



1. Project Data:		Date Posted : 08/14/2003	
PROJ ID: P076192		Appraisal	Actual
Project Name: Emergency Economic Recovery	Project Costs (US\$M)	15	15
Country: Macedonia	Loan/Credit (US\$M)	15	15
Sector(s): Board: PSD - Other industry (34%), Petrochemicals and fertilizers (33%), Agro-industry (33%)	Cofinancing (US\$M)		
L/C Number: C3585			
	Board Approval (FY)		02
Partners involved :	Closing Date	12/31/2002	12/31/2002
Prepared by :	Reviewed by :	Group Manager :	Group:
Michael R. Lav	Roy Gilbert	Kyle Peters	OEDCR
2. Project Objectives and Components			
a. Objectives			
<p>According to the President's Report, the objective of the credit was to help restore economic activity disrupted by the recent emergency (the displacement of 140,000 persons because of the civil war) through enhanced access by the private sector to critical imports. The President's Report also states that the ERAC was a component of the Transitional Support Strategy (TSS) which had four components: (1) the ERAC, which addressed balance of payments needs and helped restore foreign exchange assets needed for imports and economic recovery; (2) other donors' assistance which addressed reconstruction needs (repairing physical assets damaged during the conflict); (3) other World Bank activities in areas such as in education and social protection which addressed strengthening social cohesion; and (4) decentralization to improve governance which is addressed by ongoing Bank public sector management and education sector reform.</p>			
b. Components			
<p>Finance for private sector importers of critical imports as specified in a positive list in the Development Credit Agreement.</p>			
c. Comments on Project Cost, Financing and Dates			
<p>The project cost US\$15 million financed by an IDA credit for US\$ 15 million. The project was appraised in October, 2001, approved by the Board on December 13, 2001, made effective on December 19, 2001, and closed on schedule on December 31, 2002.</p>			
3. Achievement of Relevant Objectives:			
<p>Seasonally adjusted industrial production for 2002 was 3 percent below 2001, contrary to the increase projected in the last PSR. However, average industrial production for the last quarter of 2002 exceeded the average industrial production in 2001 by 17.9 percent, which is consistent to the Project Benefits as foreseen in the President's Report. Although the credit only provided financing for less than 1 percent of imports, and is therefore too modest to be directly related to overall production trends of this magnitude, the project did provide quick financing (it was 97% disbursed in 3 months and fully disbursed within 5 months of Board approval) for private sector productive activities, in accordance with its objective. Agricultural imports were also included in the list of imports to be financed by the credit, and the Borrower's Comments suggest that they may have accounted for about one-third of the imports financed by the credit. However, it would not be reasonable to even attempt to relate such imports to changes in output since the time since disbursement has been much less than a growing season.</p>			
4. Significant Outcomes/Impacts:			
<p>The project played a modest role in stimulating production and in helping to reversing the decline of GDP, in line with its modest size and objectives.</p>			
5. Significant Shortcomings (including non-compliance with safeguard policies):			
<p>OP 8.50 states that "ERLs are designed to help rebuild physical assets and restore economic and social activities after emergencies". However, OP 8.50 goes on to state that an "ERL takes into account the Country Assistance Strategy and sectoral development strategies." In this case, the TSS (which is the interim country assistance</p>			

strategy) does not call for rebuilding of physical assets and restoration of social activities to be addressed by the ERAC. However, the ICR gives no indication as to how progress in rebuilding physical assets or restoration of social activities is progressing, nor does it point to the reader as to which documents are .

The Development Credit Agreement is inconsistent among its component sections and with the President's Report . According to Section 2 of the Development Credit Agreement (DCA) the objective of the Emergency Recovery Assistance Credit (ERAC) was to assist the Borrower to restore assets and economic and social activities after civil disturbances that occurred during the year of 2001. This is broader than the objectives stated in the President's Report, and encompasses activities supported by other Bank operations as defined in the TSS . In addition, Section 2 goes on to state that "the Project consists of the financing of critical imports as specified in Section 4 to this Agreement...." and there is nothing in the DCA that could relate implementation of the ERAC to this broader agenda .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Highly Satisfactory	Satisfactory	The project achieved its modest yet relevant objectives. Because the objectives were so modest, a rating of "satisfactory" rather than "highly satisfactory" is warranted.
Institutional Dev .:	Modest	Modest	The project, in accordance with its objectives, had negligible impact on specific institutions, but did have some role in improving markets in Macedonia by financing needed imports. It played a modest role in this regard because of its small size relative to total imports.
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	Although quality at entry is questionable because of the inconsistency identified above in the Development Credit Agreement, Bank Performance is still rated "satisfactory" because of the totality of Bank Performance.
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

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. An Emergency Recovery Credit can quickly provide needed imports and is useful in helping a country respond to an emergency. Such operations, like this credit, should be kept as simple as possible .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR covers most of the necessary aspects of this straightforward project . The ICR presents data on industrial sector recovery, but does not present data on agricultural production, probably because such data would not yet be available. The ICR could have commented on the status of rebuilding social activities, since this subject would normally have been covered by an ERL, even though in this case such activities were covered by other components of the TSS.