ICR Review

Operations Evaluation Department

Report Number: ICRR11096

1. Project Data:		Date Posted:	08/07/2001	
PROJ ID:	P008855		Appraisal	Actual
Project Name:	Investment Recovery	Project Costs (US$M)	49.3	0
Country:	Slovenia	Loan/Credit (US$M)	49.3	0
Sector(s):	Board: FSP - Micro- and SME finance (100%)	Cofinancing (US$M)	0	0
L/C Number:	L4072; L4073; L4074			
		Board Approval (FY)		97
Partners involved:		Closing Date	06/30/2000	06/30/2000

Prepared by:	Reviewed by:	Group Manager:	Group:	
Elliott Hurwitz	Jorge Garcia-Garcia	Ruben Lamdany	OEDCR	

2. Project Objectives and Components

a. Objectives

The principal objective was to provide long-term financing for private investments resulting from Slovenia's program of enterprise and financial sector reforms. The project also aimed at supporting the continuation and reinforcement of banking reforms initiated under the FSAL by reinforcing the principles of these reforms.

b. Components

With the Government of Slovenia as Guarantor, the project consisted of loans to three banks (NLBdd, SKB Banka dd, and Banka Celje) which together comprised nearly 50% of the country's banking assets and lending portfolio. These funds were to be on-lent to eligible private enterprises for project finance.

The project incorporated three mutually reinforcing actions designed to safeguard the project and strengthen the banking sector: (1) submission to Parliament of a satisfactory banking law; (2) commitment by the BoS to supervise participating banks according to criteria satisfactory to the Bank; (3) inclusion in the project of the agreements with the 3 participating banks, to ensure the application of prudent banking practices.

c. Comments on Project Cost, Financing and Dates

Total project cost was planned to be US$49.3 million. The project was approved on July 25, 1996, and closed as planned on June 30, 2000. However, the project never became effective, as explained below.

3. Achievement of Relevant Objectives:

The project did not become effective, and did not achieve its objectives. It never became effective because shortly after approval, the BoS implemented restrictive foreign exchange borrowing guidelines. The BoS guidelines imposed a rule obliging that 10% of any foreign loan longer than seven years be placed in a non-interest-bearing account at the BoS. Loans of shorter maturity continued to incur a 40% deposit requirement. Efforts by the Government and the Bank to resolve the issue failed, and at the request of the Government and the participating banks, the loans were withdrawn.

4. Significant Outcomes/Impacts:

Not Applicable

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

Not Applicable

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Not Rated	Not Rated	
Institutional Dev.:	Not Rated	Not Rated	
Sustainability:	Not Rated	Non-evaluable	
Bank Performance:	Not Rated	Not Rated	
Borrower Perf.:	Not Rated	Not Rated	
Quality of ICR:		Not Rated	

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

7. Lessons of Broad Applicability:
Not Available

8. Assessment Recommended? ○ Yes ● No

9. Comments on Quality of ICR:
An Implementation Completion Note was prepared which very briefly described the circumstances surrounding the loans. It could have provided additional context surrounding the restrictive guidelines on foreign exchange inflows, which might have facilitated understanding and learning from these events .