



1. Project Data:		Date Posted : 05/06/2002	
PROJ ID: P008853		Appraisal	Actual
Project Name: Environment Project	Project Costs (US\$M)	32.24	33.86
Country: Slovenia	Loan/Credit (US\$M)	20.13	19.84
Sector(s): Board: ENV - District heating and energy efficiency services (87%), Central government administration (13%)	Cofinancing (US\$M)	0	0
L/C Number: L4022; L4023			
	Board Approval (FY)		96
Partners involved :	Closing Date	06/30/2001	06/30/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
Elaine Ooi	George T. K. Pitman	Alain A. Barbu	OEDST
2. Project Objectives and Components			
a. Objectives			
The overall objectives of the Project were : a) reduce ambient concentrations of particulate matter (PM10) and sulfur dioxide (SO2) along with the health damage associated with exposure to air pollution; and b) assist the Ministry of Environment and Physical Planning (MEPP) in developing standardized data sets and procedures to strengthen land use planning and environmental management.			
b. Components			
There were two components:			
a) Air Pollution Abatement Program (APAP) managed by the government's Environmental Fund of Sloveni (EkoFund). To combat small stack emissions which generate among the highest levels of PM 10 and SO2, the APAP provided low interest loans to households and boilerhouse operators in selected cities to convert to cleaner fuels and heating systems. A revolving fund was set up under APAP to stretch availability of funding to 8 years.			
b) Geographical Information System (GIS) managed by MEPP. The component promoted the wider use of GIS through the establishment of formal international standards for GIS, the creation of a central GIS Center, a training center and a market development group targeted at government agencies, industries and commercial users .			
c. Comments on Project Cost, Financing and Dates			
The actual project costs were US \$ 33.86 million of which IBRD provided US\$ 19.84 million EkoFund contributed US\$5.82 million, MEPP US\$ 1.41 million, and APAP beneficiaries US\$ 6.81 million. There were slight cost overruns (3% in APAP and 11% in GIS). The project closed on schedule on 30 June, 2001. About 9% of the original loan (DM0.4 million) to GIS was cancelled due to an accounting inconsistency between MEPP and the Ministry of Finance.			
3. Achievement of Relevant Objectives:			
The project achieved its overall objectives but with shortcomings .			
APAP Component :			
The objectives of this component were partially achieved . A total of 4683 households and 62 boilerhouses were converted versus SAR goal of 6500 households and 65 boilerhouses, due to lower demand for APAP loans . Nonetheless the loan fund was fully disbursed, on schedule . Ambient air measurements available from selected cities supported by the project showed a progressively downward trend in SO 2, but data for PM10 was inconclusive. It is unclear how much of this is attributable to the project . Accordingly, the ICR estimated an annual reduction of approximately 900 - 1000 tons of SO2 and PM10 per year and 3,000 - 28,500 tons of carbon dioxide, based on fuel combustion avoided.			
GIS Component :			
This component fully achieved its objectives in improving environmental mapping, spatial planning and the reliability/credibility of land cadastres .			
4. Significant Outcomes/Impacts:			
APAP:			

- Increased awareness of air quality issues and support for their resolution from the general public .
- Motivation of commercial banking sector to offer lower interest loans to small private consumers .
- Considerable institutional development of Ekofund and the commercial bank which processed APAP loans - good administrative capability to operate a country wide loan mechanism, targeted at small private borrowers .

GIS:

- Generated wide support and interest from previously skeptical audiences in municipalities /government and the commercial sector that are now convinced of its potential as a development and business tool .
- Fundamental impact on the information needed for land use planning, regional development, environmental analysis and protection, real estate administration and taxation .
- Supported and advanced the monitoring and enforcement of various environmental and construction regulatory policies and procedures.

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

- Lack of demand for APAP loans leading to much fewer conversions than anticipated (SAR, para 37 ... conversion of at least 120,000 households and 120 boilerhouses over a period of 8 years). Eligibility criteria were broadened to include all of Slovenia and subsequently roll-over funds were targeted for reducing water pollution instead.
- Shortfall in demand due to i) individual households having to bear the substantial foreign exchange and interest rate risks; ii) the actual costs of household conversions averaging 40% more than estimated at appraisal and iii) competition from private finance where interest rates declined significantly during the project, and which did not require burdensome paperwork.
- Environmental and health benefits from reduced PM 10 and SO₂ are likely to be much less than estimated given the lower than anticipated number of household conversions
- The project did not make adequate provisions for reliable ambient air quality monitoring in all APAP locations that would demonstrate its contribution to improved air quality . From data presented in the ICR, the outcome on ambient air quality is ambiguous.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Highly Satisfactory	Satisfactory	Reduction of ambient SO ₂ and PM ₁₀ was a key objective but project did not provide for reliable means of monitoring. Environmental and health outcome are likely to be much less than anticipated .
Institutional Dev .:	High	High	
Sustainability:	Highly Likely	Likely	From available ICR evidence, only a likely rating is justified.
Bank Performance:	Highly Satisfactory	Satisfactory	Early implementation problems indicate some weaknesses at appraisal. Even though supervision quality was good with timely resolution of issues (the project was of modest risk and complexity)
Borrower Perf .:	Highly Satisfactory	Satisfactory	Same as above
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:

- Care should be exercised in the use of directed credits which are used to improve public goods where the full risks of LIBOR-based lending and foreign exchange are borne directly by the consumers .
- The use of market research to assess demand, a pilot phase to fine tune the loan mechanism and continued use of public relations/information campaigns and marketing activities to stimulate demand for project components have greatly facilitated project implementation.
- Public relations/information activities in the GIS component, helped overcome the initial resistance from the targeted agencies/beneficiaries.

8. Assessment Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

Generally satisfactory. But it is impossible to determine the counterfactual from the ICR. The ICR could have provided evidence about the fuel and heating system conversions that were being funded by non -APAP loans and given some indication of the quantity, if possible. In the absence of this information and of reliable indicators of improvement in air quality, it would have been more appropriate for ICR to refer to its ex -post estimate in Annex 3 than to claim an ERR of 62% had been achieved. ICR should have combined its performance ratings for both components. ICR is not very precise -description of achievements are all over the place and repetitive .

