on the web-site of the State Statistical Office. The latest poverty report available on line (July 2005) estimates the incidence of poverty at 29 percent, based on a poverty line set at 70 percent of median expenditure, a small decrease compared to the estimate of 30 percent for 2003 and 2002.
- *Social Cohesion/Reconciliation:* The Community Development Project piloted small-scale community based initiatives in selected demonstration communities to respond to priority social needs with 118 completed community investment projects. However, the project's monitoring and evaluation component did not generate the kind of information expected of such a project and the project's outcome was rated by IEG as moderately unsatisfactory given the lack of evidence that the project achieved its objectives. Child/Youth Development LIL promoted social integration of adolescents and youth at risk from different socio-cultural backgrounds – about 15,400 youth have benefited from the programs supported by the project.
- *Building Human Capital*: Health outcomes have improved through the FY04 Health Sector Management Project which also helped contain costs, especially through the rationalization of hospital usage. Infant mortality fell from 23 per 1000 in 1995 to 13 per 1000 in 2004. Life expectancy increased from 71.9 years in 1995 to 73.6 years in 2004. Along with these improved outcomes, efficiency has also improved as the average length of hospital stay has decreased by 15 percent. Concerning education, it is too early to have evidence on the impact of the FY04 Education Modernization Project.
- *Social Protection*: The FY04 Social Protection Project is supporting an improved pension system with the introduction of a second pillar being established on a sound financial basis.

IEG rates the outcome of objective C as *satisfactory*.

Achievement of CAS Objectives

Objectives	CASCR Rating	IEG Rating	Explanation / Comments
Objective A: Promote the efficient management of public resources and tackle corruption	Satisfactory	Satisfactory	Extra budgetary funds have been eliminated and hard budget ceilings were implemented for line ministries. Broad civil service reforms, including wage decompression, are being implemented. Some 40 percent of public accounts by value are now subject to annual external audits. 100 SOEs were sold/liquidated, although there is no information on the issue of insider buyouts.

Objective B: promote the creation of jobs through sustainable private sector driven growth	Satisfactory	Moderately Unsatisfactory	Unemployment remains high. While GDP growth has accelerated somewhat, private sector performance is lagging and "Doing Business", BEEPs and other indicators all point to the need to achieve much more progress.
Objective C: Promote social cohesion, build human capital, and protect the most vulnerable	Satisfactory	Satisfactory	Health and gender MDG indicators are improving. The social safety net is being strengthened. The pension system is being strengthened. Poverty measurement is being improved. Against these positive outcomes, the outcome of the pilot Community Development project was moderately unsatisfactory. However, on balance, an overall rating of satisfactory is warranted.

Comments on Bank Performance:

The Bank's assistance strategy was relevant in addressing the key issues concerning FYR Macedonia's development, including regional integration and helping to strengthen its eventual candidacy for membership in the EU. The strategy was realistic as confirmed by the strong implementation record noted above. However, Bank assistance has not yet had an impact on unemployment or FDI and much more needs to be done.

AAA was adequate and well targeted to important issues and support for operations, covering key aspects such as poverty, legal and juridical issues, EU competitiveness, and energy supply. AAA was consistent with lending priorities and implementation.

The satisfactory outcome rating for 88 percent of all projects exiting the portfolio and the absence of any problem projects during the three years of CAS implementation (although there was a disconnect between the satisfactory rating for development objectives given during implementation for the Community Development Project, and IEG's outcome rating of moderately unsatisfactory) are important indicators of generally satisfactory project performance including supervision by the Bank.

Donor coordination appears to have been very good and the Bank has closely aligned itself with a number of donor agencies to develop and support coherent assistance programs. The EU, through the CARDS program in support of the SAA, USAID, DFID, and the Government of the Netherlands have all played important roles in supporting projects.

There have apparently been no safeguard or fiduciary issues.

Bank performance is rated as *satisfactory.*

4. Overall IEG Assessment

Outcome:	*Moderately Satisfactory*
Bank Performance:	*Satisfactory*

The outcome rating gives particular weight to the second pillar, since without more progress on private sector development unemployment will remain a serious issue with implications for stability and development across the board. While the Bank formulated a reasonable assistance program, and worked closely with both the Government and key donors to move forward, key reforms are still needed in the business environment and in labor markets before FYR Macedonia can achieve the CAS objectives for private sector development and reducing the very high level of unemployment. Nevertheless, an overall outcome rating of *moderately satisfactory* is warranted.

5. Assessment of CAS Completion Report

The CASCR gives a good overview of the CAS program and provides many detailed comments on implementation for each of the components of the three pillars. However, the CASCR does not clearly evaluate the program in terms of the High Case Scenario. For example, Annex A of the CASCR shows the CAS planned lending program and actual delivery is in terms of the Base Case Scenario rather than the High Case which was implemented. Annex B does not appear to give complete coverage of non-lending services (omitting the FY04 energy sector strategy paper).

The CASCR made a credible effort to provide a results based framework and to provide considerable information in some detail, but it focused more on process and inputs rather than on outcomes which are barely discussed. Few indicators are provided to document progress, so that while inputs are discussed in detail the CASCR provides little upon which to evaluate progress. Some issues such as FDI and unemployment are not adequately discussed. The CASCR does not discuss whether the SOE privatization during the CAS period addressed the issue of insider buyouts; this was noted as an important issue in the CAS, and may be an important aspect of both the unemployment issue and lack of FDI.

The CASCR does develop a number of lessons which are useful for future Bank assistance. The priorities are practical and central to enhancing FYR Macedonia's development prospects. IEG is in agreement with these lessons.

Despite its shortcomings, and because of the CASCR's detailed discussion of Bank operations and its effort to describe and assess Bank assistance the CASCR is rated, on balance, *satisfactory.*

6. Findings and Lessons

Performance indicators should provide important guidance for CASCRs and country programs. Once key issues are identified, they should be followed up by monitoring changes in relevant performance indicators to guide program implementation. While work towards EU accession and similar objectives already provide important guidance, additional signals from performance indicators in areas such as unemployment and FDI should be used.

Clarity on evaluating progress on reducing corruption is important. The new procurement policy and other reforms, such as those introduced by the TTFSE project which addresses customs and other trade-related corruption issues, should have an important impact on corruption. Yet, other aspects of corruption such as SOE insider buyouts, not addressed in the CASCR, may have the reverse affect. A performance indicator for corruption may be useful in evaluating the extent to which this important objective is being met, or whether more needs to be done.

Strengthening the client's role in donor coordination will have an important impact on the quality of overall donor assistance and its direct support for and integration with country programs over time. However, the Bank should continue to assist donor coordination until the client can play this role.

Annex Table 1: Planned High-Case and Actual Lending for Macedonia, FY04-06

Project Name	Proposed FY	Approved FY	Proposed Amount		Approved Amount		Objective [1/]
			IBRD	GEF	IBRD	GEF	
Education Modernization Project	2004	2004	5.0		5.0		c
Health and Social Protection Project [2/]	2004	2004	15.0		9.8		a,c
PSMAL 2	2004	2004	30.0		30.0		a
Transport Restructuring	2004	dropped	15.0				b
Additional							
Health		2004			10.0		a,c
Subtotal 2004			**65.0**		**54.8**		
PSAL I	2005	dropped	15.0				a,b
Water Resource Mgt. (GEF)	2005	dropped		not specified			a
Land Registration	2005	2005	15.0		14		b
Financial Sector	2005	dropped	15.0				b
Additional							
Business environment reform and Inst. Strength.		2005			11.3		b
Subtotal 2005			**45.0**		**25.3**		
PSAL II	2006	dropped	15.0				a
Regulatory and Judicial Reform	2006	2005	15.0		12.4		a,c
Electric Power Dev (ECSEE Apl. 3)	2006	2006	25.0		25.0		b
Additional							
Railways reform		2006			19.4		a,b
Programmatic Policy Development Loan	Replaced PSAL I & II	2006			30		a,b,c
Subtotal 2006			**55.0**		**86.8**		
Total FY 2004-2006			**165.0**		**166.9**		

[1/] Pillar a: to promote the efficient management of public resources and tackle corruption
Pillar b: to promote creation of jobs through sustainable private sector driven growth
Pillar c: to promote social cohesion, build human capital, and protect the most vulnerable
[2/] Implemented as social protection project. Additional health project noted below.
Sources: Macedonia CAS 2003 and WB Business Warehouse, October 2006.

Annex Table 2: Planned (High Case scenario) and Actual Analytical and Advisory Work, FY04-06

Planned FY	Products	Delivered to Client FY	Delivery Status
FY 04 *(initiated under prior CAS)*			
	FSAP-CFAA	FY04	Actual
	Energy Sector Strategy	FY04	Actual
	Poverty Assessment	Delivered FY05	Actual
	Country Economic Memorandum (CEM)	FY04	Actual
	Urban Slums Analysis		Dropped
FY 05			
	Poverty Assessment		Dropped
	Legal and Judicial Diagnostic Assessment	FY05	Actual
	Social Services Delivery Study		Dropped
	Additional		
	POST-FSAP TA (FSE)	FY05	Actual
	URBAN POLICY TA	FY05	Actual
	Joint Portfolio Performance Review (JPPR)	FY05	Actual
	Energy Policy Paper	FY05	Actual
FY 06			
	Poverty Assessment TA (Poverty Measurement)	FY05	Active
	PEIR Update	To deliver FY07	Forecast
	CPAR-CFAA Update	FY07	Forecast
	Social Development Update		Dropped
	Additional		
	EU Competitiveness	FY06	Actual
	Financial Sector Governance, Regul. and Superv. TA	FY06	Actual
	Competitiveness/ Innovation Note	FY06	Actual [1/]

[1/] According to the CASCR, the Competitiveness / Innovation note was delivered in FY06. According to the Business Warehouse, the note is planned to be delivered in FY07.

Sources: Macedonia CAS 2003, WB Business Warehouse, IRIS, and Integrated Controller's Systems, as of October 15, 2006.

Annex Table 3A: Project Rating for Republic of Macedonia, FY04-06

Project Name	Approval FY	Exit FY	IEG Outcome	IEG Sustainability	IEG ID Impact
FESAL 2	2001	2004	HIGHLY SATISFACTORY	HIGHLY LIKELY	HIGH
POWER	1998	2005	SATISFACTORY	LIKELY	SUBSTANTIAL
TRANSPORT	1999	2005	MODERATELY SATISFACTORY	LIKELY	MODEST
PSMAL 2	2004	2005	SATISFACTORY	LIKELY	SUBSTANTIAL
TRADE & TRANS FACIL IN SE EUR	2001	2006	MODERATELY SATISFACTORY	LIKELY	SUBSTANTIAL
PSMAC	2002	2004	MODERATELY SATISFACTORY	LIKELY	MODEST
Social Support	1999	2004	SATISFACTORY	LIKELY	SUBSTANTIAL
Community Development project	2002	2006	MODERATELY UNSATISFACTORY	NA 1/	NA 1/

Annex Table 3B: IEG Project Rating for Macedonia and Comparators FY 04-06

Region	Total Evaluated ($M)	Total Evaluated (No)	Outcome % Sat ($)	Outcome % Sat (No)	Inst Dev Impact % Subst ($)	Inst Dev Impact % Subst (No)	Sustainability % Likely ($)	Sustainability % Likely (No)
Macedonia	159.2	8	96.2	87.5	74.8 2/	71.4 2/	100 2/	100 2/
Albania	175.8	14	88.3	85.7	67	57.1	85.6	85.7
Bosnia and Herzegovina	129.9	11	100.0	100.0	64	63.6	100.0	100.0
Bulgaria	329.6	5	97.7	80.0	98	80.0	97.7	80.0
Romania	933.8	11	100.0	100.0	99	90.9	100.0	100.0
ECA	7,007.5	150	89.4	87.2	70	62.2	93.7	90.4
Bankwide Average	**39,133.4**	**644**	**87.8**	**80.6**	**65**	**56.7**	**89.3**	**81.5**

1/ With IEG's new methodology for evaluating projects, the ratings for Sustainability has been replaced by a rating for Risk to Development Outcome, which in this case is "moderate", while Institutional Development Impact is no longer rated separately.

2/ The estimates exclude the Community Development project, which was rated according to IEG's new methodology.

Source: WB Business Warehouse tables 4a.5 and 4a.6 as of September 18, 2006.

Annex Table 4: Portfolio Status Indicators by FY00-06

	Fiscal year						
Country	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Macedonia							
# Proj	10	13	13	8	11	10	10
Net Comm Amt	195.3	236.4	238.5	151.3	155.8	84.4	121.9
# Prob Proj	2	0	2	1	0	0	0
% IPDO: Actual	20.0	0.0	15.4	12.5	0.0	0.0	0.0
# Pot Proj	0	0	1	1	0	0	0
% Potential	0	0	8	13	0	0	0
# Proj At Risk	2	0	3	2	0	0	0
% At Risk	20.0	0.0	23.1	25.0	0.0	0.0	0.0
Comm At Risk	41.9	0.0	51.1	44.5	0.0	0.0	0.0
% Commit at Risk	21.5	0.0	21.4	29.4	0.0	0.0	0.0
Albania							
# Proj	21	20	25	21	20	14	16
Net Comm Amt	310.4	254.4	342.4	286.2	290.5	224.4	250.8
# Prob Proj	2	2	2	1	3	0	2
% IPDO: Actual	9.5	10.0	8.0	4.8	15.0	0.0	12.5
# Pot Proj	0	1	0	0	0	0	0
% Potential	0	5	0	0	0	0	0
# Proj At Risk	2	3	2	1	3	0	2
% At Risk	9.5	15.0	8.0	4.8	15.0	0.0	12.5
Comm At Risk	41.1	60.2	33.5	12.0	35.0	0.0	18.5
% Commit at Risk	13.2	23.6	9.8	4.2	12.0	0.0	7.4
Bosnia and Herzegovina							
# Proj	13	18	19	20	20	16	16
Net Comm Amt	264.6	352.0	364.0	307.7	379.1	349.5	336.5
# Prob Proj	0	0	0	0	1	4	4
% IPDO: Actual	0.0	0.0	0.0	0.0	5.0	25.0	25.0
# Pot Proj	0	0	0	0	0	0	0
% Potential	0	0	0	0	0	0	0
# Proj At Risk	0	0	0	0	1	4	4
% At Risk	0.0	0.0	0.0	0.0	5.0	25.0	25.0
Comm At Risk	0.0	0.0	0.0	0.0	19.8	118.5	70.8
% Commit at Risk	0.0	0.0	0.0	0.0	5.2	33.9	21.0
Bulgaria							
# Proj	10	12	8	9	8	8	5
Net Comm Amt	437.0	441.4	245.9	291.4	377.1	377.1	205.9
# Prob Proj	0	0	0	2	1	1	0
% IPDO: Actual	0.0	0.0	0.0	22.2	12.5	12.5	0.0
# Pot Proj	0	0	0	0	0	0	0
% Potential	0	0	0	0	0	0	0
# Proj At Risk	0	0	0	2	1	1	0
% At Risk	0.0	0.0	0.0	22.2	12.5	12.5	0.0
Comm At Risk	0.0	0.0	0.0	77.7	30.0	30.0	0.0
% Commit at Risk	0.0	0.0	0.0	26.7	8.0	8.0	0.0
Romania							
# Proj	21	21	20	22	18	19	19
Net Comm Amt	1,482.1	1,107.5	1,082.5	1,313.8	1,242.0	1,395.9	1,457.9
# Prob Proj	2	2	2	2	2	0	1
% IPDO: Actual	9.5	9.5	10.0	9.1	11.1	0.0	5.3
# Pot Proj	0	0	2	0	0	0	0
% Potential	0	0	10	0	0	0	0
# Proj At Risk	2	2	4	2	2	0	1
% At Risk	9.5	9.5	20.0	9.1	11.1	0.0	5.3
Comm At Risk	180.6	252.1	255.0	130.0	120.0	0.0	80.0
% Commit at Risk	12.2	22.8	23.6	9.9	9.7	0.0	5.5
ECA							
# Proj	293.0	291.0	286.0	288.0	285.0	276.0	294.0
Net Comm Amt	20,002	15,869	15,720	14,800	14,383	15,675	16,295
# Prob Proj	42.0	23.0	32.0	17.0	45.0	17.0	25.0
% IPDO: Actual	14	8	11	6	16	6	9
# Pot Proj	11	13	24	5	5	7	3
% Potential	4	4	8	2	2	3	1
# Proj At Risk	53.0	36.0	56.0	22.0	50.0	24.0	28.0
% At Risk	18.1	12.4	19.6	7.6	17.5	8.7	9.5
Comm At Risk	5,926.1	2,491.3	3,332.7	1,246.7	2,507.9	1,413.0	1,177.8
% Commit at Risk	29.6	15.7	21.2	8.4	17.4	9.0	7.2

Source: WB Business Warehouse tables 3a.4 as of September 18, 2006.

Annex Table 5: IBRD/IDA Net Disbursements and Charges Summary Report for Macedonia (US $ millions)

Fiscal Year	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfer
2000	84.0	3.2	80.8	1.7	0.3	78.8
2001	29.2	3.8	25.4	4.9	0.1	20.5
2002	35.3	4.1	31.2	9.2	0.2	21.8
2003	41.7	7.6	34.1	9.2	0.2	24.7
2004	61.0	9.3	51.7	8.7	0.2	42.8
2005	51.6	12.1	39.5	8.8	0.4	30.2
2006	44.5	14.5	30.0	10.5	0.4	19.1
Total (FY 00-06)	**347.4**	**54.7**	**292.7**	**53.0**	**1.8**	**237.9**

Source: WB Loan Kiosk, Net Disbursements and Charges Report of September 18, 2006.

Annex Table 6: Total Net Disbursements of Official Development Assistance and Official Aid FY 2000-2004 (US $ Million)

	Calendar Years				
Donors	**2000**	**2001**	**2002**	**2003**	**2004**
Austria	2.6	1.83	2.24	3.25	3.1
Belgium	0.38	-	0.08	-	0.56
Canada	0.67	10.83	1.99	1.2	0.72
Czech Republic	0.08	0.11	0.08	0.77	0.2
Denmark	1.27	0.39	0.96	2.62	0.53
Finland	-	-	-	0.62	1.42
France	8.23	0.97	1.98	2	4.28
Germany	6.66	12.23	16.82	26.69	18.19
Greece	1.38	2.75	46.78	1.89	1.72
Hungary	-	-	-	0.14	0.28
Ireland	0.01	0.23	0.32	0.13	0.19
Italy	1.9	5.4	4.68	8.43	5.82
Japan	7.92	20.16	3.82	4.75	4.24
Latvia	-	-	0	-	-
Lithuania	-	-	-	-	0.04
Luxembourg	-	0.22	0.19	0.47	-
Netherlands	20.91	43.87	17.61	31.5	28.48
Norway	0.96	6.33	11.66	11.54	12.6
Poland	0.23	0.07	0.1	0.12	0.04
Portugal	2.59	2.52	0.05	1.27	-
Spain	-	0.02	0.02	-	2.31
Slovak Republic	-	-	-	0.19	0.21
Sweden	0.44	6.19	6.2	6.02	9.34
Switzerland	9.17	5.66	6.22	4.9	12.53
Turkey	0.16	0.67	0.52	0.32	4.09
United Kingdom	8.51	7.35	7.64	2.17	2.99
United States	37.29	37.29	50.52	69.84	53.08
EBRD	0.21	0.24	1.17	4.12	1.95
EC	86.39	58.14	67.58	46.25	79.51
GEF	-	0.32	0.58	0.62	0.54
IDA	38.42	14.87	18.2	32.89	-
IFAD	1.47	1.11	0.8	1	3.51
SAF+ESAF+PRGF(IMF)	2.27	-	-1.18	-6.29	-8.08
UNDP	1.07	0.61	0.44	1.16	1.02
UNTA	0.43	0.5	0.7	0.76	0.73
UNICEF	0.48	0.76	0.62	0.63	0.7
UNHCR	7.97	4.76	4.14	3.99	2.18
WFP	-	0.23	-0.03	0.09	-
Other UN	0.78	0.8	0.63	0.32	0.05
UNFPA	-0.01	-	-	-	-
Arab Countries	0.95	0.44	1.35	-	-
Other Bilateral Donors	0.07	0.04	0.05	0.02	0.03
DAC Countries, Total	110.89	164.24	179.78	179.29	162.1
Multilateral ,Total	139.48	82.34	93.65	85.54	82.11
G7,Total	71.18	94.23	87.45	115.08	89.32
DAC EU Members, Total	54.88	83.97	105.57	87.06	78.93
Non-DAC Bilateral Donors, Total	1.49	1.33	2.1	1.56	4.89
ALL Donors, Total	**251.86**	**247.91**	**275.53**	**266.39**	**249.1**

Source: OECD Dac Online database, Table 2a. Destination of Official Development Assistance and Official Aid - Disbursements as of September 18, 2006.

Annex Table 7: Economic and Social Indicators

Series Name	Macedonia						Macedonia	Albania	Bosnia and Herzegovina	Bulgaria	Romania	Lower Middle Income
	2000	2001	2002	2003	2004	2005	Average 2000-2005					
Growth												
GDP growth (annual %)	4.5	-4.5	0.9	2.8	4.1	4.0	2.0	6.0	5.2	5.0	5.1	6.2
GNI per capita, Atlas method (current US$)	1,850	1,710	1,730	1,990	2,440	2,830	2,092	1,710	1,678	2,240	2,408	1,472
GNI per capita, PPP (current international $)	5,980	5,830	5,960	6,230	6,640	7,080	6,287	4,568	6,518	7,132	7,328	5,158
GDP per capita growth (annual %)	4.1	-4.8	0.6	2.6	3.9	3.8	1.7	5.0	4.5	6.0	5.8	5.2
Agriculture, value added (% of GDP)	12.0	11.8	12.4	13.4	13.2	12.0	12.5	27.0	12.3	11.9	13.0	12.5
Industry, value added (% of GDP)	33.7	32.1	30.2	30.7	29.2	29.2	30.9	19.0	28.2	29.8	36.0	40.6
Services, etc., value added (% of GDP)	54.2	56.1	57.5	56.0	57.7	58.7	56.7	54.0	59.6	58.4	51.1	46.9
Macroeconomic Indicators												
Gross capital formation (% of GDP)	22.3	19.1	20.6	20.0	21.6	21.0	20.7	25.9	20.6	22.0	22.9	27.3
Gross domestic savings (% of GDP)	7.4	5.2	0.5	3.0	1.3	3.4	3.5	3.4	-11.5	12.7	15.6	28.6
Inflation, consumer prices (annual %)	5.8	5.5	1.8	1.2	-0.4	0.5	2.4	2.8	1.9	6.0	23.4	..
Real effective exchange rate index (2000 = 100)	86.9	87.3	87.0	87.4	86.8	87.9	87.2	112.6	..	66.0	129.1	..
Official exchange rate (LCU per US$, period average)	65.9	68.0	64.3	54.3	49.4	49.3	58.6	125.3	1.9	1.9	29,797.6	..
Gross national expenditure (% of GDP)	114.9	113.9	120.1	117.0	120.2	117.5	117.3	122.5	132.0	109.3	107.3	..
External Balance												
Exports of goods and services (% of GDP)	48.6	42.7	38.0	37.9	40.2	45.0	42.1	20.0	26.6	56.1	35.2	28.1
Imports of goods and services (% of GDP)	63.5	56.6	58.2	54.8	60.5	62.5	59.4	43.0	58.6	65.4	42.5	26.8
Current account balance (% of GDP)	-2.0	-7.1	-9.4	-3.2	-7.7	..	-5.9	-6.0	-18.6	-7.5	-5.3	..
External debt (% of GNI)	41.1	43.1	44.2	40.3	38.5	..	41.4	25.0	39.5	76.2	36.3	38.7
Total debt service (% of GNI)	3.9	5.8	6.3	5.3	4.6	..	5.2	1.0	3.7	9.2	6.6	5.4
Gross domestic savings (% of GDP)	7.4	5.2	0.5	3.0	1.3	3.4	3.5	3.0	-11.5	12.7	15.6	28.6
Gross fixed capital formation (% of GDP)	16.2	14.8	16.6	16.7	17.8	17.5	16.6	26.0	20.6	19.4	20.0	26.2
IBRD loans and IDA credits (PPG DOD, million current US$)	364.8	371.5	431.8	530.7	604.5	..	460.7	489.5	1,147.0	1,078.1	2,153.2	80,371.4
Public Finances												
Current revenue, including current grants (% of GDP)	36.0	33.8	34.7	38.1	36.3	34.0	35.5	24.5	44.6	39.1	29.7	..
Overall budget balance, including grants (% of GDP)	2.5	-6.3	-5.6	-0.1	0.4	0.3	-1.5	-6.2	-3.1	0.1	-2.5	..
Social Indicators												
Health												
Life expectancy at birth, total (years)	72.9	..	73.2	73.3	73.6	..	73.2	74.0	74.0	71.9	71.1	69.7
Immunization, DPT (% of children ages 12-23 months)	95.0	90.0	96.0	96.0	94.0	..	94.2	97.0	85.4	91.6	98.0	87.6
Improved sanitation facilities (% of population with access)	..	..	..	..	..	..	..	91.0	95.0	99.0	..	57.3
Improved water source (% of population with access)	..	..	..	..	..	..	..	96.0	97.0	99.0	57.0	81.6
Mortality rate, infant (per 1,000 live births)	16.0	..	..	..	12.8	..	14.4	19.0	13.6	13.1	17.7	35.2
Education												
School enrollment, preprimary (% gross)	29.8	30.3	30.1	31.0	32.1	..	30.7	47.0	..	74.0	72.7	36.4
School enrollment, primary (% gross)	99.6	98.8	98.7	97.6	97.7	..	98.5	107.0	..	104.6	101.5	114.3
School enrollment, secondary (% gross)	84.1	84.6	83.9	84.5	84.1	..	84.2	75.0	..	96.1	83.7	71.1
Population												
Population, total (in million)	2.01	2.02	2.02	2.03	2.03	2.03	2.02	3.1	3.9	7.9	21.9	2,416.0
Population growth (annual %)	0.4	0.3	0.3	0.2	0.2	0.2	0.3	0.0	0.7	-1.0	-0.6	1.0
Urban population (% of total)	64.9	65.7	66.5	67.3	68.1	68.9	66.9	44.0	44.5	69.4	54.2	47.6
Literacy rate, adult total (% of people ages 15 and above)	..	..	..	..	96.1	..	96.1	98.7	96.7	98.2	97.3	89.0

Sources: WB DDP Database as of September 18, 2006.

Annex Table 8: Macedonia - Millennium Development Goals

	1990	1995	1998	2001	2004
Goal 1: Eradicate extreme poverty and hunger					
Income share held by lowest 20%	..	..	..	..	*6*
Malnutrition prevalence, weight for age (% of children under 5)	..	..	*6*	..	..
Poverty gap at $1 a day (PPP) (%)	..	..	1	..	*1*
Poverty headcount ratio at $1 a day (PPP) (% of population)	..	..	2	..	*2*
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..	..
Prevalence of undernourishment (% of population)	..	15	..	..	*7*
Goal 2: Achieve universal primary education					
Literacy rate, youth total (% of people ages 15-24)	..	..	..	..	99
Persistence to grade 5, total (% of cohort)	..	..	..	..	..
Primary completion rate, total (% of relevant age group)	..	96.9	*102.6*	98.6	96.4
School enrollment, primary (% net)	*94*	..	*93*	92	92
Goal 3: Promote gender equality and empower women					
Proportion of seats held by women in national parliament (%)	..	..	3	7	18
Ratio of girls to boys in primary and secondary education (%)	*98.5*	..	*97.6*	98.1	98.5
Ratio of young literate females to males (% ages 15-24)	..	..	..	..	99.5
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	38	39	40	42	*42*
Goal 4: Reduce child mortality					
Immunization, measles (% of children ages 12-23 months)	..	97	96	92	96
Mortality rate, infant (per 1,000 live births)	33	23	..	*16*	13
Mortality rate, under-5 (per 1,000)	38	26	..	*18*	14
Goal 5: Improve maternal health					
Births attended by skilled health staff (% of total)	..	..	96.6	*98*	*99*
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	*23*	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases					
Children orphaned by HIV/AIDS	..	..	..	..	..
Contraceptive prevalence (% of women ages 15-49)	..	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	53.7	..	..	..	30.1
Prevalence of HIV, female (% ages 15-24)	..	..	..	..	..
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	..	*0*
Tuberculosis cases detected under DOTS (%)	..	..	..	54.5	72.7
Goal 7: Ensure environmental sustainability					
CO2 emissions (metric tons per capita)	8.2	5.4	6	5.6	..
Forest area (% of land area)	..	..	..	*36*	*36*
GDP per unit of energy use (constant 2000 PPP $ per kg of oil equivalent)	..	..	..	..	..
Improved sanitation facilities (% of population with access)	..	..	..	..	..
Improved water source (% of population with access)	..	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	..	7.1
Goal 8: Develop a global partnership for development					
Aid per capita (current US$)	..	40.1	52.6	123	122.3
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	..	*4*	7	10	6
Fixed line and mobile phone subscribers (per 1,000 people)	149.6	178.8	235.5	377.8	*642*
Internet users (per 1,000 people)	0	0.4	10	34.7	78.3
Personal computers (per 1,000 people)	..	..	..	35.7	68.9
Total debt service (% of exports of goods, services and income)	..	*4*	10	13	10
Unemployment, youth female (% of female labor force ages 15-24)	..	..	73.5	*58.8*	*66.5*
Unemployment, youth male (% of male labor force ages 15-24)	..	..	69.2	*58.1*	*65.2*
Unemployment, youth total (% of total labor force ages 15-24)	..	..	70.9	*57.8*	*65.7*
Other					
Fertility rate, total (births per woman)	2.1	2	1.9	*1.8*	1.7
GNI per capita, Atlas method (current US$)	..	1710	1930	1710	2440
GNI, Atlas method (current US$) (billions)	..	3.4	3.9	3.4	4.9
Gross capital formation (% of GDP)	18.7	20.8	22.3	19.1	21.6
Life expectancy at birth, total (years)	71.6	71.9	*72.6*	*73.2*	73.6
Literacy rate, adult total (% of people ages 15 and above)	..	..	..	..	96.1
Population, total (millions)	1.9	2	2	2	2
Trade (% of GDP)	61.7	75.8	97.3	99.3	100.7

Source: World Development Indicators database, September 2006.