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REPORT AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED LOAN
IN AN AMOUNT EQUIVALENT TO US \$121.5 MILLION
TO
FOUR YUGOSLAV ROAD ORGANIZATIONS
WITH THE GUARANTEE OF
THE SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA
FOR A
HIGHWAY SECTOR PROJECT

May 12, 1986

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CURRENCY EQUIVALENTS

Currency Unit - Dinar (Din)

<u>Currency Unit 1/</u>	<u>Calendar Year 1985 2/</u>	<u>January 1986 2/</u>
US\$1	Dinar 270.777	Dinar 312.81
Dinar 1	US\$0.0037	US\$0.0032
Dinar 1,000,000	US\$3,693	US\$3,197

Exchange rate used in the Staff Appraisal Report: July 1985

US\$1	Dinar 280
Dinar 1	US\$0.0036
Dinar 1,000,000	US\$3,571

YUGOSLAVIA'S FISCAL YEAR

January 1 - December 31

GLOSSARY OF ABBREVIATIONS

BOAL	= Basic Organization of Associated Labor
COI	= Self-Management Community of Interest
CRO	= Council of Republican and Provincial Road Organizations
CYR	= Community of Yugoslav Railways
EIB	= European Investment Bank
ERR	= Economic Rate of Return
FARP	= Federal Association of Republican and Provincial Road Organizations
FCTC	= Federal Committee for Transport and Communications
LDR	= Less Developed Republics
LTPES	= Long-Term Program of Economic Stabilization
MDR	= More Developed Republics
RO	= Road Organization
RTO	= Railway Transport Organization
SDK	= Social Accounting Service
TYH	= Trans-Yugoslav Highway

1/ The dinar has not been maintained within announced margins since July 12, 1982. Its parity is reviewed frequently to ensure maintenance of external competitiveness.

2/ Period average.

YUGOSLAVIA

A HIGHWAY SECTOR PROJECT

Loan and Project Summary

Borrowers: Four Road Organizations (ROs) in the Socialist Republics of Slovenia, Croatia, Serbia, and Bosnia-Herzegovina. The Federal Association of Republican and Provincial Road Organizations (FARP) would also be a party to the Loan Agreement as coordinator for the administration of the loan, and as the executing agency for the technical assistance component. The loan would be apportioned among the four borrowers according to an agreed allocation as follows: Slovenia \$25.5 million; Croatia \$33.4 million; Serbia \$36.5 million; and Bosnia-Herzegovina \$26.1 million.

Guarantor: Socialist Federal Republic of Yugoslavia

Amount: \$121.5 million equivalent

Terms: Repayable in 15 years, including three years of grace, at the standard variable interest rate.

Project Objectives and Description:

The proposed project comprises a four-year time slice (1986-1989) of the investment plans of the four participating ROs. The project is aimed at assisting the implementation of highway development programs initiated under previous Bank projects and to extend institution-building efforts throughout the country. The project's main emphasis will be on upgrading sections of the Trans-Yugoslav Highway (TYH) which carry heavy international traffic as well as Yugoslavia's inter-regional traffic, rehabilitating existing infrastructure, and improving maintenance. It will consolidate institution-building efforts with particular reference to investment and maintenance planning, road user charges, and inter-Republican coordination. The loan will also finance the preparation of nationwide programs for road and bridge rehabilitation and maintenance, as well as staff training programs and equipment for road organizations.

Benefits and Risks: As the major transport route between Western Europe, the Balkan area and the Middle East, improvements to the TYH will have a far-reaching impact beyond the borders of Yugoslavia. The main quantifiable benefits will be in the form of savings in transport costs accruing to road users. Transport costs savings on international traffic will ultimately accrue to Yugoslavia in various forms, including revenue collected through transit agreements. Improved maintenance operations will provide savings to the Republican Governments, through more cost-effective procedures and by avoiding roads reconstruction. In addition, the ROs will benefit from better investment planning, improved financial discipline, and stronger inter-Republican coordination. Although shortcomings in providing local funds in a timely manner could delay project implementation, the investment programs have been tailored to available financial resources and annual reviews of the investment programs and financing arrangements would allow determination of measures to remedy any problems in local funding. Moreover, the agreement of the Federal Government to index road user charges for inflation, and of the Republican Governments to the investment programs and financing plans, including the allocation of road user charges to road expenditures, should minimize the risk of shortfalls in local funds.

Estimated Total Road Expenditures (1986-1989) 1/

	US\$ Million		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
Ongoing Investments	37.9	25.3	63.2
New Investments	246.4	219.4	465.8
Maintenance	417.3	-	417.3
Equipment	-	1.6	1.6
Technical Assistance/Training	0.6	0.5	1.1
Administration	30.8	-	30.8
Debt Servicing	<u>63.5</u>	<u>339.2</u>	<u>402.7</u>
Subtotal	796.5	586.0	1,382.5
Contingencies			
Physical	28.5	24.5	53.0
Price	<u>129.7</u>	<u>94.3</u>	<u>224.0</u>
TOTAL 2/	<u>954.7</u>	<u>704.8</u>	<u>1,659.5</u>

Financing Plan:

	<u>US\$ million</u>	<u>Percent</u>
<u>Sources of Funds</u>		
Road User Charges (Fuel tax)	859.5	51.8
Communities	258.9	15.6
Bank Loan	121.5	7.3
Tolls	134.0	8.1
Tax on Foreign Vehicles	122.9	7.4
Vehicle Registration Fees	95.4	5.7
Local Bank Credits	30.5	1.8
Foreign Credits	29.3	1.8
FF LDR 3/	<u>7.5</u>	<u>0.5</u>
Total Financing Plan	1,659.5	100.0

1/ Total planned expenditures for four participating republics; base costs at July 1985 prices.

2/ Including duties and taxes, estimated at \$300 million.

3/ Federal Fund for Less-Developed Republics.

Bank Participation

The Bank loan would be disbursed against the following items:

	US\$ Million	
	<u>Total Cost</u>	<u>Bank Loan</u>
TYH Sections (including the Maribor By-pass)	118.5	47.4
Rehabilitation and Betterment Program	129.0	64.5
By-passes (Pirov and Bela Palanka)	17.8	7.3
Technical Assistance	1.1	0.7
Equipment	1.6	1.6
	<u>268.0</u>	<u>121.5</u>

Estimated Disbursements:

<u>Bank's Fiscal Year</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY91</u>
Annual	14.0	37.0	37.9	28.7	3.9
Cumulative	14.0	51.0	88.9	117.6	121.5

Economic Rate of Return: Average 20 percent for the Bank financed items.

Staff Appraisal Report: Yugoslavia: A Highway Sector Project (Report No. 4917-YU), dated April 24, 1986.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATION OF THE PRESIDENT OF THE IBRD
TO THE EXECUTIVE DIRECTORS ON A
PROPOSED LOAN TO FOUR YUGOSLAV ROAD ORGANIZATIONS
WITH THE GUARANTEE OF THE SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA
FOR A HIGHWAY SECTOR PROJECT

1. I submit the following report and recommendation on a proposed loan to four Yugoslav Road Organizations in the Socialist Republics of Slovenia, Croatia, Serbia, and Bosnia-Herzegovina (the Borrowers), with the guarantee of the Socialist Federal Republic of Yugoslavia, for the equivalent of US\$121.5 million, to help finance a highway sector project. The Federal Association of Republican and Provincial Road Organizations would also be a party to the Loan Agreement as coordinator for the administration of the loan and as executing agency for the technical assistance component. The loan would have a term of 15 years, including three years of grace, at the standard variable interest rate.

PART I - THE ECONOMY

2. A Report entitled "Yugoslavia: Adjustment Policies and Development Perspective (No. 3954-YU) was distributed to the Executive Directors on November 2, 1982. A report of an economic mission which visited Yugoslavia in November 1985 is under preparation. This section reflects its principal findings. Basic data on the economy are given in Annex I.

The Stabilization Effort

3. During the 1960s and 1970s Yugoslavia's economy grew rapidly, averaging about 6% per year. However, the economy's ability to adjust to external shocks was reduced by rigidities and distortions induced by immobility of capital and labor, negative real interest rates, an increasingly overvalued Dinar, highly protected domestic industries and loose credit policies. Yugoslavia initially absorbed the second oil price shock through additional borrowing and managed thereby to cushion its effects in the short run. This resulted in a rapidly increasing foreign debt. External debt doubled between 1978-81, reaching almost \$20 billion. With the subsequent increases in world interest rates and the recession in OECD countries, the servicing of the debt became a substantially heavier burden. In turn, the events in Latin America and in Poland created a reluctance in international capital markets to provide additional funds. As a result, the balance of payments constraint became critical.

4. Following the balance of payments crisis of the early 1980s, Yugoslavia adopted a stabilization program supported by IMF standbys, and

later by a Bank SAL and by debt restructuring agreements with Governments and commercial banks. Restrictive demand management policies were used to bring the economy's external accounts into balance. The real effective exchange rate was depreciated by 35% between September 1982 and June 1984 and since then the nominal exchange rate has been adjusted regularly to keep the real effective exchange rate nearly constant. These policies and a more centralized foreign exchange allocation mechanism were successful in bringing the current account of the balance of payments from a deficit of \$3.7 billion in 1979 to a surplus of \$0.8 billion in 1985 (\$370 million with the convertible currency area).

5. Economic growth decelerated sharply. The economy stagnated between 1980-83, grew by 2% in 1984 and slowed again to about a 0.5% growth rate in 1985. Despite this slowdown, social sector employment increased on average by 2.4% per year at the cost of declines in labor productivity. Investment and imports were severely cut through the restriction of aggregate demand and through the administrative allocation of foreign exchange. Gross capital formation in 1985 was 63% lower than in 1980. Import levels in 1985 were about 20% below their 1980 level. To some extent the declines in investment and imports were adjustments to unsustainably high levels in the 1970s but the continuation of these trends will have long term effects on the economy's potential to grow and compete in world markets. Export trends have been erratic with some improvement following the devaluation in 1983.

6. Inflationary pressures have accelerated and remain intense. Inflation was 53% in 1984 and about 80% in 1985. Prices rose faster than nominal wages after 1980, resulting in a decline in real wages per worker in the social sector of about one-third (the social sector accounts for approximately 85% of Gross Social Product). Real incomes per household have, however, more than kept pace with inflation because of increases in employment, interest income and windfall foreign exchange gains (para. 7).

7. Inflation has been caused by a combination of cost push and demand pull factors. On the cost side, the efforts of the authorities to permit prices to reflect market forces (para. 9) have put upward pressure on the price level. So have the cumulative effects of the increases in nominal interest rates and the substantial depreciation of the Dinar. On the demand side, monetary policy has been less restrictive than intended. In addition, devaluations have generated windfall gains to holders of foreign currency deposits (enterprises and households), allowing them to cushion the effects of other controls on demand. Ultimately, the persistence of inflation must be ascribed to inadequate financial discipline at the enterprise and bank level, which allows enterprises to hold and finance high levels of inventories in the face of flagging consumer demand. Moreover, severe restrictions on imports have contributed to maintain inflationary pressures through reduced competition.

Structural Adjustment

8. In addition to stabilization measures, steps towards longer-term structural reform have been initiated, in line with the Government's 1983 Long-Term Program of Economic Stabilization (LTPES). The thrust of the LTPES

is to increase efficiency in resource allocation within the context of Yugoslavia's system of worker self-management.

9. Prices of most goods and services were freed from administrative control in early 1985 and horizontal price collusion was proscribed. Prices of energy, transport and postal and telecommunication services remain controlled, but the objective is to adjust them gradually to reflect opportunity costs. Interest rates on term deposits have increased substantially and reached 73 percent on April 1, 1986. Average lending rates remain negative in real terms.

10. Legislation was passed restricting income payments by loss-making enterprises, limiting their access to subsidies and requiring that such enterprises either undertake rehabilitation programs or close down.

11. Other measures require investors and creditors to undertake feasibility studies based on common criteria before funding new investment projects. A new planning law tries to improve coordination of investments by requiring that nationwide sectoral investment programs be drawn up for power, railways and telecommunications.

12. Recent reforms to the banking system increase minimum capital requirements, define the limited liability of the shareholder enterprises, require the build-up of reserves and encourage banks to operate across Republic boundaries.

13. A new foreign exchange allocation system, introduced in January 1986, eliminated the right of enterprises to retain foreign exchange and hold foreign exchange accounts. Foreign exchange earnings are fully surrendered to the banking system and are used to finance, in order of priority, debt service obligations and imports. The ultimate objective is the establishment of a free foreign exchange market and a convertible Dinar.

14. A new foreign exchange credit law established strict conditions for Yugoslav enterprises to borrow foreign exchange, including the requirement that all borrowers must henceforth assume the full foreign exchange risk.

15. Most of these measures are recent and are still in the early stages of implementation. None of the sectoral investment programs (joint development programs) have been finalized. While a new foreign trade law calls for the progressive liberalization of trade, the pertinent transitional measures subject most import categories to a tight system of administrative allocations.

16. At this stage, the evidence suggests the structural transformation experienced by the Yugoslav economy in the 1980s has been limited. Export trends have been erratic. Higher domestic interest rates, the passing of the foreign exchange risk to borrowers, and the general shortage of local resources have led to a more selective approach to investment. However, there is no clear evidence that the structure of investment better reflects the needs of the economy. Indeed the very high level of inventories points

to a large share of savings being tied to stock accumulation and raises questions on the efficiency of overall resource use.

17. The resolution of these issues is critical to the success of Yugoslavia's new five-year plan (1986-90). The Government and the Bank are actively discussing measures to deal with these problems in the context of the preparation of a possible second SAL.

Medium-Term Prospects

18. The plan assumes that the reforms adopted in 1984 and 1985, which cover the main areas of activity identified by the LTPES (para. 8), will be successfully implemented. The macroeconomic framework of the 1986-90 plan is based on 4% annual growth of output, with the industrial and agricultural sectors growing by 4.6% and 5.4%, respectively. Exports would grow by 6% per annum while imports would grow at 5% per year. The plan projections suggest these trends would allow a cumulative current account surplus of \$6 billion and a 2% annual growth in social sector employment, mainly in labor intensive activities.

19. The overall macroeconomic targets of the plan, particularly the current account surpluses, are ambitious. Achieving these growth targets would require quick and determined implementation of measures that will promote the efficient restructuring of the economy. It also requires effective implementation of measures to control inflation so that growth is maintained on a sound basis. However, under the assumption of decline in oil prices and interest rates and increased exports of about 4.5% per year, a cumulative current account surplus of close to \$3 billion is possible. With a factor productivity growth of 1.5%, the economy should be able to grow annually at a rate of about 3% up to 1990, somewhat lower than the plan's targets.

External Debt and Creditworthiness

20. At the end of 1985, Yugoslavia's external debt was estimated to be \$20.2 billion, of which \$18.8 billion was in convertible currencies. Of the total convertible currency debt, medium- and long-term debt was about \$17.8 billion, and short-term debt amounted to about \$990 million. In 1985, the total debt service ratio was about 34 %. Before rescheduling, debt service payments payable in convertible currencies were about 43 % of convertible currency export earnings. The convertible debt service burden drops to 27% when the rescheduled maturities are excluded (para. 21).

21. Yugoslavia has negotiated debt restructuring packages with its creditors since 1983. The debt relief exercises up to May 15, 1986 have been under the umbrella of IMF standby programs. In December 1985, Yugoslavia and the commercial banks reached an agreement for a multi-year rescheduling arrangement to cover the original maturities of loans contracted before January 1983 falling due between 1985 and 1988. The agreement with commercial banks is also linked to enhanced monitoring by the IMF. In April 1986, Government creditors initialled an agreement to reschedule 85% of the original maturities of loans contracted prior to December 1982 falling due

between May 16, 1986 and May 15, 1987 and agreed to consider further rescheduling of this debt up to the end of March 1988.

22. While there is recognition of Yugoslavia's efforts to maintain its external liquidity, the international commercial banks have been cautious about substantially increasing their exposure. However, clear progress in implementing appropriate policy reforms would lead international commercial banks to renew lending to Yugoslavia, including, possibly, cofinancing with the Bank.

23. While Yugoslavia's liquidity situation may remain difficult in the near-term, the aggregate and the convertible currency debt service ratios are expected to be in the 25% to 30% range by the end of this decade and then gradually decline. Given the country's strengthened balance of payments position, the improved external debt repayment profile and the Government's stated willingness to implement stabilization policies, Yugoslavia should be able to manage this debt service payment while returning to a sustainable growth path. Consequently, Yugoslavia is considered creditworthy for additional Bank lending.

PART II - BANK GROUP OPERATIONS IN YUGOSLAVIA

24. The proposed loan would be the ninety-first loan made to Yugoslavia by the Bank, bringing the total to about \$4,429.5 million, net of cancellations. Approximately 28% (\$1,227.6 million) of the total has been for 22 loans for the transport sector: 12 for highways, 8 for railways, and 2 for ports (paras. 39-40). The proposed loan would represent the 23rd loan to the sector and the 13th for the highway subsector. In view of the important potential contribution of agriculture to exports and import substitution and in view of the considerable scope for improved yields in primary production, Bank lending also focused on the agriculture sector for which 21 loans totalling about \$1,177.7 million (27% of the total) have been made. Thirteen loans, totalling about \$786.8 million (18%), were made for the energy sector, of which eight were for power projects, and one loan each for a natural gas and an oil pipeline; in June 1985, the Executive Directors approved three loans totalling \$92.5 million for the First Petroleum Sector Project. Twenty-one loans, amounting to about \$532.0 million (12% of the total) have also been made for industry. Other loans made to Yugoslavia include six for water supply and sewerage; two multipurpose loans; two for tourism and one each for air pollution control, telecommunications, and structural adjustment.

25. Due to a shortage of local funds, Yugoslavia's disbursement performance deteriorated somewhat in 1991. Following subsequent implementation reviews of the whole loan portfolio with borrowers, project execution accelerated. To further expedite the utilization of Bank loan proceeds as well as to allow for increased Bank financial participation, disbursement percentages were increased under the Bank's Special Action Program (SAP), for the following projects: Metohija I Multipurpose (Loan

1360-YU), Tenth and Eleventh Highway (Loans 1678-YU and 1819-YU respectively), Montenegro Earthquake Rehabilitation-Port of Bar (Loan 1768-YU), Morava II (Loan 1951-YU), and Serbia Regional development (Loan 2307-YU). In the case of the latter two projects and under the Middle Neretva Hydropower Supplemental Loan (Loan 1561-1-YU), revolving funds were also established. In addition to SAL, other SAP lending to Yugoslavia includes a supplemental loan for the Middle Neretva Project (Loan 1561-1-YU) and the FY84 Fertilizer Sector Loan. Yugoslavia's disbursement performance now compares favorably with Bank-wide averages. Annex II contains a summary statement of Bank loans and IFC investments as of March 31, 1986.

26. Bank lending since 1983 has sought to support the Government's structural adjustment program (LTPES) and its efforts to promote exports and improve the efficiency of investment. The Bank has concentrated its lending operations in areas where its institutional and policy coordination impact is expected to be greatest. Accordingly, a shift to more program and sector operations, including the FY83 Structural Adjustment Loan (SAL) (Loan 2326-YU), has occurred to help consolidate and strengthen policy and institutional changes critical to Yugoslavia's long-term structural development, while at the same time assisting the Government to overcome its immediate foreign exchange needs. Sector operations included the FY84 Third Power Transmission Project (Loan 2338-YU) and Fertilizer Sector Loan (Loan 2410-YU), and the FY85 Petroleum Sector Project (Loans 2595-YU to 2597-YU). The proposed Highway Sector Project is another such operation. Although multi-republic sector operations are consistent with Yugoslavia's priorities, their implementation has faced serious delays resulting from the need to ensure inter-regional consensus.

27. Future Bank lending would continue to support Yugoslavia in its macroeconomic objectives of increased economic growth, improved debt management, and reduced inflation. The Bank, through the SAL process in particular, is emphasizing the continuing need for a reform program in the areas of trade liberalization and foreign exchange allocation, efficiency of investment allocation, and financial discipline. Bank support envisaged for industry would focus on export development, industrial restructuring in selected sub-sectors, energy conservation, and technology development. In energy, Bank lending strategy would focus on the development of indigenous resources, promotion of joint development programs on least-cost basis among the republics and provinces, economic pricing, and increasing the efficiency of energy use and supply. Lending for transport, mainly roads and railways, would be through sector projects geared to promote better coordination among the republics and provinces, investment planning, to provide for improved resource allocation including pricing policy, and to strengthen inter-regional and inter-modal integration. In agriculture, lending would focus on primary production and the rehabilitation of agroindustries.

28. A persistent foreign resource gap looms as the major impediment to Yugoslavia's ability to maintain its growth momentum and to address the critical issues of unemployment and regional disparities. The Bank will continue to explore cofinancing possibilities in order to attract additional sources of credit, recognizing, however, the commercial market constraints that Yugoslavia faces. Until this problem is overcome, the Bank is likely to remain one of the principal sources of long-term external capital.

29. Yugoslavia's debt to the Bank in 1985 amounted to about 10.7% of its total debt outstanding. In light of the planned reduction in Yugoslavia's total debt outstanding and the limited access to international capital markets Yugoslavia is expected to have during the 1980s, the share of debt owed to the Bank will most likely rise up to 18%. The extent of the increase will depend on the speed with which Yugoslavia is able to implement reforms and regain normal access to the international capital markets. Service on Bank loans as a proportion of total debt service (includes debt service on short-term debt) was 7.5% in 1985 and is projected to rise gradually by the end of the decade to about 12.7%.

30. IFC started its involvement in Yugoslavia in 1970. Since then, it has made 20 investments in the country and, as of March 31, 1986, its portfolio amounted to \$534.0 million gross and \$273.3 million net of participation and repayments. The basic objectives of IFC in Yugoslavia are to: (a) assist priority subsectors in industry and natural resources development; (b) encourage foreign investment on a joint venture basis; (c) foster technological transfers; and (d) mobilize other financial resources in addition to IFC's own funds.

PART III - THE TRANSPORT SECTOR

The Transport System

31. Yugoslavia's distinctive geographical features have determined the shape of its transport infrastructure, with the principal road and rail links following the fertile Sava and Danube flood plains on a northwest to southeast alignment. In contrast, the southern mountains and the coastal Karst plateau present a major barrier to overland transport, and improvements to transport infrastructure in these areas have been difficult and costly. The main northwest-southeast road - the Trans-Yugoslav Highway (TYH) - and rail links also serve major volumes of international traffic, including transit traffic between Europe and the Middle East. Rapid increases in transit traffic through Yugoslavia are now expected following the accession of Greece to the European Economic Community. Other key routes serve traffic between Northern and Central Europe and the Mediterranean coastal areas (Map IBRD No. 17933R). A major objective of Yugoslavia's transport sector development in recent years has been the opening up of the LDRs to strengthen their integration with the rest of the country and accelerate their economic development.

32. Yugoslavia has an extensive and diversified transport system of which roads and railways are the backbone. The transport network comprises about 130,000 km of roads, including 48,000 km of primary and main regional roads, 9,400 km of rail lines, 7 main ports, 15 airports (of which 10 handle international flights) and a sizeable network of inland waterways, the main one being the Danube. The road and rail network is administered by independent transport authorities in each of the eight republics and provinces which make up the Yugoslav Federation. In recent years, oil and gas pipelines have been added to the transport system. In line with the rapid growth of the economy, both freight and passenger traffic increased at an average annual rate of about 5.5% during the 1970s. In this period, road

transport's share of total traffic increased steadily to about 90% of passenger traffic and 65% of freight traffic. However, since 1980 Yugoslavia has experienced a considerable slow-down in the economy and total freight and passenger traffic has recently been increasing by only about 2% per year. For road transport during the period 1980-1983, freight traffic stagnated while passenger traffic increased by about 2% per year. This stagnation in road traffic reflects the shortages and rationing of fuel for road transport which have been experienced during that period. However, data for 1984 indicate that road traffic increased by as much as 10% over 1983. With the lifting of fuel rationing at the end of 1984, road traffic is expected to continue to show modest increases.

33. A gradual growth recovery is likely during the 1986-90 plan. According to the Plan, growth for the plan period is estimated at about 4%. While in general, road traffic volumes in 1983/84 on the primary routes were about 10% below 1980 levels, it is now anticipated that road traffic volumes will return to their former level over the next two years. In line with the expected improvement in the economy, it is anticipated that road traffic would increase at about 4% per year up to 1990.

Transport Policy, Planning and Coordination

34. Since the mid-1960s, the gradual transfer of authority to the republican/provincial transport agencies, which increased the number of policy-making bodies, has tended to hamper the coordinated development of the sector as well as the provision of rational and cost effective transport services. Because of these limitations, the Bank has encouraged and supported the establishment or strengthening of planning and coordinating institutions in the transport sector. Notable among these are the Federal Committee for Transport and Communications (FCTC), the Council of Republican and Provincial Roads Organizations (CRO), and the Community of Yugoslav Railways (CYR). The Bank also encouraged the preparation of a long-term master plan study for TYH which provided a basis for overall coordination and for several Bank-financed highway projects. To further improve coordination in the highway subsector, in 1983 the Road Organizations (ROs) established the Federal Association of Republican and Provincial Road Organizations (FARF), which has responsibilities for overall planning and monitoring of developments related to road infrastructure.

35. In late 1976, with a view to creating the necessary conditions for integrated development of transport, the Federation, the Republics and the Autonomous Provinces mutually agreed to establish a long-term transport policy for the country. Considerable progress has been made and a number of Social Agreements on the various aspects of future transport policy have been concluded. A basic policy in the sector provides for a free choice among the users of transport facilities according to cost-based tariffs, using appropriate input prices. While the policy objectives are sound and are supported by the Bank, the recent economic difficulties brought a tendency to over-emphasize the development of the railways, primarily on the grounds of savings in energy costs, which could lead to uneconomic distortions in the allocation of traffic. These issues are currently being discussed with the Federal Government and the Railway Transport Organizations (RTOs) as part of

two ongoing railway projects and the preparation of a possible seventh railways project.

36. Despite lower growth forecasts, continued investments are required in the transport sector to alleviate bottlenecks in the main road and rail networks and there is now an increasing need to strengthen the existing infrastructure. Emphasis is being given to improvements of key links in the primary road network, with the highest priority allocated to continued improvements along the TYH, where traffic volumes range from 12,000 to 20,000 vehicles per day. Modernization and rehabilitation of trunk railway routes is also of high priority, particularly the Trans-Yugoslav trunk line. Attention is also paid to completing the primary road network in the less-developed regions and to establishing routine rehabilitation programs for the existing network. Such investments are providing the necessary support for the development of the domestic market and help further the country's own integration and its links with the rest of Europe.

Bank Role in the Sector

37. Over the past 20 years, the Bank has had an active role in developing the transport system through loans for expansion of capacity in highways, railways, and ports. This assistance has provided support for growth in industry and agriculture, for regional development and for export expansion. In addition to improving overall coordination (para. 35), Bank-assisted transport projects have also done much to institutionalize the basic administrative functions of planning, project preparation and implementation. Bank highway projects have helped introduce complex planning and design capabilities for multi-lane, controlled access highways, as well as strengthen the institutional framework in terms of vehicle weight control, maintenance practices, and improved road safety. Bank assistance has been particularly effective in highways where an overall investment planning approach was introduced in five ROs through the Tenth Highway Project. The proposed project would extend this approach to other areas of the country and would consolidate past institution-building efforts. A similar approach was introduced in railway planning and is currently being brought to full development in the four RTOs under the Sixth Railway Project (Sarajevo, Belgrade, Novi Sad, Skopje). Except for the Port of Bar project and an associated Earthquake Rehabilitation loan, the Bank has only a limited presence in the ports sector. An ongoing ports master plan study is intended to improve coordination in port development and utilization at the national level.

38. Since the mid-1970s, Bank-financed projects have paid increasing attention to pricing and fiscal aspects in the transport sector, such as road user charges, railway costing and tariffs and port charges. The Bank has sponsored two major studies—a Rail Cost Study and a Road User Charges Study—with the aim of fostering intermodal efficiency as well as a more economic utilization of transport facilities. The recommendations of the Rail Cost Study are now being implemented on a trial basis in one RTO, while the ongoing Sixth Railway Project provides for a detailed program of rail tariff increases designed to eliminate compensation payments to the railways

in the next seven years. In the highway subsector, the findings of the Road User Charges Study are currently being used by the Federal Government in establishing appropriate levels of road user charges and allocations of revenue. A third study, covering the operation of toll systems on TYH, was financed under the Eleventh Highway Project and provides guidelines for the establishment of toll facilities and for the setting of rates which are now being used by all ROs operating toll road facilities. In the ports subsector, a tariff study, financed under the Port of Bar project, has been undertaken.

39. The Bank has made 22 loans for the Yugoslav transport sector, totalling \$1,227.6 million equivalent net of cancellations. These include 11 loans to the highway subsector totalling \$628.9 million; an additional loan of \$21 million was made for rehabilitation following the 1979 earthquake in Montenegro. The Project Completion Reports for the Sixth, Seventh, Eighth and Ninth Highway Projects indicated that the projects were relatively problem-free and completed according to schedule. They also highlighted the fact that Bank lending has enabled the Yugoslav authorities to develop sound planning and project preparation capabilities in the road subsector.

40. Seven loans totalling \$491.2 million have been made for the railway subsector. Five of the projects have been completed successfully, while the Kosovo Railway Project is due to be completed by end-1986. The Sixth Railway Project is being implemented on schedule. An additional loan for \$14 million was made for reconstruction following the 1979 earthquake in Montenegro and this project has now been completed. In the ports subsector, a loan of \$42.4 million was made for the expansion and operational improvement of the Port of Bar in Montenegro. This project was nearing completion when the port was severely damaged by the 1979 earthquake. Rehabilitation has now been completed with a Bank loan of \$30.1 million.

The Highway Subsector

41. General. From the mid-1950s, road transport began to expand rapidly. The passenger car fleet increased at over 20% annually through 1980, while the number of heavy vehicles increased at about 9% annually in the same period. The total vehicle fleet is now estimated at 3.1 million vehicles of which 80% are passenger cars.

42. During the period from 1970 to 1980, the length of the paved network doubled. The TYH system provides the backbone to Yugoslavia's highway network and is a vital link between Western Europe, the Balkans and the Middle East (Maps IBRD Nos. 17933R and 17934R). Although some 500 km of the 1,170 km of TYH have been improved over the past decade or are currently under construction, it is estimated that a further 360 km would be justified for upgrading to four-lane standards during the coming decade. Of these sections, about 120 km will be improved during the period through 1989 with financial assistance provided by two European Investment Bank (EIB) loans and by the Bank under the proposed sector project. Beyond this program, a further 240 km of critical TYH sections in Slovenia, Croatia and Vojvodina would remain for improvement in the medium-term.

43. Modernization of the network continues to be a major priority for the republics and provinces. In the more developed areas of the country, the primary focus is on eliminating the major bottlenecks, particularly on TYH, while in the less-developed areas the main focus is on upgrading and modernization of the basic primary network. Maintenance has been generally satisfactory, but has suffered recently because of budgetary constraints. As much of the paved network is still relatively recent, routine rehabilitation programs have not been a major part of the road investment programs. However, increasing attention is being paid to establishing rehabilitation schemes in order to strengthen and preserve road infrastructure.

44. Administration and Organization. The Federal Committee for Transport and Communications is responsible for common policy and regulatory matters such as vehicle regulations and road user taxation, as well as for the international aspects of highway administration and road transport. In addition, overall coordination is provided by FARP which was established in 1983 to replace CRO (para. 34), and whose responsibilities were broadened to cover overall planning and monitoring of developments in the highway sector, particularly investment and financial aspects.

45. The eight Republican and Provincial ROs are responsible for maintaining about 40,000 km of roads, representing all primary routes and about 70% of regional roads. The remainder of the network is administered by local committees which have special departments for this purpose. The ROs are established as Self-Management Communities of Interest (COI) and are governed by representatives of various groups with an interest in roads, such as transport companies, industrial enterprises, agricultural cooperatives, professional and road user associations. Executive boards comprising about 40 people are responsible for day-to-day operations and also for the preparation of highway investment and maintenance programs. Over the years, the ROs have developed adequate capabilities for the preparation and implementation of projects.

46. Investments and Financing. During the 1976-80 Plan, investments in road infrastructure represented about one-half of total investments in the transport sector. During this period, total expenditures on road infrastructure, including debt servicing, averaged just under \$1 billion annually in 1985 prices, of which about 60% were allocated to new investments. During the 1981-85 Plan, the ability of the road organizations to fund a reasonable level of investments has declined; presently road expenditures, including debt servicing, average about \$600 million annually. This situation has resulted from the fact that the highway authorities now depend heavily on revenue from earmarked contributions, mainly a specific road user charge which represents about one-third of the total taxes on fuel. However, in recent years, the road user charge has not increased in line with the price of fuel nor with the other taxes on fuel. Revenue from the road user charge has therefore failed to keep pace with inflation at a time when the road organizations have had to devote a larger part of available funds to cover the higher debt service burden from foreign credits following the depreciation of the dinar. Allowing, therefore, for higher debt servicing, which has increased from about 15% of total expenditures

during the late-1970s to over 30% in 1985, current allocations to investments and maintenance on roads are at about half the level achieved during the 1976-80 Plan.

47. In order to ensure adequate revenue for a minimum program of expenditures on road infrastructure, a policy undertaking was given by the Federal Government under SAL I for the periodic adjustment of the road user charge for inflation as well as for the specific earmarking of the charge for road expenditures alone. By the end of 1983, significant improvements in the allocation of road user revenues occurred in most of the Republics/Provinces; in early 1985, all revenue was being allocated to roads. In addition, the level of road user charges was adjusted in May 1984 in accordance with the SAL I undertaking, thus providing sufficient funds for the 1984 road program. Further adjustments were made in August 1985 and January 1986 with an additional adjustment to take place before the proposed loan becomes effective. Periodic increases in road user charges and the allocation of revenue will be examined during each annual review of the road programs (para. 52).

PART IV - THE PROJECT

48. The proposed project, identified in October 1981, was prepared by the ROs with the assistance of Bank preparation missions in December 1982 and in March 1983 and was appraised in October 1983 with post-appraisal taking place in February 1985. Negotiations were held in Washington in November 1985. The Yugoslav Delegation was led by Mr. Petar Radenovic, Assistant President of the Federal Committee for Transport and Communications. A Staff Appraisal Report, "Yugoslavia: A Highway Sector Project No. "(4917-YU), dated April 24, 1986, is being circulated separately to the Executive Directors. The main features of the loan and project are given in the Loan and Project Summary and the key events and special conditions in Annex III. Maps showing the main European arterial routes passing through Yugoslavia (IBRD Map No. 17933R) and the main Yugoslav road network and the roads included under the Bank financed project (IBRD Map No. 17934R1) are also attached.

Project Objectives and Rationale for Bank Involvement

49. The main objectives of the project are to continue the Bank's long term strategy to assist and foster sound, planned development of the highway network to meet the needs of the economy, and to consolidate institution-building and policy efforts in the sector with particular reference to investment and maintenance planning, road user charges, and inter-Republican coordination. The project will support a minimum investment program in roads in four Republics: Slovenia, Croatia, Serbia and Bosnia-Herzegovina. Specific objectives include the elimination of some of the major bottlenecks in the primary highway network, particularly in the Trans-Yugoslav Highway, as well as establishing road rehabilitation programs in all of the participating Republics with a view to preserving the existing infrastructure. In addition, and most importantly, the project will further

strengthen and consolidate investment and maintenance planning in highways at a time when there is a severe shortage of funds and a need for improved overall coordination of resource uses.

Project Description

50. General. The proposed project comprises a time-slice (1986-1989) of the investment and maintenance programs in the four participating Republics. In consultation with the Republican Government authorities, each RO has prepared an investment and maintenance program for the period 1986-89 listing individual project items, as well as financing plans supporting the proposed expenditures. The four Republics would account for about 70% of the total expenditures for roads in Yugoslavia during the 1986-89 period. Although there are differences from one Republic to another in the content of the programs, reflecting the varying needs throughout the country, the first priority in all Republics is to provide adequate funds for road maintenance activities. It is proposed to gradually improve the levels of both maintenance and rehabilitation under the project, reaching acceptable targets by 1988 or 1989, depending on the Republic considered. Current annual maintenance levels, about \$2,000 per km on average, should increase under the project to about \$3,500 per km (1985 prices). The estimated needs for rehabilitation and maintenance of roads and bridges over the medium-term period will be refined and updated during implementation of the project, based on the findings of a nationwide rehabilitation and maintenance study which will be financed under the project (para. 53).

51. Description and Status of Preparation. The investment programs are well balanced and the individual components are justified. Bank-financed items of the programs include improvement of 47 km of TYH sections including a start on the TYH route between Ljubljana and Zagreb, and the continuation of the TYH program in Croatia eastwards from Zagreb towards Belgrade (Map IBRD No. 17934R1). The Bank-financed program in Slovenia also includes the construction of the Maribor By-pass, located on the most important international access route into Yugoslavia. In Serbia, the main focus will be on rehabilitation of existing primary roads and on the construction of two bypasses on the Nis-Sofia Highway, a branch of the TYH leading to Bulgaria, Turkey and the Middle East. In the less-developed Republic of Bosnia-Herzegovina, the main focus is on the rehabilitation of existing primary routes as well as on the upgrading of gravel roads in the primary network. A first-year program has been identified for all items under the rehabilitation programs and will be ready for early tendering. Feasibility studies on the sections to be improved during subsequent years will be prepared on a continuing basis according to a methodology and criteria which were agreed during negotiations, and submitted to the Bank for approval. The broad approach to be used for subproject preparation and economic evaluation has already been agreed in the context of our past highway projects. The detailed criteria are included as part of the action plan (para. 52). The project will also finance high priority maintenance equipment for use on the TYH and some items of office equipment for strengthening the administrative and planning capacity of the ROs.

52. Action Plan. The investment programs and financing plans have been defined for the period 1986-89 and an action plan has been established for the project. The proposed investment and financing plans, including targets for road maintenance and rehabilitation, were discussed and confirmed at negotiations. The respective Republican Governments have approved these plans, including confirming the availability of adequate funds from road user revenue. Detailed annual programs will be prepared taking into account the experience and progress of subproject execution during the previous year and incorporating improvements in operations and planning. Assurances were obtained during negotiations that the action plan will be implemented as agreed, including updating the investment and financing plans on an annual basis. FARP will have a major role in implementing the action plan, in coordinating the preparation of the nationwide study on road rehabilitation and maintenance, and in liaising with relevant Federal Government authorities on the need to adjust road user charges on an annual basis. As agreed during negotiations, FARP will be adequately staffed for this purpose prior to loan effectiveness.

53. Technical Assistance and Training. Consulting services would be financed under the loan to assist the ROs in further developing and strengthening road and bridge rehabilitation and maintenance activities throughout the country. The preparation of a nationwide study would be coordinated by FARP and would aim at strengthening appropriate information, accounting, planning and programming systems for routine maintenance and rehabilitation activities and emphasizing the continued economic importance of such activities. Terms of reference for the study were discussed and confirmed at negotiations. Foreign training and local seminars, with a special emphasis on highway maintenance and rehabilitation, would also be financed under the project.

Cost Estimates and Financing

54. The total cost of road investment and maintenance programs of the four republics during the period 1986-89 is estimated at \$1,659.5 million, with a foreign exchange component of \$704.8 million. The total investment cost includes taxes and duties estimated at \$300 million. Proposed investments under the programs are estimated at \$676.2 million with a foreign exchange cost of \$314.0 million. Ongoing investments amount to \$74.8 million and are financed in part by the ongoing European Investment Bank-financed Projects, while new investments are estimated at \$601.4 million. Road maintenance costs and other planned expenditures, including administration and debt servicing, are estimated at \$983.3 million. The foreign exchange component of civil works was calculated on the assumption that local contractors, as has been the trend, would be awarded the construction contracts after international competitive bidding. A 10% physical contingency allowance has been included on all investment items. Price contingencies, also included, have been estimated assuming international inflation rates of 7% in 1986 and 1987, 7.5% in 1988, and 7.7% in 1989; and local inflation rates of 30% in 1986, and 25% for each year from 1987 to 1989. In addition to local consulting services, manpower requirements for technical assistance involve about 20 man-months of short-term, high level

foreign expertise. The total cost of technical assistance is estimated at \$0.6 million, with a foreign exchange cost of \$0.3 million. The training program comprises about 65 man-months of overseas training and a number of local seminars for a total cost of \$0.5 million. Equipment included in the program amounts to \$1.6 million.

55. The total cost of Bank-financed items in the road programs for 1986-89 is estimated at \$268.0 million, of which about \$121.5 million is the foreign exchange component to be financed by the proposed Bank loan. The loan would be allocated in agreed proportions between the four Borrowers (Republican Road Organizations) as follows: Slovenia \$25.5 million; Croatia \$33.4 million; Serbia \$36.5 million; and Bosnia-Herzegovina \$26.1 million. The Borrowers would bear the foreign exchange risk. The remainder of the required financing, covering total planned expenditures on roads in the four republics, will be met largely from earmarked revenue from road user charges, as well as from contributions from communities, road tolls, taxes on foreign vehicles, vehicle registration fees, the Federal Fund for Less-Developed Republics, local bank credits and foreign credits. The cost estimates and financing plans were discussed and confirmed during negotiations. In order to provide adequate financing for the programs, the Federal Government has agreed to adjust road user charges periodically but not less than once every twelve months in the light of the undertakings given in the Letter of Development Policy of May 1983 under SAL I. In addition, the investment programs and financing plans have been approved by the Republican Government authorities who also have agreed to allocate road user revenue to road expenditures. Since these programs and plans were approved, actual inflation as well as projected inflation have increased compared to that used in the costs estimates. However, as the major sources of financing are in effect linked to inflation (e.g. road user charge, tolls and vehicle registration fees), variable inflation could at most have only a minor impact on financing of the road programs. In any event, the Republican Governments would provide additional resources as necessary to complete the programs (para. 52).

Accounting and Audit

56. In Yugoslavia, a Community of Interest (COI), such as a Road Organization (RO), must follow the accounting procedures prescribed by the law. Major investments must be registered with and be audited by the Social Accounting Service (SDK) and with sources of funds identified and earmarked prior to starting any work. The form and timing of financial reports to be submitted to the Bank, including audit reports by SDK of the RO's accounts with financial statements, have been discussed and were confirmed during negotiations.

Implementation

57. The four ROs would be the borrowers under the proposed project and would be responsible for the implementation of the civil works components. The latter would be executed by contractors under the supervision of Yugoslav consulting engineers and technical institutes which provided the detailed engineering services for the project roads. To date, similar arrangements

under previous Bank-financed projects have worked out well and to the Bank's satisfaction. FARP would act as fiscal representative, liaison between the borrowers and the Bank, and coordinate withdrawal requests to the Bank. FARP would also be responsible for coordinating procurement and implementing the road maintenance and rehabilitation study. The project would be completed by December 31, 1989, with the loan closing on December 31, 1990.

58. The proposed project will be implemented in line with an overall action plan involving annual updating of the investment programs and financing plans and the preparation and submission of subprojects according to agreed procedures and criteria (para. 52). Specific subprojects will be prepared on a continuous basis to allow for timely execution within the proposed implementation schedule. Assurances were obtained during negotiations that the technical and economic evaluations of subprojects will be submitted to the Bank in summary form according to the agreed methodology. It was also agreed during negotiations that road works will be carried out according to agreed design standards.

Procurement and Disbursements

59. Civil works and equipment contracts would be awarded after international competitive bidding in accordance with Bank procurement guidelines. Prequalification for civil works began in November 1985. The first round of bidding will follow invitations which would be issued in May 1986, leading to contract awards to successful bidders expected in August 1986. Technical assistance would be provided by qualified and experienced local firms assisted by short-term high-level foreign consultant expertise. During negotiations it was agreed that all procurement of Bank-financed items will be made according to Bank guidelines. All bidding and contract documents will be subject to prior review by the Bank, as has been the case under previous highway projects in Yugoslavia. Consultants will be employed by FARP according to Bank guidelines.

60. Disbursements for the Bank-financed links will cover 40% of total costs of major new construction and 50% of the total cost for rehabilitation and betterment works, equivalent to the foreign exchange component of construction costs. The Bank would finance 100% of the foreign costs of technical assistance and training and 80% of the cost of local seminars. The foreign cost of equipment would be financed 100% by the Bank. To facilitate disbursements against the loan accounts, the Borrowers will establish special accounts, based on estimated expenditures for four months, which will be financed by the Bank. For contracts valued at less than \$20,000 equivalent, disbursements will be made on the basis of statements of expenditures. The average disbursement profile for 21 transport projects in Yugoslavia is 6-1/2 years. However, the last six highway loans in Yugoslavia have been disbursed over 4-5 years. Given the time slice nature of the proposed sector project, including close monitoring by means of updating and submission of annual programs, disbursements should closely follow the planned implementation schedule. On this basis, disbursements for the proposed project have been forecast over a 4-1/2 year period. The project would provide retroactive financing for up to \$100,000 for foreign consultants under the highway maintenance study.

Environmental Impact

61. The net effect of the proposed project on the environment is a positive one. The roads sections are located mainly in areas of low population density, while for those sections where bypasses are proposed, reduction in noise and air pollution will result as long distance traffic will be diverted from the urban areas.

Benefits and Risks

62. Benefits. One of the main benefits of the project will be to relieve the mounting traffic congestion on several heavily-trafficked sections of the TYH. In view of the inter-regional character of the TYH, road improvement will benefit primarily long-distance traffic linking Yugoslavia's main centers of population and economic activity. As such, the main benefits of the TYH program will be in savings in transport costs which will accrue to a wide variety of road users from all sectors of the economy and from a wide range of income groups throughout the country. In addition, as the major land transport route between Western Europe, the Balkan area and the Middle East, improvements to the TYH will have a far-reaching impact beyond the borders of Yugoslavia. However, the major part of international commercial traffic on the TYH consists of Yugoslav exports and imports with only about 5% accounted for by purely transit traffic. Hence, the inclusion of transport cost savings of all traffic in the benefit calculation is justified, as the cost savings of this transit traffic can be considered a surrogate for other forms of benefits (transit fees, services, etc.) accruing to Yugoslavia. Substantial benefits to road users on many important primary and regional roads will also follow from the road rehabilitation and betterment programs financed under the proposed loan. Many of these roads link important urban centers as well as industrial and agricultural areas and some carry heavy volumes of foreign tourist traffic during the summer months. Recent variations in fuel prices do not materially influence the economics of the project.

63. In contributing in a significant manner to strengthening planning for the whole highway sector in the participating republics, substantial savings will accrue to the Republican authorities through improved investment decisions and more cost effective road maintenance procedures. Through the provision of technical assistance for the planning and programming of rehabilitation and maintenance of the road network, the requirements for costly reconstruction of the network in the longer term would be substantially reduced. Foremost, attention under the project to such matters of national importance as the level and allocation of road user charges to provide adequate funding in the highway sector, as well as improved inter-republican coordination, will benefit the country as a whole.

64. Economic Rate of Return. Individual ERRs for subprojects proposed for Bank-financing under the sector project range from 14% to 29% with an overall average of 20%. All components show acceptable first-year benefits and are therefore justified on the basis of existing traffic levels. Even under pessimistic assumptions such as a 10% increase in costs combined with a 10% decrease in benefits, almost all sections would continue to show acceptable ERRs, above 12%.

65. A conservative estimate of the overall ERR of the total road investments and rehabilitation in the four republics planned during 1986-89 would be around 20%. In addition, the improved maintenance programs planned by the ROs under the project will yield ERRs of at least 50%. As maintenance programs account for about one-third of total expenditures on roads, a conservative estimate of the ERR for the investment and maintenance programs as a whole would be in the range of 30%.

66. Risks. Availability of local funds could be a risk. However, the agreement of the Federal Government to index road user charges for inflation and of the Republican Governments to the investment programs and financing plans and the allocation of road user revenue to road expenditures, together with the general scaling down of expenditures as a whole, should mitigate any problems in local funding.

PART V - RECOMMENDATION

67. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank and recommend that the Executive Directors approve the proposed loan.

A. W. Clausen
President

Attachments
May 12, 1986
Washington, D.C.

TABLE M

YUGOSLAVIA YUGOSLAVIA	- SOCIAL INDICATORS DATA SHEET			
	1960 ^{/b}	1970 ^{/b}	MOST RECENT ESTIMATE ^{/b}	REFERENCE GROUPS (WEIGHTED AVERAGES) ^{/c} (MOST RECENT ESTIMATE) ^{/d} MIDDLE INCOME EUROPE INDUSTRIAL MARKET ECONOMIES
AREA (THOUSAND SQ. KM)				
TOTAL	253.8	253.8	253.8	.
AGRICULTURAL	149.2	146.3	142.2	.
GDP PER CAPITA (US\$)	..	..	2570.0	2144.3 11062.9
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF OIL EQUIVALENT)	659.0	1139.0	1848.0	1119.8 4991.3
POPULATION AND VITAL STATISTICS				
POPULATION, MID-YEAR (THOUSANDS)	18402.0	20371.0	22600.0	.
URBAN POPULATION (% OF TOTAL)	27.9	34.8	44.7	47.3 76.7
POPULATION PROJECTIONS				
POPULATION IN YEAR 2000 (MILL.)			25.4	.
STATIONARY POPULATION (MILL.)			30.0	.
POPULATION MOMENTUM			1.3	.
POPULATION DENSITY				
PER SQ. KM.	71.9	79.6	89.1	84.7 140.8
PER SQ. KM. AGRI. LAND	123.3	139.3	159.3	166.9 522.2
POPULATION AGE STRUCTURE (%)				
0-14 YRS	30.5	27.4	24.1	31.2 21.3
15-64 YRS	63.1	64.7	67.0	61.5 66.6
65 AND ABOVE	6.3	7.7	8.8	7.2 12.0
POPULATION GROWTH RATE (%)				
TOTAL	1.2	1.0	0.9	1.6 0.8
URBAN	3.6	3.2	2.8	3.7 1.3
CRUDE BIRTH RATE (PER THOUS)	23.5	17.8	16.6	23.4 13.5
CRUDE DEATH RATE (PER THOUS)	9.9	8.9	9.6	8.9 8.9
GROSS REPRODUCTION RATE	1.4	1.1	1.0	1.5 0.9
FAMILY PLANNING				
ACCEPTORS, ANNUAL (THOUS)	..	..	..	.
USERS (% OF MARRIED WOMEN)	..	59.0	55.0 ^{/c}	.. 71.1
FOOD AND NUTRITION				
INDEX OF FOOD PROD. PER CAPITA (1969=7=100)	85.0	93.0	122.0	109.1 107.2
PER CAPITA SUPPLY OF				
CALORIES (% OF REQUIREMENTS)	118.0	131.0	144.0	131.5 132.9
PROTEINS (GRAMS PER DAY)	89.0	93.0	103.0	92.4 101.0
OF WHICH ANIMAL AND PULSE	29.0	32.0	39.0 ^{/d}	34.5 61.4
CHILD (AGES 1-4) DEATH RATE	8.4	5.6	2.0	4.7 0.4
HEALTH				
LIFE EXPECT. AT BIRTH (YEARS)	62.9	67.5	68.9	67.2 75.5
INFANT MORT. RATE (PER THOUS)	87.7	55.5	32.0	53.3 9.5
ACCESS TO SAFE WATER (XP0P)				
TOTAL	..	33.6 ^{/a}	58.0 ^{/c}	70.2 ..
URBAN	42.4 ^{/a}	62.0 ^{/a}	75.0 ^{/c}	89.4 ..
RURAL	..	12.3 ^{/a}	45.0 ^{/c}	57.0 ..
ACCESS TO EXCRETA DISPOSAL (% OF POPULATION)				
TOTAL	..	..	59.0 ^{/c}	59.6 ..
URBAN	..	..	77.0 ^{/c}	85.9 ..
RURAL	..	..	47.0 ^{/c}	47.6 ..
POPULATION PER PHYSICIAN	1620.0	1000.0	350.0	1070.6 553.2
POP. PER NURSING PERSON	630.0 ^{/e}	410.0	280.0 ^{/h}	769.5 166.8
POP. PER HOSPITAL BED				
TOTAL	200.0	180.0	160.0	328.3 120.9
URBAN	90.0 ^{/e}	100.0	100.0 ^{/c}	201.9 163.2
RURAL	1040.0 ^{/e}	1600.0	1840.0 ^{/c}	4519.7 778.8
ADMISSIONS PER HOSPITAL BED	..	17.3	18.2 ^{/c}	20.0 17.8
HOUSING				
AVERAGE SIZE OF HOUSEHOLD				
TOTAL	4.0	3.8	3.8 ^{/c}	.. ..
URBAN	3.3	3.2	3.3 ^{/c}	.. ..
RURAL	4.4	4.3	4.1 ^{/c}	.. ..
AVERAGE NO. OF PERSONS/ROOM				
TOTAL	1.6	1.4	..	.. ..
URBAN	1.7	1.3	..	.. ..
RURAL	1.5	1.5	..	.. ..
PERCENTAGE OF DWELLINGS WITH ELECT.				
TOTAL	54.5	87.9	..	.. ..
URBAN	92.7	98.4	..	.. ..
RURAL	36.1	80.1	..	.. ..

T A B L E 3A

YUGOSLAVIA		- SOCIAL INDICATORS DATA SHEET				
		YUGOSLAVIA		REFERENCE GROUPS (WEIGHTED AVERAGES) /a		
		1960/b	1970/b	MOST RECENT ESTIMATE/b	MIDDLE INCOME EUROPE	INDUSTRIAL MARKET ECONOMIES
EDUCATION						
ADJUSTED ENROLLMENT RATIOS						
PRIMARY: TOTAL		111.0	106.0	101.0	101.9	101.2
MALE		113.0	108.0	101.0	106.2	102.6
FEMALE		108.0	104.0	100.0	97.5	102.4
SECONDARY: TOTAL		58.0	63.0	82.0	57.5	87.1
MALE		63.0	68.0	85.0	64.9	80.3
FEMALE		53.0	58.0	79.0	50.0	84.1
VOCATIONAL (% OF SECONDARY)		..	26.4	24.4	21.0	18.4
PUPIL-TEACHER RATIO						
PRIMARY		33.0	27.0	24.0	25.1	16.7
SECONDARY		13.0	22.0	18.0	19.1	11.6
CONSUMPTION						
PASSENGER CARS/THOUSAND POP		3.0	35.4	84.5 /h	54.2	366.3
RADIO RECEIVERS/THOUSAND POP		84.9	163.9	218.6	170.7	1093.2
TV RECEIVERS/THOUSAND POP		1.4	88.3	209.8	149.3	492.3
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION		70.3	85.3	103.0 /i	97.0	320.4
CINEMA ANNUAL ATTENDANCE/CAPITA		7.1	4.2	3.3	2.7	3.3
LABOR FORCE						
TOTAL LABOR FORCE (THOUS)		8302.0	8838.0 /j	9670.0 /j	..	..
FEMALE (PERCENT)		35.0	35.9	36.3	36.3	36.2
AGRICULTURE (PERCENT)		63.0	51.0	29.0 /g	40.8	6.2
INDUSTRY (PERCENT)		18.0	23.0	35.0 /g	23.3	37.7
PARTICIPATION RATE (PERCENT)						
TOTAL		43.1	43.4	42.4	43.1	46.0
MALE		60.0	56.6	54.3	55.1	59.5
FEMALE		30.9	30.6	30.0	31.4	32.7
ECONOMIC DEPENDENCY RATIO		0.8	0.8	0.8	0.9	0.7
INCOME DISTRIBUTION						
PERCENT OF PRIVATE INCOME RECEIVED BY						
HIGHEST 5% OF HOUSEHOLDS		16.4 /k	15.1 /l	13.1 /h	..	..
HIGHEST 20% OF HOUSEHOLDS		41.5 /k	41.4 /l	38.7 /h	..	43.1
LOWEST 20% OF HOUSEHOLDS		6.9 /k	6.6 /l	6.6 /h	..	5.4
LOWEST 40% OF HOUSEHOLDS		19.0 /k	18.4 /l	18.7 /h	..	16.4
POVERTY TARGET GROUPS						
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
URBAN		..	..	..	..	..
RURAL		..	..	..	..	..
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
URBAN		..	..	..	..	..
RURAL		..	..	530.0 /g	..	..
ESTIMATED POP. BELOW ABSOLUTE POVERTY INCOME LEVEL (%)						
URBAN		..	..	..	..	..
RURAL		..	..	..	..	..

.. NOT AVAILABLE
. NOT APPLICABLE

NOTES

- /a The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.
- /b Unless otherwise noted, "Data for 1960" refer to any year between 1959 and 1961; "Data for 1970" between 1969 and 1971; and data for "Most Recent Estimate" between 1981 and 1983.
- /c 1976: /d 1977; /e Percentage of occupied dwellings with piped water; /f 1962; /g 1980; /h 1978; /i 1979; /j Including migrant workers abroad; /k 1963; /l 1968.

DEFINITIONS OF SOCIAL INDICATORS

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country (except for "High Income Oil Exporters" group where "Middle Income North Africa and Middle East" is chosen because of stronger socio-cultural affinities). In the reference group data the averages are population weighted arithmetic means for each indicator and shows only when majority of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time among the country and reference groups.

AREA (thousand sq.km.)

Total—Total surface area comprising land area and inland waters; 1960, 1970 and 1983 data.

Agricultural—Estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow, 1960, 1970 and 1982 data.

GNP PER CAPITA (USD)—GNP per capita estimates at current market prices, calculated by same conversion method as *World Bank Atlas* (1981-83 basis); 1983 data.

ENERGY CONSUMPTION PER CAPITA—Annual apparent consumption of commercial primary energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of oil equivalent per capita; 1960, 1970, and 1982 data.

POPULATION AND VITAL STATISTICS

Total Population, Mid-Year (thousands)—As of July 1; 1960, 1970, and 1983 data.

Urban Population (percent of total)—Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1983 data.

Population Projections

Population in year 2000—The projection of population for 2000, made for each economy separately. Starting with information on total population by age and sex, fertility rates, mortality rates, and international migration in the base year 1980, these parameters were projected at five-year intervals on the basis of generalized assumptions until the population became stationary.

Stationary population—Is one in which age- and sex-specific mortality rates have not changed over a long period, while age-specific fertility rates have simultaneously remained at replacement level (net reproduction rate = 1). In such a population, the birth rate is constant and equal to the death rate, the age structure is also constant, and the growth rate is zero. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.

Population Momentum—Is the tendency for population growth to continue beyond the time that replacement-level fertility has been achieved; that is, even after the net reproduction rate has reached unity. The momentum of a population in the year t is measured as a ratio of the ultimate stationary population to the population in the year t , given the assumption that fertility remains at replacement level from year t onward, 1985 data.

Population Density

Per sq.km.—Mid-year population per square kilometer (100 hectares) of total area; 1960, 1970, and 1983 data.

Per sq.km. agricultural land—Computed as above for agricultural land only, 1960, 1970, and 1982 data.

Population Age Structure (percent)—Children (0-14 years), working age (15-64 years), and retired (65 years and over) as percentage of mid-year population; 1960, 1970, and 1983 data.

Population Growth Rate (percent)—total—Annual growth rates of total mid-year population for 1950-60, 1960-70, and 1970-83.

Population Growth Rate (percent)—urban—Annual growth rates of urban population for 1950-60, 1960-70, and 1970-83 data.

Crude Birth Rate (per thousand)—Number of live births in the year per thousand of mid-year population; 1960, 1970, and 1983 data.

Crude Death Rate (per thousand)—Number of deaths in the year per thousand of mid-year population; 1960, 1970, and 1983 data.

Gross Reproduction Rate—Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1983.

Family Planning—Acceptors, Annual (thousands)—Annual number of acceptors of birth-control devices under auspices of national family planning program.

Family Planning—Users (percent of married women)—The percentage of married women of child-bearing age who are practicing or whose husbands are practicing any form of contraception. Women of child-bearing age are generally women aged 15-49, although for some countries contraceptive usage is measured for other age groups.

FOOD AND NUTRITION

Index of Food Production Per Capita (1969-71 = 100)—Index of per capita annual production of all food commodities. Production excludes animal feed and seed for agriculture. Food commodities include primary commodities (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded); they comprise cereals, root crops, pulses, oil seeds, vegetables, fruits, nuts, sugarcane and sugar beets, livestock, and livestock products. Aggregate production of each country is based on national average producer price weights; 1961-65, 1970, and 1982 data.

Per Capita Supply of Calories (percent of requirements)—Computed from calories equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds for use in agriculture, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961, 1970 and 1982 data.

Per Capita Supply of Protein (grams per day)—Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for minimum allowances of 60 grams of total protein per day and 20 grams of animal and pulse-protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Supply; 1961, 1970 and 1982 data.

Per Capita Protein Supply From Animal and Pulse—Protein supply of food derived from animals and pulses in grams per day; 1961-65, 1970 and 1977 data.

Child (ages 1-4) Death Rate (per thousand)—Number of deaths of children aged 1-4 years per thousand children in the same age group in a given year. For most developing countries data derived from life tables; 1960, 1970 and 1983 data.

HEALTH

Life Expectancy at Birth (years)—Number of years a newborn infant would live if prevailing patterns of mortality for all people

at the time of its birth were to stay the same throughout its life: 1960, 1970 and 1983 data.

Infant Mortality Rate (per thousand)—Number of infants who die before reaching one year of age per thousand live births in a given year: 1960, 1970 and 1983 data.

Access to Safe Water (percent of population)—total, urban, and rural—Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.

Access to Excreta Disposal (percent of population)—total, urban, and rural—Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of pit privies and similar installations.

Population per Physician—Population divided by number of practicing physicians qualified from a medical school at university level.

Population per Nursing Person—Population divided by number of practicing male and female graduate nurses, assistant nurses, practical nurses and nursing auxiliaries.

Population per Hospital Bed—total, urban, and rural—Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private, general and specialized hospitals and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities.

Admissions per Hospital Bed—Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING

Average Size of Household (persons per household)—total, urban, and rural—A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.

Average Number of Persons per Room—total, urban, and rural—Average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.

Percentage of Dwellings with Electricity—total, urban, and rural—Conventional dwellings with electricity in living quarters as percentages of total, urban, and rural dwellings respectively.

EDUCATION

Adjusted-Enrollment Ratios

Primary school - total, male and female—Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations. While many countries consider primary school age to be 6-11 years, others do not. The differences in country practices in the ages and duration of school are reflected in the ratios given. For some countries with universal education, gross enrollment may exceed 100 percent since some pupils are below or above the country's standard primary-school age.

Secondary school - total, male and female—Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.

Vocational Enrollment (percent of secondary)—Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.

Pupil-teacher Ratio - primary, and secondary—Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.

CONSUMPTION

Passenger Cars (per thousand population)—Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.

Radio Receivers (per thousand population)—All types of receivers for radio broadcasts to general public per thousand of population; includes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

TV Receivers (per thousand population)—TV receivers for broadcast to general public per thousand population; includes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.

Newspaper Circulation (per thousand population)—Shows the average circulation of "daily general interest newspaper," defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.

Cinema Annual Attendance per Capita per Year—Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

LABOR FORCE

Total Labor Force (thousands)—Economically active persons, including armed forces and unemployed but excluding housewives, students, etc., covering population of all ages. Definitions in various countries are not comparable; 1960, 1970 and 1983 data.

Female (percent)—Female labor force as percentage of total labor force.

Agriculture (percent)—Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1980 data.

Industry (percent)—Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1980 data.

Participation Rate (percent)—total, male, and female—Participation or activity rates are computed as total, male, and female labor force as percentages of total, male, and female population of all ages respectively; 1960, 1970, and 1983 data. These are based on ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.

Economic Dependency Ratio—Ratio of population under 15, and 65 and over, to the working age population (those aged 15-64).

INCOME DISTRIBUTION

Percentage of Total Disposable Income (both in cash and kind)—Accruing to percentile groups of households ranked by total household income.

POVERTY TARGET GROUPS

The following estimates are very approximate measures of poverty levels, and should be interpreted with considerable caution.

Estimated Absolute Poverty Income Level (US\$ per capita)—urban and rural—Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.

Estimated Relative Poverty Income Level (US\$ per capita)—urban and rural—Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.

Estimated Population Below Absolute Poverty Income Level (percent)—urban and rural—Percent of population (urban and rural) who are "absolute poor."

YUGOSLAVIA - ECONOMIC INDICATORS

Population: 23.0 million (mid-1984)
GNP Per Capita: US\$2,120 (1984)

Indicator	Amount (million US\$ at current prices) 1984	Annual Growth Rates (%) (at constant prices)									
		Actual					Projected				
		1981	1982	1983	1984	1985/	1986	1987	1988	1989	1990
NATIONAL ACCOUNTS											
Gross domestic product a/	45,633	1.4	0.5	-1.3	2.0	0.5	2.5	2.4	2.9	3.4	3.5
Agriculture	7,164	2.8	7.4	-1.0	2.2	-6.5	5.3	1.5	1.5	1.4	1.3
Industry	22,588	2.2	-1.1	-1.9	4.1	1.9	1.7	2.7	3.5	4.1	4.7
Services	15,881	0.0	0.7	-0.3	-0.9	1.7	2.5	2.4	2.6	3.4	2.7
Consumption	28,073	-1.7	0.5	-0.4	-0.6	1.0	3.8	4.1	2.0	2.4	3.0
Gross investment	17,255	-0.5	-1.3	-5.9	-4.5	-3.2	2.9	3.9	5.0	4.7	4.4
Exports of GNS	13,458	0.5	-11.5	-0.7	10.1	8.2	1.7	3.4	3.2	4.2	4.9
Imports of GNS	13,153	-10.8	-15.3	-5.6	-0.4	1.2	5.9	9.8	3.2	3.0	4.5
Gross national savings	17,694	-6.0	-0.6	-1.8	6.5	2.1	2.1	2.0	3.6	4.2	3.3

PRICES

GDP deflator (1984=100)	100.0	35.3	46.5	65.1	100.0	175.0
Exchange rate	152.8	35.0	50.3	92.8	152.8	270.2

Indicator	Share of GDP at Market Prices (%) (at current prices)						Average Annual Increase (%) (at constant prices)				
	1960	1970	1975	1980	1985	1990	1960-70	1970-75	1975-80	1980-85	1985-90
	Gross Domestic Product c/	100.0	100.0	100.0	100.0	100.0	100.0	5.9	6.5	4.1	0.5	2.9
Agriculture	22.5	16.1	13.8	11.1	13.9	11.7	3.3	2.9	2.0	1.3	2.0
Industry	42.2	37.4	44.3	40.5	40.7	35.1	6.3	8.3	7.5	0.8	3.4
Services	29.0	38.1	33.1	35.8	30.0	34.6	6.9	4.7	4.9	0.1	2.7
Consumption	67.2	72.8	74.3	68.7	68.6	67.5	6.5	6.9	6.3	-0.2	3.0
Gross investment	36.5	32.3	33.5	31.1	30.1	30.9	4.7	5.5	5.4	-3.4	4.3
Exports GNS	13.9	18.5	20.2	29.7	25.7	23.7	10.2	6.7	5.2	0.4	3.5
Imports GNS	17.5	23.5	28.0	29.5	24.4	22.1	9.8	6.7	5.0	-6.6	5.2
Gross national savings	32.6	29.6	25.6	28.5	31.4	31.5	5.3	6.2	3.2	0.3	3.1

Indicator	As % of GDP				
	1960	1970	1975	1980	1985
	PUBLIC FINANCE				
Total revenues	27.9	33.1	36.8	34.0	32.5
Total expenditures	24.1	33.2	37.2	34.6	32.2
Surplus (+) or deficit (-)	+3.8	-0.1	-0.4	-0.6	+0.3

Indicator	1960-70	1970-75	1975-80	1980-85	1985-90
	OTHER INDICATORS				
GNP growth rate (%)	6.1	6.7	6.0	0.8	2.8
GNP per capita growth rate	5.0	5.8	5.1	0.0	2.0
ICOR	5.4	4.6	5.6	37.3	6.3
Import elasticity	1.7	1.0	1.2	-3.2	1.8

a/ At market prices. This figure is not comparable with the GNP per capita presented above using the World Bank Atlas methodology.

b/ Preliminary.

c/ At market prices; components are expressed at factor cost and will not add up to total due to exclusion of net indirect taxes.

YUGOSLAVIA - EXTERNAL TRADE

Population: 23.0 million (mid-1984)
GDP Per Capita: US\$2,120 (1984)

Indicator	Amount (million US\$ at current prices) (1984)	Annual Growth Rates (%) (at constant prices) a/									
		Actual					Projected				
		1981	1982	1983	1984	1985 b/	1986	1987	1988	1989	1990
EXTERNAL TRADE											
Merchandise exports	10,557	4.5	-9.4	2.5	11.4	8.7	1.7	3.6	3.8	5.0	5.8
Primary c/	1,900	-17.5	-2.3	11.3	11.6	-3.0	-0.3	-3.3	8.3	6.0	3.0
Manufactures d/	8,657	11.4	-9.8	0.2	11.3	11.3	2.0	4.9	2.9	4.8	6.3
Merchandise Imports	12,108	-12.3	-14.0	-4.7	-1.6	2.5	6.2	8.6	4.1	2.4	4.0
Food	670	-15.0	-14.9	-7.1	-25.7	-3.5	-7.9	-6.6	5.3	1.4	11.1
Petroleum e/	3,645	-9.4	0.3	5.8	7.5	-12.0	9.9	14.2	5.5	-0.3	4.1
Machinery and equipment	2,615	-22.5	-19.2	-24.0	-11.7	16.0	5.8	7.3	3.3	4.2	3.5
Others	5,178	-7.3	-18.6	2.4	-0.1	6.7	6.2	8.2	3.6	3.4	3.3
PRICES (1984 = 100)											
Export price index	100	100	107	105	100	96	99	106	113	121	130
Import price index	100	95	95	97	100	99	95	95	103	113	122
Terms of trade index	100	105.3	112.6	108.3	100	97	105	112	110	107	107

	Composition of Merchandise Trade (%) (at current prices)						Average Annual Increase (%) (at constant prices)				
	1960	1970	1975	1980	1985	1990	1960-70	1970-75	1975-80	1980-85	1985-90
	Exports	100.0	100.0	100.0	100.0	100.0	100.0	8.1	5.7	2.9	2.7	4.0
Primary c/	49.6	29.4	19.5	21.5	16.4	16.3	-	-1.3	4.2	1.6	3.0
Manufactures d/	50.4	70.6	80.5	78.5	83.6	83.7	-	8.1	2.3	3.3	4.1
Imports	100.0	100.0	100.0	100.0	100.0	100.0	9.0	7.4	4.0	-6.4	5.0
Food	9.1	7.2	5.5	7.0	4.9	6.1	-	5.0	8.7	-14.1	-0.2
Petroleum e/	5.4	4.8	12.3	23.6	28.3	24.7	-	8.2	8.7	-0.1	6.5
Machinery and equipment	36.8	33.2	33.9	28.1	23.8	27.5	-	9.4	1.8	-15.0	4.8
Others	48.7	54.8	48.3	41.3	43.0	41.7	-	6.0	2.6	-4.2	4.9

DIRECTION OF TRADE	Share of Trade with Industrial Countries (%)				Share of Trade with Developing Countries (%)				Share of Trade with Capital Surplus Oil Exporters (%)				Share of Trade with Centrally Planned Economies (%)			
	1965	1970	1980	1985 e/	1965	1970	1980	1985 e/	1965	1970	1980	1985 e/	1965	1970	1980	1985 e/
Exports	40.1	53.3	37.4	35.5	17.4	13.6	8.2	8.3	0.4	0.7	8.1	5.9	42.1	32.4	46.3	50.3
Primary	61.0	70.2	-	-	9.1	8.2	-	-	0.2	0.2	-	-	29.7	21.4	24.6	-
Manufactures	24.0	41.9	25.0	-	23.8	17.2	18.0	-	0.6	1.0	4.0	-	51.6	39.9	53.0	-
Imports	55.3	66.1	52.8	45.4	16.0	12.7	6.9	6.0	0.1	0.1	10.2	16.1	28.6	21.1	30.1	32.5

- a/ Projected years at constant 1984 prices; for historical years base year prices are those of the preceding year.
b/ Preliminary.
c/ SITC 0-4
d/ SITC 5-8
e/ SITC 3; includes lubricants, coal and electricity.

YUGOSLAVIA - BALANCE OF PAYMENTS, EXTERNAL CAPITAL AND DEBT
(US\$ millions)Population: 23.0 million (mid-1984)
GNP Per Capita: US\$2,120 (1984)

Indicator	Actual					Projected				
	1981	1982	1983	1984	1985 a/	1986	1987	1988	1989	1990
BALANCE OF PAYMENTS										
Exports of goods and services	17,157	15,264	14,715	15,217	15,781	16,464	17,792	19,323	21,421	23,664
of which: Merchandise f.o.b.	10,205	9,923	9,693	10,139	10,557	11,977	13,193	14,655	16,462	18,631
Imports of goods and services	18,103	15,868	14,504	14,778	14,984	15,664	16,979	18,723	20,821	23,064
of which: Merchandise c.i.f.	14,528	12,751	11,825	11,909	12,108	13,675	14,847	15,458	15,827	16,458
Current account balance	-946	-624	211	439	797	800	813	600	600	600
Capital inflow (net)	1,184	-388	-266	95	-558	-400	-400	-400	-400	-400
Change in reserves	-238	1,012	55	-534	-209	-400	-413	-200	-200	-200
International reserves b/	2,689	1,677	1,622	2,156	2,345	2,765	3,178	3,378	3,578	3,778
Of which: Gold (official valuation)	78	78	78	78	78	78	78	78	78	78
Reserves as months imports	1.8	1.3	1.3	1.8	1.9	2.1	2.2	2.2	2.1	2.0
EXTERNAL CAPITAL AND DEBT										
Gross disbursements, MLT	3,107	2,314	3,710	2,947	3,236					
Official credits	712	471	493	429	775					
Multilateral	218	364	292	406	295					
IBRD	218	330	292	406	295					
Bilateral	494	128	201	24	480					
Private creditors and non-guaranteed	2,395	1,843	3,217	2,518	2,461					
External debt										
Debt outstanding and disbursed c/	19,868	20,016	20,516	20,232	20,775					
Debt service d/										
Total service payments	4,008	4,006	4,529	5,065	5,251					
Interest	1,987	2,049	1,688	1,837	1,834					
Amortization	2,021	1,957	2,841	3,228	3,417					
Payments as % exports	23.4	26.3	30.8	33.3	33.3					
Average interest rate on new loans (%) e/	12.5	14.0	10.6	9.5	9.5					
Average maturity of new loans (years)	11.7	9.4	10.5	6.3	8.5					

a/ Preliminary.

b/ Includes gross foreign assets of commercial banks.

c/ Includes short-term debts.

d/ Debt service excludes amortization and interest on short-term debt and export credit extended by Yugoslavia.

e/ Public and publicly guaranteed debts only.

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EMENA IDB
April 30, 1986

THE STATUS OF BANK GROUP OPERATIONS IN YUGOSLAVIA

As of March 31, 1986

A. STATEMENT OF BANK LOANS 1/

Loan No.	Fiscal Year	Borrower(s)	Purpose	US\$ Million Amount (Less Cancellations)	
				Bank	Undisbursed
Fifty-six loans fully disbursed				2,249.4	-
916	1973	NAFTAGAS	Gas Pipeline	59.4	1.1
1561	1978	Elektroprivreda Bosnia	Hydropower	73.0	2.5
1561-1	1984	Elektroprivreda Bosnia	Mostar Suppl. Loan	61.0	36.1
1621	1979	Privredna Banka Sarajevo	Bosanska Krajina Agric/Agroind.	55.0	2.7
1678	1979	Five Road Org.	Highways X	148.0	0.5
1756	1980	Zagrebacka Banka	Croatia Sava Drainage	51.0	6.3
1801	1980	Vojvodjanska Banka	Agric. Credit III	82.3	15.7
1819	1980	Four Road Org.	Highways XI	125.0	0.1
1909	1981	Kosovska Banka Pristina	Industrial Credit V	50.0	8.1
1910	1981	Privredna Banka Sarajevo	Industrial Credit V	30.0	0.5
1911	1981	Investiciona Banka Titograd	Industrial Credit V	20.0	1.2
1912	1981	Stopanska Banka Skopje	Industrial Credit V	10.0	0.03
1951	1981	Investbanka	Agr/Agroindustries	87.0	38.3
1977	1981	Pristina Railway Org.	Railways	31.1	10.9
1993	1981	Kosovska Banka Pristina	Agric/Agroindustries	90.0	59.7
2039	1982	Stopanska Banka Skopje	Agriculture	55.0	25.4
2055	1982	Radna Org. Vodovod	Kosovo Water Supply	23.0	0.4
2132	1982	Privredna Banka Sarajevo	Industrial Credit VI	33.0	9.8
2133	1982	Stopanska Banka Skopje	Industrial Credit VI	33.0	10.9
2136	1982	Privredna Banka Sarajevo	Agriculture Dev.	23.3	6.7
2161	1982	Privredna Banka Sarajevo	Drainage	19.5	6.3
2233	1983	Reg. Work Org. KOMPRED	Tuzla Water Supply	6.5	1.4

1/ The status of the projects listed in Part A is described in a separate report on all Bank/IDA financed projects in execution, which is updated twice yearly and circulated to the Executive Directors on April 30 and October 31.

ANNEX II
Page 2 of 3

Loan No.	Fiscal Year	Borrower(s)	Purpose	US\$ Million	
				Bank	Amount (Less Cancellations) Undisbursed
2306	1983	Kosovska Banka Pristina	Kosovo Regional Devt.	79.0	67.7
2307	1983	Udruzena Beogradska Banka	Serbia Regional Devt.	136.0	99.7
2336	1984	Four Railway Org.	Railways VI	110.0	64.4
2338	1984	Eight Power Org.	Power Transmission III	115.0	112.5
2339	1984	Kosovska Banka Pristina	Industrial Credit VII	45.0	41.9
2340	1984	Investiciona Banka Titograd	Industrial Credit VII	25.0	13.9
2410 /1	1984	Vojvodjanska Banka	Fertilizer Sector	90.0	90.0
2467 /2	1985	Investiciona Banka	Montenegro Reg'l Devt.	40.0	40.0
2527	1985	Elek. Bosne I Hercegovine	Visegrad Hydropower	125.0	109.1
2568 /1	1985	Privredna Banka Sarajevo	Bosnia Forestry	35.0	35.0
2595 /3	1985	INA-NAFTAPLIN	First Petroleum Sector	55.0	55.0
2596 /3	1985	NAFTAGAS	First Petroleum Sector	35.0	35.0
2597 /3	1985	Privredna Banka Sarajevo	First Petroleum Sector	<u>2.5</u>	<u>2.5</u>
Total (less cancellations)				4,308.0	
Of which: Repaid				<u>1,096.9</u>	
Total Outstanding				3,211.1	
Amount Sold				9.2	
Of Which: Repaid				<u>9.2</u>	<u>-</u>
Total now held by the Bank				<u>3,211.1</u>	
Total undisbursed					<u>1,011.2</u>

/1 Not yet signed.

/2 The \$40 million loan for the Montenegro Regional Development Project subsequently became effective as of April 15, 1986.

/3 Not yet effective.

B. STATEMENT OF IFC INVESTMENTS (as of March 31, 1986)

<u>Fiscal Year</u>	<u>Obligor</u>	<u>Type of Business</u>	<u>Amount in US\$ million</u>		
			<u>Loan</u>	<u>Equity</u>	<u>Total</u>
1970	International Investment Corporation for Yugoslavia	Investment Corporation	-	2.0	2.0
1970/1980	Zavodi Crvena Zastava Fiat S.p.A.	Automotive Industry	12.4	0.6	13.0
1971/1980	Tovarna Automobilov in Motoriev Maribor (TAM) Klockner-Humboldt Deutz A.G. (KHD)	Automotive Industry	9.2	0.9	10.1
1972/1980	FAP-FAMOS Belgrade/Daimler Benz A.G.	Automotive Industry	16.3	0.8	17.1
1972/78/80	Sava Semperit	Tires	12.5	2.5	15.0
1973	Belisce-Bel Tvornica Papira	Pulp and Paper	70.9	-	70.9
1974	Zelezarna Jesenica/ARMCO	Special Steel	10.0	-	10.0
1974	Salonit Anhovo	Cement Plant	10.0	-	10.0
1975	RMK Zenica	Steel	50.0	-	50.0
1977	Frikom RO Industrija Smrnzute Hrane/Unilever	Food and Food Processing	4.0	2.4	6.4
1977	Tvornica Kartona i Ambalaze Cazin	Pulp and Paper Products	15.6	2.6	18.2
1978	Soko-Mostar	Hermetic Compressors	7.0	-	7.0
1980	Investiciona Banka Titograd-Udruzena Banka	Tourism	21.0	-	21.0
1980	Radoje Dakic	Machinery	18.7	-	18.7
1980	Eight Republican/Provincial Banks	Small-Scale Enterprises	30.2	-	30.2
1982	Igalo	Physical Medicine Center	14.1	-	14.1
1982	Industrija za automobilski Delovi i Traktori (Ruen Auto	Motor Vehicles Accessories	10.6	-	10.6
1983	LBZB	Development Finance	31.4	-	31.4
1985	INA-Naftaplin	Chemicals & Petrochem.	37.8	-	37.8
1985	Sour Energoinvest	Power Trans. Line	14.3	-	14.3
1985	Iskra	Telecommun.	24.1	-	24.1
1986	Ljubljanska Banka (LB)	Export Oriented Projects	67.4	-	67.4
1986	Jugobanka	Gen. Manufac.	34.7	-	34.7
	Total Gross Commitments less cancellations, terminations, exchange adjustment, repayment and sales		522.2	11.8	534.0
			<u>255.5</u>	<u>5.2</u>	<u>260.7</u>
	Total commitments held by IFC		<u>266.7</u>	<u>6.6</u>	<u>273.3</u>
	Total undisbursed held by IFC		<u>54.0</u>	<u>0.8</u>	<u>54.8</u>

YUGOSLAVIA

A HIGHWAY SECTOR PROJECT

Supplemental Project Data Sheet

Section I: Timetable of Key Events

- | | |
|---|---|
| (a) Time taken by country to prepare the project. | 41 months
(October 1981-February 1985) |
| (b) Project preparation agencies: | Road Organizations of Bosnia-Herzegovina, Croatia, Serbia and Slovenia. |
| (c) First Bank mission to consider project | October 1981 |
| (d) Appraisal mission departure: | October 1983 |
| (e) Negotiations completed | November 1985 |
| (f) Loan Effectiveness Planned | November 1986 |

Section II: Special Bank Implementation Action

None

Section III: Special Conditions

(a) Effectiveness

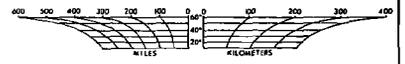
Adjustment of the road user charges in line with inflation during the period from January 10, 1986 to the time of loan effectiveness (para. 47).

(b) Other

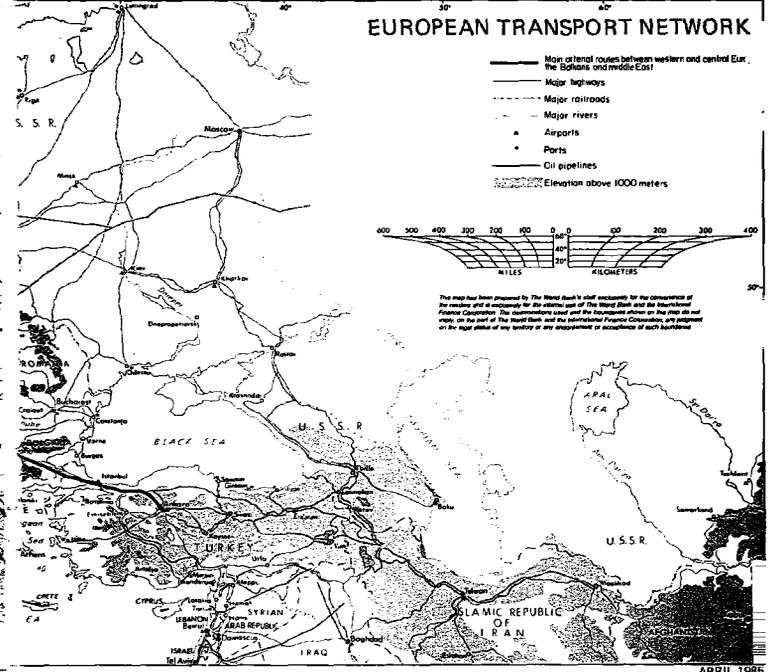
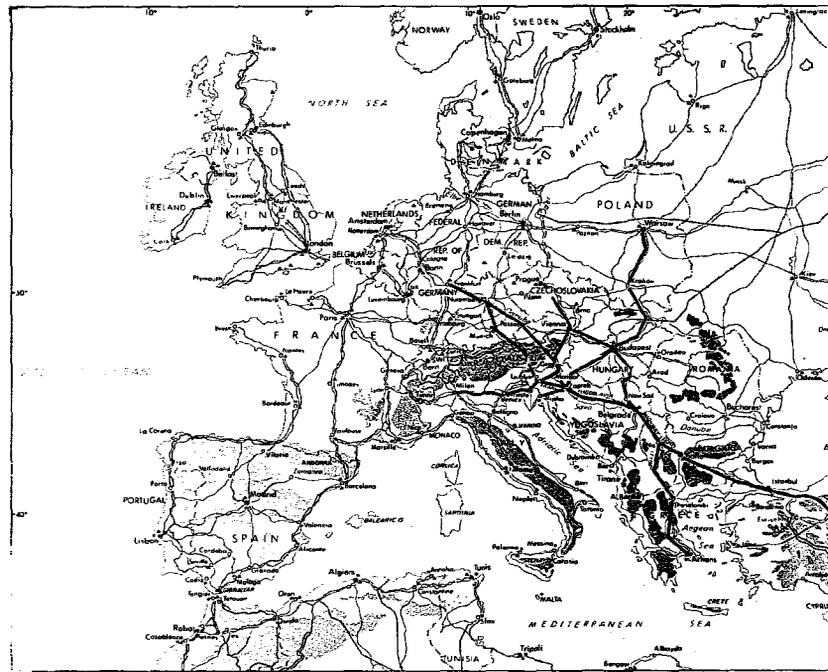
- (i) Agreement on the methodology for evaluating road sections to be submitted to the Bank for inclusion in later years of the program (para. 51).
- (ii) The Federal Association of Republican and Provincial Road Organizations (FARP) will be responsible for project coordination and the implementation of the road rehabilitation and maintenance study and training program (para. 52).
- (iii) Agreement by the Federal Government to periodically adjust road user charges (para. 55).

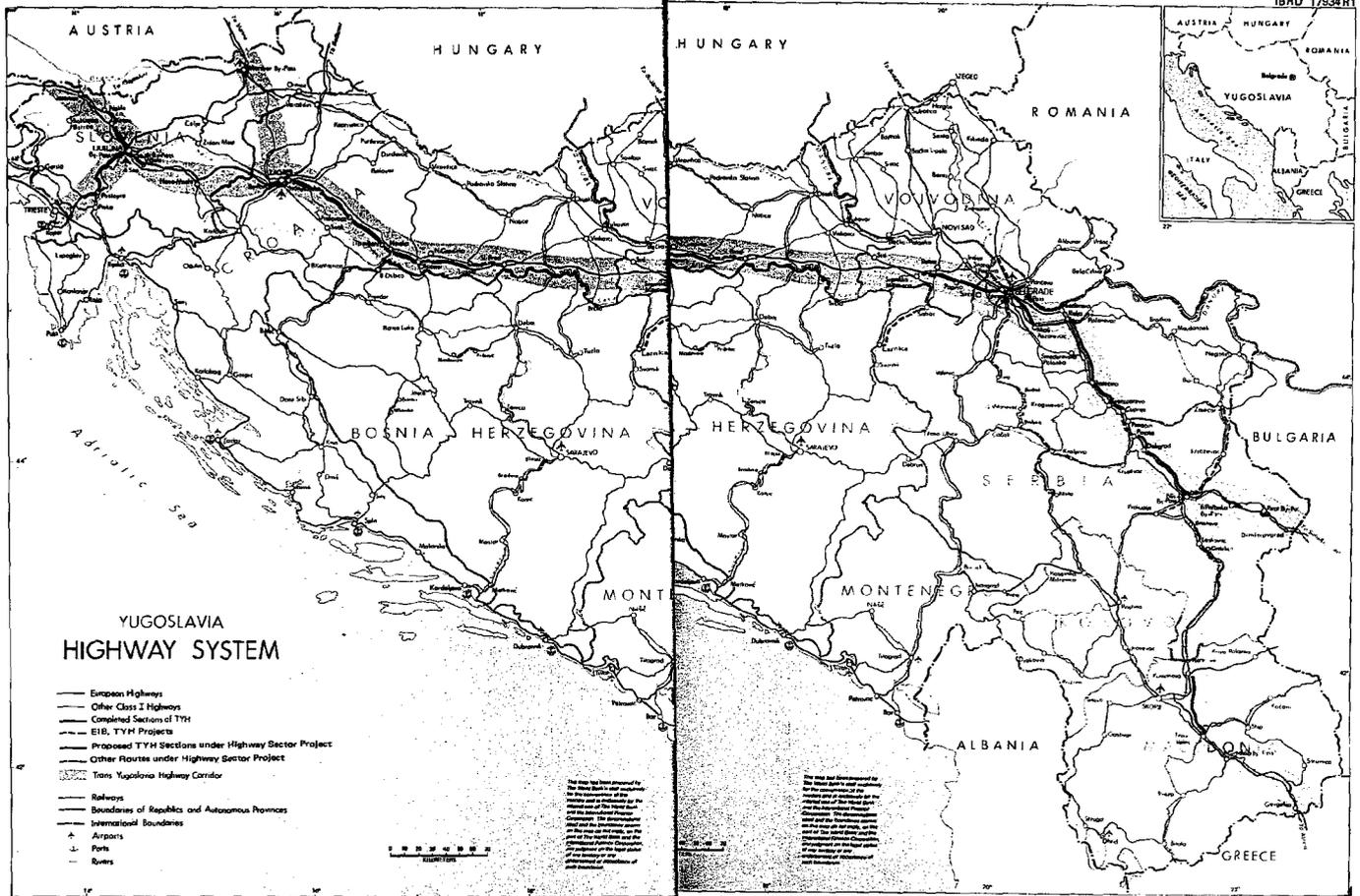
EUROPEAN TRANSPORT NETWORK

- Main arterial routes between western and central Eur. (the Balkans and middle East)
- Major highways
- - - Major railroads
- Major rivers
- ▲ Airports
- Ports
- Oil pipelines
- ▨ Elevation above 1000 meters



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**YUGOSLAVIA
HIGHWAY SYSTEM**

- European Highway
- Other Class I Highway
- Completed Sections of TYH
- EIB, TYH Projects
- Proposed TYH Sections under Highway Sector Project
- Other Routes under Highway Sector Project
- Trans Yugoslav Highway Corridor
- Railroads
- Boundaries of Republics and Autonomous Provinces
- International Boundaries
- ▲ Airports
- ⚓ Ports
- Routes



The map has been prepared for the development of the road network in the Republics of the Federal Republic of Yugoslavia. The development of the road network is a priority for the Government of the Federal Republic of Yugoslavia. The map shows the existing road network and the proposed road network under the Highway Sector Project. The map is a generalization of the road network and does not show the details of the road network.

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