



1. Project Data:		Date Posted : 08/07/2000	
PROJ ID: P040830		Appraisal	Actual
Project Name: Technical Assistance	Project Costs (US\$M)	6.2	7.12
Country: Croatia	Loan/Credit (US\$M)	5.0	5.0
Sector(s): Privatization	Cofinancing (US\$M)		
L/C Number: L3989; LP246			
	Board Approval (FY)		96
Partners involved :	Closing Date	06/30/1998	12/31/1999
Prepared by :	Reviewed by :	Group Manager :	Group:
2. Project Objectives and Components			
<p>a. Objectives Overall objective was to conduct analytical and other work to support the reform program being implemented under the Enterprise and Financial Sector Adjustment Loan . Specific objectives were to (1) assist the government to complete the privatization of former socially-owned enterprises; (2) help in restructuring and privatization of public enterprises through diagnostic studies and advisory services; (3) support rehabilitation and privatization of the banking system.</p> <p>b. Components Conduct studies including examination of the financial performance, restructuring, potential privatization, and other aspects of: (1) Former socially-owned enterprises (US\$0.85 million); (2) Public enterprises (US\$2.57 million); and (3) Rehabilitation and privatization of the banking system (US\$3.7 million).</p> <p>c. Comments on Project Cost, Financing and Dates Funds were reallocated from the first component into the second and third at the request of the government and due to greater costs than had been expected for bank restructuring . Total project cost was greater than envisioned due to greater contributions from the borrower's own funds . Project closing was one and a half years later than anticipated due to the country's lack of capacity, inexperience in dealing with the Bank, and some lag in implementing reforms.</p>			
3. Achievement of Relevant Objectives:			
<p>The objectives were substantially achieved . (1) Privatization plan --Provided consultant assistance which helped design a voucher privatization plan under which many SOEs were sold . This program pushed forward with privatization, which was incomplete after having been started earlier in the decade; (2) Restructuring and privatization --In many instances, the studies conducted were directly instrumental in the restructuring or privatization of the firms involved. For example, 3 studies of the oil and gas SOE provided a blueprint of how it could be restructured, and this restructuring was actually accomplished during the project . In another case, a large fertilizer company has begun to restructure itself on the basis of the study done under the project . (3) Banking System --This component financed advisory services to the Bank Rehabilitation Agency, and also financed financial audits and portfolio reviews of selected commercial banks . Four banks that received advice from the project were ultimately included in the EFSAL program, and the government recently completed sale of two of the largest state banks to foreign investors. Privatization of the remaining state bank is expected soon .</p>			
4. Significant Outcomes/Impacts:			
<ul style="list-style-type: none"> • One study recommended options and developed draft legislation for regulation of the telecomm and energy sectors; part of this has been passed by Parliament, and part is pending . • One study of the post and telecomm SOE led to an in-depth audit which was instrumental in the sale of 35% of the telecomm company to a strategic investor . • Numerous other studies facilitated progress toward privatization . • Consultant services for the detailed design of the voucher privatization program resulted in the privatization of 471 socially-owned enterprises with a nominal value of US\$2 billion. 			
5. Significant Shortcomings (including non-compliance with safeguard policies):			
<ul style="list-style-type: none"> • Management of the power SOE was not fully cooperative in the study undertaken in this area, and so less 			

- progress was made than envisioned
- As noted in section 2(c), the overall project took longer to implement than envisioned .

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Highly Satisfactory	Project met or exceeded all major relevant objectives without major shortcomings
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Exemplary	

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

7. Lessons of Broad Applicability:

- Timely provision of analytic and consulting advice can substantially help with enterprise restructuring and reform
- Flexibility in project design was exceedingly important in achieving a positive outcome
- Project management arrangements were innovative in that they gave several implementing agencies responsibility for executing their own components . This avoided bottlenecks and overload of the principal PIU .

8. Assessment Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

ICR is exemplary: clear and terse, it presents detailed findings and evidence in a logical manner .