



1. Project Data:		Date Posted : 06/21/2003	
PROJ ID: P065834		Appraisal	Actual
Project Name: Emergency Recovery Credit (ERC)	Project Costs (US\$M)	50	49.8
Country: Macedonia	Loan/Credit (US\$M)	50	49.8
Sector(s): Board: PSD - General industry and trade sector (100%)	Cofinancing (US\$M)		
L/C Number: C3208			
	Board Approval (FY)		99
Partners involved :	Closing Date	12/31/2000	12/31/2000
Prepared by :	Reviewed by :	Group Manager :	Group:
Elliott Hurwitz	Ellen A. Goldstein	Kyle Peters	OEDCR
2. Project Objectives and Components			
a. Objectives			
The Kosovo crisis in the spring of 1999 imposed a severe strain on the former Yugoslav Republic of Macedonia (FYRM), which was forced to take in huge numbers of refugees while at the same time absorbing a large loss in export revenue. The ERC objective was to assist the Government to maintain macroeconomic stability while helping make up for shortfalls in export earnings and reduced access to foreign borrowing and direct investment, and thereby permitting imports critical to a resumption of growth.			
b. Components			
The ERC contained a single component which financed a broad range of critical products imported by the private sector. Items included construction material and equipment; seeds; fertilizer; agricultural equipment; spare parts, raw materials, and intermediate goods for industry and services; medical supplies and equipment; petroleum, fuel products, and coal; and vehicles.			
c. Comments on Project Cost, Financing and Dates			
The credit was approved by the Board on 5/13/99, became effective on 6/17/99, and closed on schedule on 12/31/00. Project costs were US\$49.8 million, as compared with the US\$50 million which was envisioned, with the difference caused by changes in the US\$/SDR exchange rate.			
3. Achievement of Relevant Objectives:			
The ERC fully achieved its objectives. Financing under the credit provided timely balance of payments support which supported purchase of needed imports, despite the fall in exports. Imports, which had been expected (in spring, 1999) to fall by 11%, instead fell by only 6.4%, and then rose by 17% in 2000. GDP actually rose in 1999 by 2.7%, exports rebounded in 2000 after a fall of 7.7% in 1999, and official reserves remained adequate. Inflation and the government fiscal deficit remained moderate.			
4. Significant Outcomes/Impacts:			
The most significant outcome was that the Kosovo crisis and the huge influx of refugees did not cause an economic disaster for the FYRM. The ERC disbursed quickly--67% within 3.5 months after effectiveness, 81 % within 6.5 months, and nearly all by 9.5 months --and permitted the country to maintain a stable macroeconomic environment as a foundation for further reform. The ERC also set the stage for additional assistance from international financial institutions during the second half of 1999 with an IMF program of \$19 million, EU grants of \$15 million, other bilateral grants of about \$25 million, and Paris Club debt service payment deferral of \$42 million.			
5. Significant Shortcomings (including non-compliance with safeguard policies):			
There were no significant shortcomings.			

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Highly Satisfactory	Highly Satisfactory	
Institutional Dev .:	Negligible	Not Rated	OED did not rate Institutional Development Impact because IDI was not

			an explicit project objective and no significant IDI was achieved.
Sustainability :	Likely	Unlikely	Sustainability is considered unlikely because of the substantial potential for the current conflict between the FYRM and Albanian separatists to destabilize the Macedonian economy.
Bank Performance :	Satisfactory	Highly Satisfactory	Bank performance during identification and appraisal were highly satisfactory; design, speed of initiation, and supervision were all highly satisfactory.
Borrower Perf. :	Satisfactory	Highly Satisfactory	GOM performed extremely well in all key aspects of project: macroeconomic policy; procurement; efficient management of credit.
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:

- Under the ERC, procurements above \$US3 million would have required ICB, which would have slowed disbursement. In the event, all procurements were below this threshold
- An Emergency Recovery Loan can allow the Bank to respond quite rapidly --potentially in a period of 1-2 months
- With competent macroeconomic management, balance of payments support can help stabilize a country's economy even when the region is going through substantial civil disturbance and even military action
- For an emergency recovery project, the speed of preparation and disbursement are appropriate indicators of project impact
- Foreseeing the potential of emergency circumstances in the CAS can speed the pace of preparation and approval.

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR is clear, provides excellent coverage of most important subjects, and substantial evidence that project objectives were fully achieved. However, little information is provided on Borrower performance. Also, in discussing the need for applying routine requirements for project procurement and financial reporting, the ICR at first argues that these were justified (with which OED agrees), but then in a later section argues that they cannot be strictly applied because they would delay disbursement. During the project, disbursement was rapid, as the ICR documents.