



1. Project Data:		Date Posted : 08/07/2000	
PROJ ID: P045546		Appraisal	Actual
Project Name: Public Finance Structural Adjustment Credit	Project Costs (US\$M)	85.0	85.7
Country: Bosnia-Herzegovina	Loan/Credit (US\$M)	63	63.40
Sector(s): Public Financial Management	Cofinancing (US\$M)	22.0	22.30
L/C Number: C3090			
	Board Approval (FY)		98
Partners involved :	Closing Date	06/30/1999	06/30/1999
Prepared by :	Reviewed by :	Group Manager :	Group:
2. Project Objectives and Components			
a. Objectives			
To support sound macroeconomic management and the establishment of public finance structures and implementation of reform policies at the State and Entity levels .			
b. Components			
(i) the preparation and adoption of the budgets of the State and Entity governments and development and implementation of a transfer mechanism to provide a regular and reliable flow of funds to the State budget; (ii) development of a debt management capacity; (iii) administrative reforms to improve the efficiency and transparency of government budgetary operations; (iv) initiation of reform and harmonization of tax policies and administration within Bosnia and Herzegovina; and (v) initiation of reform in the pension system .			
c. Comments on Project Cost, Financing and Dates			
The project cost totaled US\$ 85.7 million, of which IDA contributed US\$63.40 million and the Government of The Netherlands US\$22.30 million. The project was approved by the Board on June 4, 1998, became effective on July 13, 1998, and closed on schedule on June 30, 1999.			
3. Achievement of Relevant Objectives:			
Macroeconomic performance was sound with growth and inflation as forecast . The Konvertible Marka is now a well established currency. The project helped ensure financing of the state by assisting in : (i) preparation and implementation of mutually consistent budgets for the State and the Entities, (ii) institutionalization of a mechanism for regular transfers from the Entities to the State, and (ii) developing an institutional capacity for debt management . The process of reforming and harmonizing tax policies and coordinating tax collection has begun . Initial steps have been taken to reform intergovernmental financial arrangements . Pension reform has been initiated and (i) a new policy of limiting the legal entitlement of pension benefits to what is actually paid, thus eliminating continued systemic accumulation of pension arrears caused by implementation of a pre -war benefits formula, and (ii) indexation method linking the pension adjustments more closely to the availability of the regular pensions resources was implemented . A new formula for pension benefits is being developed, and important elements of the strategy for this pension reform were adopted concerning retirement age and other criteria .			
4. Significant Outcomes/Impacts:			
This project played an important role in bringing together the Entities' budget and tax systems into systems compatible with those of the State, and of facilitating transfers from the Entities to the State, which were essential to the functioning of the new government.			
5. Significant Shortcomings (including non-compliance with safeguard policies):			
Despite progress in macroeconomic management supported by this project, GDP is still depressed and living standards remain low. There has been slow progress in privatization and private sector development, although the Entities are taking steps to improve performance .			

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	

Institutional Dev ..	Substantial	Substantial	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf ..	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

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

7. Lessons of Broad Applicability:

A participatory approach is invaluable, especially in post -conflict situations. Working groups and other detailed work programs can play an important role in bridging previously large differences . Well-targeted and well managed TA plays a key role in achieving such objectives . Intensive supervision and monitoring are essential - these projects are not cheap, but have a very high payoff .

8. Assessment Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

The ICR is very clearly written, describes a complex political /economic situation, and shows the rationale and achievements of the project components in a well -structured and logical way . The performance indicators at Annex I are very well presented .