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**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**

# COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT

# FOR

# MONTENEGRO

# FOR THE PERIOD FY11-15

**May 16, 2014**

**South East Europe Country Unit**
**Europe and Central Asia**

**CURRENCY EQUIVALENTS**
**(Exchange Rate as of April 28, 2014)**

**Currency Unit = Euro (EUR)**
**EUR 1.00 = US$ 1.3861**
**US$ 1.00 = EUR 0.7214**

**GOVERNMENT'S FISCAL YEAR**
**January 1 - December 31**

## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| AAA | Analytical and Advisory Assistance |
| AF | Additional Financing |
| APL | Adaptable Program Loan |
| CAD | Current Account Deficit |
| CAR | Capital Adequacy Ratio |
| CBCG | Centralna Banka Crne Gore<br>Central Bank of Montenegro |
| CEM | Country Economic Memorandum |
| CPF | Country Partnership Framework |
| CPS | Country Partnership Strategy |
| DPO | Development Policy Operation |
| DPS | Democratic Party of Socialists |
| EC | European Commission |
| EBRD | European Bank for Reconstruction and Development |
| ECA | Europe and Central Asia |
| ECSEE | Energy Community of South East Europe |
| EIB | European Investment Bank |
| EPCG | Electric Power Company of Montenegro |
| ESW | Economic and Sector Work |
| EU | European Union |
| EUR | Euro |
| FAO | Food and Agriculture Organization of the United Nations |
| FDI | Foreign Direct Investment |
| FinSAC | Financial Sector Advisory Service Center |
| FIRST | Financial Sector Reform and Strengthening Initiative |
| FY | Fiscal Year (July 1-June 30) |
| GDP | Gross Domestic Product |
| GEF | Global Environment Facility |
| HDI | Human Development Index |
| IBRD | International Bank for Reconstruction and Development |
| IDA | International Development Association |
| IFC | International Finance Corporation |
| IFI | International Finance Institution |
| IPARD | Instrument for Pre-Accession Assistance for Rural Development |
| KAP | Kombinat Aluminijuma Podgorica (Podgorica Aluminum Plant) |
| LAMP | Land Administration and Management Project |
| MARD | Ministry of Agriculture and Rural Development |
| MDG | Millennium Development Goal |
| MEEP | Montenegro Energy Efficiency Project |
| MESTAP | Montenegro Environmentally Sensitive Tourist Areas Project |
| MIDAS | Montenegro Institutional Development and Agriculture Strengthening Project |
| MIGA | Multilateral Investment Guarantee Agency |
| MoE | Ministry of Education |
| MoF | Ministry of Finance |
| MoS | Ministry of Science |
| MoH | Ministry of Health |
| MHSIP | Montenegro Health Systems Improvement Project |
| Monstat | Statistical Office of Montenegro |
| NPL | Non-Performing Loan |
| PBG | Policy-Based Guarantee |
| PEFA | Public Expenditure and Financial Accountability Assessment |
| PEIR | Public Expenditure and Institutional Review |
| PFM | Public Finance Management |
| PHC | Primary Health Care |
| PPP | Public-Private Partnership |
| PSAIP | Pension Systems Administration Project |
| ROSC | Report on Observance of Standards and |

| | | | |
|---|---|---|---|
| | | | Codes |
| HIF | Health Insurance Fund | SDP | Social Democratic Party |
| HBS | Household Budget Survey | SOE | State-Owned Enterprise |
| | | TSU | Technical Services Unit |
| | | VAT | Value Added Tax |
| | | UNDP | United Nations Development Program |

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**COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT**

**MONTENEGRO**

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## I. Introduction

**1. This Progress Report assesses implementation, highlights modifications and extends by one year the timeframe of the World Bank's FY11-14 Country Partnership Strategy (CPS) for Montenegro.** The CPS was prepared at a time when the country was striving to recover from a sharp economic contraction associated with the 2008 global and Eurozone crisis. The CPS has two pillars: (i) strengthening institutions and aligning them with European Union (EU) requirements in areas critical for longer-term competitiveness in global markets; and (ii) improving environmental management. In the wake of the crisis, the initially-envisaged total IBRD lending of US$215.7 million was increased by nearly US$100 million. The lending program was complemented by a mix of analytic and technical support aligned with the CPS pillars.

**2. Implementation performance under the CPS has been mixed, with good progress on some indicators but also with significant delays.** Annex 1 provides details of results achieved to date. Many mid-term indicators were met, and final outcome targets are met or are on track to be met by the end of the CPS period. These include measurable improvements in the business climate and land markets, enhanced agricultural activity, increased reliability and security of the energy sector, strengthened environmental management and increased fiscal sustainability and quality of health services. In a small portfolio (moving from six to only four active operations), there has been an average of one problem project each year. Disbursements have improved since 2011, from a ratio of 14.2 percent to around 30 percent in both FY12 and FY13, and are expected to reach 20 percent by end-FY14.

**3. FY13-14 saw delays in delivery of the Bank's planned lending**. Although additional financing on energy efficiency was ultimately delivered in FY14, negotiations of the Industrial Waste Management Project were delayed over the handling of the aluminum plant (KAP) site. Negotiations were completed in April 2014, for delivery in early FY15.

**4. This progress report extends this CPS by one year through FY15** for several reasons. First, the two CPS pillars remain highly relevant, and an additional year will allow delivery of the planned lending program on Pillar II, with its critical interventions for environmental management. Second, with current uncertainties in the fiscal framework and public investment programming, an additional year will be helpful in gaining greater clarity on the likely medium-term macro-fiscal framework that would underpin a new Country Partnership Framework (CPF) and influence planned lending volumes and instruments.

**5. The Bank responded flexibly to the client's needs in the aftermath of the global crisis.** The CPS originally envisaged a series of two financial sector development policy operations (DPOs). In light of post-crisis needs, the second DPO was converted into a larger, stand-alone financial sector policy-based guarantee (PBG), despite high levels of existing public debt. The PBG supported a comprehensive program of measures designed to strengthen the banking sector, address its vulnerabilities, and bolster its resilience to possible future shocks. This support also led to advisory work on non-performing loans (NPL) resolution aimed at helping the banking and the real sectors to establish viable conditions for stronger credit growth in the near future. Additional countercyclical stimulus was considered through a Public Expenditure DPO after the double-dip recession of 2012, but did not materialize in FY13-14 given the nascent economic recovery and remaining weaknesses in the medium-term macro-fiscal framework. In particular, Government has engaged in sub-optimal public investment decisions—particularly debt financing of a low-rate of return highway project—that will prevent medium-term stabilization and reduction in public debt levels.

**6. The earlier-identified development challenges remain relevant.** The crisis period was marked by increasing macroeconomic vulnerability with high and rising public debt, significant public financial management (PFM) weaknesses with sizeable budgetary and private sector arrears, continued financial sector deleveraging, renewed rise in NPLs, and a sluggish credit recovery. With a nascent economic recovery underway, Montenegro continues to face rising public debt, which calls for continued fiscal consolidation and rationalization. In the medium to long term, the main challenges are to meet the institutional requirements for EU integration, enforce the rule of law, and tackle the investment climate, low labor participation and poor integration in regional markets. Further structural and administrative reforms would make Montenegro's economy much more open, competitive, and better connected to world markets. Also, environmental regulations and implementation capacity, especially in relation to industrial waste management (both hazardous and non-hazardous) and waste disposal and treatment remain weak and below EU and international standards.

**7. The remainder of the CPS period will focus on completing planned investment lending and supporting demonstrable results in fiscal consolidation and PFM.** Fully realizing the second pillar lending program related to environmental and industrial waste management is key. Also, the Bank is working with champions within the government on selected PFM areas, especially to support measurable results related to tax administration and treasury operations that are also critical progress areas for EU accession. Ongoing and planned analytical work will help the Bank and the government to identify reform and investment priorities in areas such as economic governance and employment/labor markets. The Bank will also work with the government to prepare a Systematic Country Diagnostic, drawing from the FY13 Country Economic Memorandum (CEM) and recent analytic work, to underpin the strategic focus and selectivity under a new CPF for FY16-20.

## II. Country Context

### *Political Developments*

**8. The general elections in October 2012** maintained the ruling pro-reform pro-European Democratic Party of Socialists (DPS) in power. Since independence in 2006, this was the third straight electoral victory for the DPS, which ran as the leader of the Coalition for European Montenegro. The coalition is comprised of the ruling DPS, the Social Democratic Party (SDP), with whom DPS have formed five governments since the early 1990s, and a new ally, the Liberal Party. The policy orientation of the new coalition government remained largely unchanged from that of its predecessor.

**9. Montenegro has made further progress in democratic reforms in the past three years**, geared to a great extent towards integration into the EU. Progress has been made in areas considered to be key weaknesses in the Western Balkans, such as the functioning of state institutions, the judiciary, public administration reform, and the business environment. Legislative and institutional frameworks have been improved, enabling strengthening of democracy, rule of law, and protection of human rights. Apart from Chapters 23 and 24, Montenegro also opened the chapters on public procurement, company law, and enterprise and industrial policy, intellectual property law, and information society and media. Two chapters, on science and research and education and culture, were provisionally closed. However, the 2013 EU Progress Report highlights continuing to strengthening the rule of law, tackling corruption and organized crime, and ensuring the respect of fundamental human rights and protection of minorities.

*Economic Developments*

**10. Economic activity remained volatile for the entire period after the global financial crisis of 2008.** After the short-lived 2010-2011 recovery, *euroization* and high trade and capital market integration with the EU made Montenegro susceptible to external shocks. The crisis in the Euro area negatively affected export and capital inflows and the economy contracted again in 2012, by 2.5 percent. The country continued to face sluggish credit activity, while exports were further affected by adverse weather conditions that reduced energy production, as well as the bankruptcy of the steel mill company and a decline in production of the loss-making aluminum plant KAP. Inflation rose from 0.5 percent in 2010 to 4 percent in 2012, driven by the rise in global commodity prices and excise taxes. Growth resumed in 2013 estimated at a preliminary 3.5 percent, led by tourism-related investments and energy production.

**11. While external imbalances more than halved since their 2008 peak,** falling from close to 50 percent of GDP to 14.6 percent of GDP in 2013, **external debt remained high** at above 115 percent of GDP in 2013. As the private sector continued deleveraging, by 2013 its share in total debt had declined to less than half from almost three-fourths. While the foreign direct investment (FDI) to current account deficit (CAD) ratio remained high at 67 percent, external financing requirements of 26 percent of GDP leave Montenegro vulnerable, in particular ahead of the repayment of Eurobonds coming due in 2015 and 2016.

**12. Financial soundness indicators suggest that the banking sector recovery has yet to take root.** Montenegro's banking system had experienced exceptionally high asset and credit growth within the Europe and Central Asia (ECA) region prior to 2008, largely financed by capital inflows from foreign parent banks. As capital dried out at the onset of the crisis, credit activity sharply declined, and banks saw rising asset quality problems. However, as financial markets eased in the second half of 2012, credit growth in Montenegro slowly took off, with credit growing by 3 percent in December 2013 over the previous December. Deposits showed a robust 6 percent annual growth in December 2013 with the loan to deposit ratio falling below 115 percent, down from 150 percent in mid-2009. The weakened economy contributed to a surge in NPLs, from 3.9 percent in June 2008 to 17.5 percent in December 2013. Parent banks have to date supported their Montenegrin subsidiaries with substantial additional funding and capital injections; as a result, the capital adequacy ratio (CAR) of the system stood at 14.4 percent in December 2013, above the prudential minimum requirement of 10 percent. The legal framework, strengthened with World Bank policy support, has adequately empowered the Central Bank of Montenegro (CBCG) to safeguard financial stability and be able to cope with possible external shocks. However, the limited progress in restructuring or recovery of NPLs has kept the private sector indebted and is constraining growth prospects. High NPLs also call for proper provisioning; currently close to 47 percent, it is slowly picking up.

**13. The authorities have pursued a strong fiscal adjustment since 2010 but contingent liabilities have largely offset these gains.** A freeze in public sector wages, staff rationalization, pension indexation freeze, expenditure restraints in operations and maintenance as well as in the capital budget, supported by tax rate rises (including the VAT and the personal income tax) and strengthened tax collection efforts, have all helped the government to reduce the fiscal deficit to 2.9 percent of GDP in 2013. This outcome was achieved despite the calls of guarantees issued to the aluminum industry (amounting to over 3 percent of GDP in 2013 alone). General government spending sharply declined to below 46 percent of GDP in 2013 from its peak of 51 percent of GDP in 2008. Had there been no

guarantee repayments for KAP debt, overall spending would have been at 43 percent of GDP in 2013.

**14. Despite the notable fiscal adjustment, Montenegro's public debt, including guarantees, has risen rapidly since the crisis**. Public and publicly-guaranteed debt doubled from 2008 to reach 64.5 percent of GDP in 2013. Guarantees issued during the crisis for the loans by international finance institutions (IFIs) to state-owned companies, the metal industry (including KAP), and domestic banks, grew rapidly from 3.4 percent of GDP in 2008 to 12.0 percent of GDP in 2012, falling in 2013 to 8 percent of GDP after the aluminum and steel companies' debt was repaid. Driven by increased liquidity problems, the stock of tax arrears reached 9.9 percent of GDP by end-2013. Furthermore, general government payment arrears remained high, at around 5 percent of GDP. One-fifth of the tax arrears are due by local government units that have signed a tax debt reprogramming agreement with the Ministry of Finance (MoF), and the electricity company has emerged as the second largest tax debtor. This is closely related to KAP's accumulation of 1.8 percent of GDP in payment arrears towards the electricity company.

***Economic Outlook***

**15. The economy is expected to enter an expansionary phase in the medium term largely driven by domestic demand.** Growth is expected to accelerate to around 3.2 percent during 2014-2016, supported by FDI in energy, tourism and construction. Among a number of investments, the government has committed to debt financing for the planned €0.9 billion Bar-Boljare highway section (equivalent to one-quarter of Montenegro's 2013 GDP). As a result, public debt, not including government guarantees, is expected to increase to 60 percent of GDP by 2016 (68 percent including guarantees). In the absence of a significant policy shift, public debt is projected to increase and not stabilize in the medium term, creating notable concerns about the sustainability of Montenegro's macroeconomic framework. It is expected that Montenegro will experience a boom in the coming 3-5 years, financed by these large capital inflows. Should these inflows fail to materialize, growth would slow to an estimated 2.7 percent per annum in 2014-2016. This is considered a less likely scenario, however.

**16. While Government plans to further pursue fiscal consolidation efforts and balance the budget in 2015, public debt remains on a rising trajectory over the medium term**. Assuming implementation of the Bar-Boljare highway project, the fiscal deficit will remain above 4 percent of GDP through 2014-2016 and prevent a decline in public debt even under upside growth scenarios (above 3.2 percent per annum). Over the same period, the government faces refinancing needs of around 14 percent of GDP per year to cover the deficit and debt repayment costs. The CAD is expected to grow in 2014 to 17 percent of GDP, led by imports of materials and equipment to support the highway construction. A continued growth in exports of energy and tourism services will partially offset the import component of large public investments.

**17. Downside risks to the macroeconomic outlook prevail.** The growth outlook for 2014-2016 will, to a large extent, be affected by domestic policy choices as the external environment becomes more benign. Large borrowing for the proposed highway construction and possible continued support to KAP during a complex legal battle over bankruptcy proceedings could further destabilize Montenegro's already-vulnerable fiscal and debt position. The debt service cost would require creating a fiscal buffer to prevent refinancing risk in a *euroized* country with limited monetary policy options to sustain macro stability. Additional risks stem from the ambitious fiscal consolidation effort enshrined in the

government's medium-term fiscal framework. Private sector deleveraging in an environment of a still-weakened banking sector and poor liquidity may limit growth prospects to an estimated 2.7 percent per annum unless supported by a strong inflow of FDI.

**Table 1: Montenegro: Key Economic Indicators, 2009-2016 (percent of GDP)**

| | *Outturn* | | | | *Preliminary* | *Projections* | | |
|---|---|---|---|---|---|---|---|---|
| **Indicators** | *2009* | *2010* | *2011* | *2012* | *2013* | *2014* | *2015* | *2016* |
| **National Accounts** | | | | | | | | |
| Real GDP growth | -5.7% | 2.5% | 3.2% | -2.5% | 3.5% | 3.2% | 3.5% | 3.0% |
| Total Investment | 27.1 | 22.8 | 18.2 | 19.5 | 19.4 | 22.8 | 27.9 | 30.9 |
| Gross National Savings | -3.1 | -2.6 | 0.5 | 0.9 | 4.8 | 5.9 | 8.9 | 10.9 |
| Foreign Savings | 27.9 | 22.9 | 17.7 | 18.7 | 14.6 | 16.9 | 19.0 | 20.0 |
| **Public Sector** | | | | | | | | |
| Primary Balance | -4.4 | -3.6 | -2.8 | -4.0 | -0.8 | -1.7 | -3.5 | -1.8 |
| Interest payments | 0.9 | 1.0 | 1.5 | 1.9 | 2.1 | 2.3 | 1.9 | 2.1 |
| Fiscal Balance (w/o privatization revenues) | -5.3 | -4.7 | -4.3 | -5.9 | -2.9 | -4.0 | -5.3 | -3.9 |
| **Balance of Payments** | | | | | | | | |
| Trade Balance | -44.3 | -40.8 | -40.4 | -44.1 | -39.9 | -40.5 | -42.0 | -43.0 |
| Current Account Balance | -27.9 | -22.9 | -17.7 | -18.7 | -14.6 | -16.9 | -19.0 | -20.0 |
| FDI | 35.8 | 17.8 | 12.0 | 14.7 | 9.7 | 15.7 | 15.7 | 15.8 |
| **Debt** | | | | | | | | |
| Foreign Debt | 101.9 | 106.7 | 108.0 | 115.1 | 115.1 | 115.3 | 125.4 | 134.9 |
| Public Debt (w/o guarantees) | 38.2 | 40.9 | 46.0 | 54.0 | 56.2 | 56.9 | 58.8 | 59.7 |
| Public and publicly guaranteed debt | 41.8 | 51.0 | 57.8 | 66.1 | 64.5 | 65.7 | 67.5 | 67.9 |
| Gross Internat. Res. (in months of Imports) | 2.5 | 2.5 | 1.7 | 1.9 | 2.4 | 2.7 | 2.8 | 2.9 |
| *Memo items:* | | | | | | | | |
| *GDP (EUR millions)* | 4,158 | 3,104 | 3,234 | 3,149 | 3,336 | 3,539 | 3,771 | 3,973 |
| *Inflation (p.a., %)* | 3.4 | 0.5 | 3.1 | 4.0 | 2.2 | 2.5 | 2.0 | 2.5 |
| *Debt service to export ratio* | 33.0 | 38.4 | 43.7 | 26.7 | 36.3 | 34.9 | 38.6 | 36.9 |
| *Exchange rate EUR:US$ (p.a.)* | 0.72 | 0.75 | 0.72 | 0.78 | 0.75 | 0.75 | 0.75 | 0.75 |

*Note:* External debt is estimated since private sector debt statistics are not officially available. Fiscal statistics are based on the GFS1986 methodology and include changes in arrears and repayment of guarantees under expenditures. Public debt does not include stock of payment arrears. The fiscal projections present the government's medium-term expenditure framework (MTEF), adjusted for the planned public spending on the highway construction.
The growth scenario presented here is considered most likely. A downside scenario agreed by the Bank and the IMF estimates growth at 2.7 percent per annum based on lower investments and capital inflows.
*Source: MONSTAT, CBCG, MoF, World Bank staff estimates.*

### *Social Developments*

**18. Since the CPS was discussed, poverty has risen in Montenegro.** MONSTAT and the World Bank estimate that the poverty headcount rate at the national poverty line[1] rose steadily to 11.3 percent in 2012 from a low of 4.9 percent in 2008, reflecting the impact of the double-dip recession during this period. A similar evolution emerges using 125 percent of the poverty line (closer to the threshold used in EU member states), with an increase from 11.2 percent in 2008 to 23.1 percent in 2012. Spatial differences in poverty have narrowed over time, but remain a concern. Households in the mountainous north are twice as likely to be poor than their southern counterparts, and rural dwellers are twice as likely to be poor than urban residents. Income inequality has remained fairly constant in recent years, with the Gini coefficient fluctuating between 0.24 and 0.26.

**19. Montenegro has not had a strong record of promoting shared prosperity.** The distribution of economic growth across consumption groups in Montenegro indicates that the less well-off did benefit from the growth, with per capita consumption of the poorest 40

[1] The national poverty line was set in 2006 at €144.68 per adult equivalent per month. It has since been adjusted annually for inflation, rising in nominal terms to €182.43 in 2012.

percent increasing at an annual rate of 2.5 percent from 2006 to 2011. This increase, however, was weaker than the national average of 2.8 percent during the same period, so the poor benefited less from growth than better off households. In Montenegro, being unemployed or self-employed, being elderly, belonging to a rural or large household affects the probability of being in the bottom 40 percent of the distribution.[2]

**20. Social assistance continues to perform well in terms of targeting accuracy but its coverage remains low.** According to the latest (2011) Household Budget Survey, up to 70 percent of all spending on social assistance reaches the poorest population quintile but it covers only 5.4 percent of the total population and 19 percent of the poorest quintile. The coverage of the last resort social assistance program is even smaller – 4.6 percent of the total population and 17 percent of the poorest quintile. At the same time, it is accurately targeted to the poor, with over 77 percent of the budget for this program going to the poorest quintile. The recently-adopted Social Welfare and Child Protection Law addresses risks of benefit dependency and possible work disincentives with changes in benefit design along with incentives and administrative requirements for activation of able-bodied recipients.

**21. The country has made good progress and has relatively high human capital achievements compared to neighboring countries.** Montenegro's rating on the Human Development Index (HDI) climbed from 0.757 in 2005 to 0.791 in 2012, placing it above the ECA average. Available data on Millennium Development Goals (MDGs) show that good gains have been made in boosting access to education, reducing infant and child mortality, and combating tuberculosis.

**22. Employment outcomes are unsatisfactory in Montenegro, as a result of structural issues.** The employment rate of the population aged 15 and above was 40.3 percent in 2013, with unemployment at 19.5 percent of the labor force, and an inactivity rate of 49.9 percent of the working age population. Employment outcomes are of particular concern in rural areas and among women, older and less-educated workers. Many youth are idle, active neither in education nor in employment. The main labor market issue in Montenegro is structural – considerable underutilization of labor resources arising from weak labor demand. It manifests in persistently high unemployment and an extremely low labor force participation rate that in turn translate into lower output and incomes. This situation is largely due to an underdeveloped private sector, coupled with a relatively large public sector that does not create enough jobs to absorb unemployment. As a result, entry into the labor market is difficult and chances to escape unemployment are poor. However, supply side factors also play an important role in accounting for the low employment rate. First, workers tend to withdraw early from the labor force, which is facilitated by the design of the pension system (both old age and disability). Second, a large proportion of the able bodied working age population is economically inactive. Third, many of the unemployed and the inactive do not have the skills necessary to find employment. There is some evidence of a skills mismatch; in particular, there seems to be an oversupply of less-skilled manual labor.

**23. Montenegro has made significant improvements in building an adequate legislative framework for gender equality, yet gender gaps remain in several areas.** An in-depth gender assessment for Montenegro reveals that gender inequalities in educational attainment persist among certain population groups. Further, significant gender gaps remain in labor markets, with low female labor force participation rates and significantly lower earnings for women than for men. Moreover, gender gaps in agency – an area for which data is often limited – are also a source of concern, including low female participation in politics and

[2] World Bank 2014. "First Insights into Shared Prosperity in the Western Balkans" in South East Europe Regular Economic Report No. 5 Special Topic. Washington, DC, World Bank.

leadership positions and possibly pervasive domestic violence. Female unemployment increased to close to 20 percent by 2013, with a low level of participation (at 50 percent) and a growing share of long-term unemployed. Although unemployment rates between men and women are similar, female labor force participation is significantly lower than male. There is no large educational gender gap in Montenegro. Gross secondary enrollment rates are comparable between girls and boys, at 99 percent. Tertiary enrollment has grown rapidly in the past decade, and in 2010 enrollment rates were 53 percent for women and 43 percent for men. Despite these aggregate gains, however, particular groups of women, such as rural women and the Roma, trail in educational attainment. Annex 2 presents a more comprehensive picture of the gender situation in Montenegro and Box 1 below outlines how gender issues are being integrated into the World Bank Montenegro program under this CPS.

**Box 1: Gender Issues: Integration into the Montenegro Program**

The World Bank's program in Montenegro is actively incorporating gender issues to contribute to narrowing gender gaps, particularly those related to access to economic opportunities. For projects in the pipeline, gender issues are being considered and included from the early stages. In addition, the gender dimension is being proactively included in the portfolio, as outlined below:

- In the context of the ongoing ***Montenegro Institutional Development and Agriculture Strengthening*** (MIDAS) project, a workshop for female farmers was organized to: (i) identify concrete actions to remove obstacles for full participation and inclusion of female farmers and farm workers in Montenegro's agriculture sector; (ii) support networking and first steps towards formal/informal association building among female farmers and farm workers; (iii) raise awareness amongst female farmers and farm workers about Government programs, legal regulations and activities to support them and address their specific needs; and (iv) strengthen the capacity of and raise awareness among the Ministry of Agriculture and Rural Development (MARD), the Extension Service, and female farmers and farm workers on the EU Gender Acquis in regard to compliance with Instrument for Pre-Accession Assistance for Rural Development (IPARD) requirements.
- Under the ***Land Administration*** project, the Bank organized (with grant funds from the Umbrella Facility for Gender Equality of the World Bank) a regional leadership training on land and gender issues for key Government and non-Government stakeholders in the Western Balkans, including those from Montenegro. The objective was to support and promote practical and proactive sector reform initiatives to modify attitudes, norms, and systems to facilitate women's acquisition and full utilization of their land and property rights.
- A similar training on improving women's access to economic opportunities is being considered for all the Western Balkans, with financial support from the Swiss Agency for Development and Cooperation.
- A gender project review of the ***Montenegro Higher Education*** Project was prepared to identify opportunities and concrete actions to strengthen the gender dimension during implementation.
- Montenegro is also benefitting from analytical and advisory assistance (AAA) with important gender components, including analytical work on employment and job creation, as well as existing regional programs on poverty and the ***Gender Monitoring in the Western Balkans*** program.

### *Medium and long-term structural challenges*

**24. Improve governance and the rule of law**. The financial and economic crisis highlighted the importance of fiscal sustainability and good PFM policies. The overall legal framework for budget management is in place, with plans under preparation to establish a formal Medium-Term Budgetary Framework and strengthen fiscal rules. Accrual accounting and budget reporting are to be introduced, and the Treasury and Debt Management systems strengthened. A comprehensive reform of the public sector was launched in 2013; ultimately, the aim is to develop an independent, professional and efficient public administration system in line with European standards, including at the local level.

**25. While the government has intensified efforts to improve competitiveness and deepen social sector reforms, it is important for Montenegro to adopt a new growth model and continue improving the business environment.** Over the last three years, the government

has: reformed the labor market to somewhat reduce dismissal costs and simplify hiring; reformed the pension system by increasing the retirement age to 67 for both genders; simplified business and tax registration under the one-stop-shop concept; reduced the complexity and time to obtain construction permits; adopted new bankruptcy and enforcement laws; and reduced non-tax fees and the time necessary for connection to electricity grids. Still, according to the FY13 CEM, a better focus on sustainability, connectivity and flexibility would allow Montenegro to adopt a new growth model and would facilitate its continued pursuit of structural reforms. Improved skills would prepare Montenegro's labor force for the challenges of a much more competitive international economy. On the macroeconomic front, this shift requires strengthening the fiscal position, building fiscal buffers supported by credible fiscal rules, and improving the strength of the financial sector in support of new, healthy credit growth.

**26. Another main challenge is to strengthen employment through supply and demand measures.** The employment rate has to rise in order to increase the income and standard of living of the population. Meeting the Europe 2020 target of a 75 percent employment rate among 20-64 year olds would require creating 87,000 additional jobs, equivalent to increasing employment by one-third. Improving labor supply and strengthening labor demand are key. The former entails strengthening incentives for economic activity and adjusting workforce skills to changing labor market needs. The latter requires supporting private sector growth and job creation, and enhancing the competitiveness of Montenegrin firms by lowering hiring and firing costs.

## III. CPS IMPLEMENTATION PROGRESS AND MODIFICATIONS

### *A. CPS Implementation Progress*

**27. Progress towards CPS outcomes has been mixed, with better performance under Pillar I: Supporting EU Accession through Strengthening Institutions and Competitiveness than under Pillar II: Improving Environmental Management.** Overall, satisfactory progress has been made under both pillars. For Pillar I, of 14 original CPS outcomes, eight have already been fully met, three more are on track to be achieved by the end of the CPS period, and another one was partially achieved before closure of the associated operation. One has been dropped (improved public expenditure management) because the initially-planned Bank program was not pursued, and for another one (strengthened transparency of corporate financial reporting) the results will be reported only during the next CPF. For pillar II, two of five CPS outcomes have already been achieved; one more related to energy efficiency is on track to be achieved by end-FY 15. One outcome (Reduce environmental and public health risks of polluted industrial disposal sites) will not be delivered in the CPS period due to delays in preparing and implementing associated programming, and another one was dropped (Improve access of the Government and households to low-cost catastrophe insurance products) as the preparation of the regional project was put on hold due to legal issues in neighboring countries.

#### *Pillar I - Support EU Accession through Strengthening Institutions and Competitiveness*

**28. The Bank's program was effective in strengthening institutions and improving competitiveness.** The program was anchored in analytical work on public expenditures and the banking sector carried out during the previous CPS**. The central bank's capacity to provide liquidity as a lender of last resort and the capitalization of Montenegrin banks – and therefore their resilience to shocks – have improved.** The central bank's overall

liquidity ratio rose to 40 percent at the end of 2012, well above prudential norms, and its overall capital adequacy ratio at the end of 2013 was reported to be 14.7 percent, well in excess of the prudential norm of 10 percent. As a result, **public confidence in the health of the banking sector** was enhanced.

**29. The business climate was improved** by streamlining property registration and business permitting. The average time to issue a construction permit has decreased from six months to two months, and average registration time has been reduced from 25 to 9 days.

**30. The quality and coverage of primary health care (PHC) have improved**, with increased utilization and patient satisfaction targets met or exceeded – 44 percent of the overall population (target 40 percent, from a baseline of 37 percent) used the service of their chosen doctor, and the target of 70 percent of the total population satisfied with the services rendered was achieved, from a baseline of 66 percent. Thirty public health centers were renovated and equipped; the **financial sustainability of the Health Insurance Fund** has improved, with a zero deficit achieved.

**31. In the agriculture sector, the Bank's program has supported steps towards establishing the capacity to implement an IPARD-compatible system**, including a proto-payment agency, farm registry and a pilot IPARD-like grant scheme. 650 farmers, 60 percent of whom live in the poorer north, received or will receive IPARD-like grants aimed at helping them enhance their agricultural production. Over a medium-term horizon the Bank supported program is bringing food safety, veterinary and phyto-sanitary agencies as well as required laboratories to European standards. With Bank support, Montenegro completed its first Agricultural Census in 40 years, which underpins further development of the national rural development program. For instance, the Agricultural Census estimated that the 2,350 persons formally employed in agriculture represent only part of the employment generated by the sector. According to the Census, the equivalent of 46,000 people were working full time in agriculture in 2010, both formally and informally.

**32. In the energy sector, IBRD's objective was to improve the efficiency and reliability of the power system in Montenegro.** With respect to the Andrijevica area the target was achieved both in terms of number of outages and of unserved energy. Given that the reinforced Mojkovac substation was only entering operation at the time of the project closing, there is not yet sufficient monitored and verified data. However, given the good results at the Andrijevica substation, it is reasonable to expect similar results in Mojkovac as well. In terms of the project objectives, an improved, modern and efficient telecommunication system has been fully established, which has strengthened considerably Montenegro's ability to operate its own system efficiently and to participate in the regional market, and has thus facilitated closer regional market integration.

**33. The Higher Education and Research for Innovation and Competitiveness has already led to adoption of quality and finance reforms** in the higher education sector, as well as impending large-scale investments in research, to promote capacity building and competitiveness in knowledge-driven elements of the Montenegrin economy.

**34. IFC remains an active partner in the private sector in support of pillar 1**. IFC's committed portfolio in Montenegro is US$41.7 million, allocated in three projects – US$26.8 million in two road infrastructure projects and US$14.9 million in one project under a public-private partnership with the municipality and a Turkish company to develop prime retail space in central Podgorica**.** IFC also supported implementation of a sub-national competitiveness project in three municipalities (Bar, Bijelo Polje, and Nikšić) to streamline business regulations and increase their transparency. Through its National Business Enabling

Environment Reform Project, IFC assisted Montenegro with regulatory review, Doing Business reform, and institutionalization of regulatory impact assessments. IFC also worked with the Ministry of Justice to support the opening of a second Mediation Center in Podgorica. IFC is considering new investments in the financial sector through its Trade Finance line (GTFP) to support SME exports and in municipal infrastructure.

### *Pillar II – Improving Environmental Management*

**35. Solid waste management has improved in Bar and Ulcinj**, with the construction of a regional landfill in Možura supported by the Montenegro Environmentally Sensitive Tourist Areas Project (MESTAP). This CPS target has been achieved, with 90 percent of the solid waste in these and three other coastal municipalities now collected and disposed of in proper facilities (baseline 65 percent, target 90 percent). The municipalities of Budva, Kotor and Tivat have joined Bar and Ulcinj in disposing into the Mozura landfill. Although not part of the project design, this development is further evidence of the success and value of the Mozura landfill.

**36. The sustainability of Lake Skadar-Shkoder was enhanced.** The project strengthened the Lake's regulatory and institution capacity and reduced immediate and longer term threats to lake water quality. The project also contributed to the reduction of the lake's pollution by preparing an investment into the clean-up of the hazardous industrial dump site in Montenegro.

**37. Energy efficiency in targeted public buildings has increased.** The Energy Efficiency project helped retrofit 14 public sector buildings to improve their energy efficiency, resulting so far in a 50-60 percent reduction of energy consumption and related operating costs, and improved working and service conditions in public facilities in the education and healthcare sectors. It has also contributed to enhancing energy efficiency implementation capacity as well as the implementation of EU/EC building directives, Montenegro's energy law, and national energy efficiency action plans, helping Montenegro to fulfill part of the Energy Community of South East Europe Treaty obligations. Additional IBRD financing of US$6.8 million was approved in response to the government's request for continuing intervention in improving energy efficiency. IFC is also assessing projects for renewable energy development.

**38. Analytical and advisory services further contributed to program implementation and policy dialogue.** The *CEM* outlined possible development strategies as the country embarked on the next stage of the EU integration process. The *Labor Market Incentives TA* (not in the original CPS) helped the authorities to identify the main constraints to jobs creation and employment growth and developing policies to remove constraints. The *Public Expenditure and Institutional Review* (PEIR) provided policy recommendations to underpin a strategy to contain public expenditure growth and increase the "value for money" in public administration. As a complement, the *Public Expenditure and Financial Accountability Assessment* (PEFA) provided an evaluation of Montenegro's PFM systems and helped identify reform priorities to further strengthen financial management as a part of the pre-accession process. The *Public and Private Sector Payment Arrears* report (FY13, not planned in original CPS) provided the government with a set of policy options for their resolution and prevention. The Bank's Vienna-based Financial Sector Advisory Centre (FinSAC) continues to support the banking sector by strengthening the Central Bank's steering powers and capabilities to assist with commercial banks' NPL portfolio resolution strategies. Cutting

across sectors, the ongoing gender monitoring has provided an overview of gender issues in Montenegro.

### *B. Portfolio Performance and Partnership*

**39. The IBRD/IDA portfolio currently comprises four investment projects and a GEF grant**. Total commitments amount to US$68.1 million. All projects are effective and under implementation. Three projects closed as scheduled in FY11-13. **IFC's portfolio** stands at US$41.7 million.

**40. There is an ongoing effort to strengthen project implementation.** During the CPS, portfolio performance has been mixed in terms of implementation pace and disbursements, with an average of one problem project each year. A detailed joint portfolio performance review yielded an action plan, and main implementation bottlenecks have been addressed in a timely manner (as also reflected in the high pro-activity ratio, currently at 100 percent). Current portfolio performance is overall satisfactory, as the only problem project (MIDAS), has been put back on track and its performance is being upgraded to *moderately satisfactory*. The disbursement ratio improved significantly from 14.2 percent in FY11 to 35 percent in FY13. While that pace eased slightly in FY14, due to delays in civil works and those associated with initial implementation of a new project, disbursements are expected to reach 20 percent by end of FY 14. Lessons have been learned from implementation of the first half of the CPS, including the wisdom of selectively supporting champions of reform, and of shifting toward instruments with faster disbursement patterns than traditional investment loans, such as results-based financing.

**41. The Bank continues to collaborate closely with international partners, particularly to support the EU integration process**. Given the country's EU candidate status and opening of negotiations, the EU is a key player, making it imperative that the Bank coordinate systematically with the EU and support Montenegro's accession agenda. The MIDAS project illustrates well this principle, with its close coordination with the EU in aiming to build Montenegro's institutions to better harmonize with EU standards in agriculture and rural development, and enable Montenegro to take full advantage of EU funding. Thanks to strong government leadership and good tripartite coordination (Government-EU-WB), the respective teams are preparing a proposal for an EU-WB Trust Fund to use approximately US$5 million (€0.5 + €3.2 mil.) available under the IPA 2011 and 2012 national programs, respectively. A potential second Trust Fund for Rural Development under IPA 2013 is at the initial stages of discussion with the EU. Similarly, energy sector reform under the ECSEE APL 3 reflected the aims of a larger partnership between South Eastern European countries to promote regional integration in line with the 2005 ECSEE Treaty. The Bank has also coordinated closely with the European Investment Bank (solid waste), EBRD (energy and transport), Germany's GiZ (energy efficiency), the United Nations Development Program (health, social protection, and environment), the Global Fund to Fight AIDS, Tuberculosis, and Malaria (health) and key bilateral donors such as France and the United States (infrastructure, water and sanitation, health, education, and social protection).

### *C. Modifications to the CPS Program and Strategy Going Forward*

**42. The main modification to the CPS during the first two years was an increased focus and lending program for the first pillar, to enhance crisis recovery and accelerate EU alignment.** In the wake of the crisis, overall planned lending was increased to US$311 million from US$216 million. Much of this was in the form of larger-than-expected

policy lending, particularly the innovative Policy-based Guarantee instrument. With successful implementation of the two policy-based operations combined with a double-dip recession in 2012, the Bank considered adding a Public Expenditure and Growth DPO (US$50 million) in FY13, but this was not pursued given inadequacies in the medium-term macro-fiscal framework and signs of nascent economic recovery. At this point, no further modification of the CPS is envisioned during the additional year of implementation. The Bank will focus for the remaining CPS period on supporting key institutional reforms for shared growth, improved governance and EU accession (Pillar I), while also fully committing and implementing our program related to environmental management (Pillar II).

**43.** Building on the recent tax administration assessment, the proposed **Tax Administration Reform Project aims to increase the effectiveness and efficiency of tax administration and reduce the cost of compliance for the taxpayer**. The Bank's 2013 assessment of the Montenegrin Tax Administration (MTA)[3] shows that significant efficiency gains could be achieved by stepping up modernization revenue efforts. For example, modernizing the IT system would allow the MTA to improve and monitor its own performance. By expanding the coverage of e-services, it would also minimize the cost of complying with tax obligations for taxpayers, which would increase the effectiveness and efficiency of tax services. Additionally, tax audits and investigation, and strategic planning were the lowest scored business areas in the assessment. Conversely, the MTA was deemed to have good performance in legal affairs and revenue management, and also scored highly in human resource management, though the analysis also identified the need for additional training and a human resource management strategy to further strengthen performance in this area. The proposed project aims to help the authorities address these gaps and transform the tax administration into a modern organization incorporating international best practices. Increased revenue collection would generate resources to increase pro-poor and growth-enhancing expenditure programs, and to lower compliance costs to enhance competiveness and thereby facilitate private investment and economic activity.

**44.** The proposed **Fiscal and Debt Management operation aims to support Montenegro's efforts in improving economic governance and transparency.** It will contribute to strengthening the institutional capacity of the government by enhancing the efficiency of fiscal resource use and improving public debt management. The Bank's financial support would be channeled to build the institutional side of the fiscal and debt management functions in the MoF, aiming to achieve the following results: (i) significant reduction in arrears, which would stem from improved efficiency and transparency of budget execution; (ii) reduction of the deviation of the budget outturn from the plan, stemming from improved macroeconomic planning and forecasting for the achievement of the fiscal targets; and (iii) strengthened management of public debt, which would be backed by an increase in the quality of the public debt portfolio and reduce the risks associated with conducting new borrowing, refinancing, rollovers, and swaps.

**45. The CPS results matrix (Annex 1) has been revised to reflect program modifications and to be more outcome based**, as well as to reflect the implementation delays in the case of a few projects. In particular, several outcomes have been updated and/or dropped to account for new activities, such as the Energy Efficiency Additional Financing, or operations that were not pursued.

**46. The key medium-term development challenges in Montenegro are likely to remain**: (i) maintaining macro-economic stability; (ii) increasing the pace of job creation and

[3] The assessment, done via the IAMTAX tool, benchmarked the performance of a tax administration against a set of desirable standards and good practices.

enhancing the skills of the work force; (iii) continuing to improve the business environment; and (iv) strengthening governance. During the remaining time of the CPS and in preparation for the new CPF, the Bank will engage in policy dialogue with the authorities to ensure that the new program remains firmly anchored in poverty reduction and shared prosperity, with a strong focus on income growth and welfare of the poorest 40 percent of the population. This policy dialogue will be underpinned by the findings of previous and forthcoming analytic and knowledge work conducted at the country level and for the Western Balkans region.

**Table 2. Mid-term CPS Lending Program, FY11-15**

| Original CPS Lending Program (US$ m) | | Midterm CPS Lending Program (US$ m) | |
|---|---|---|---|
| **FY11 – FY12** | | | |
| Financial Sector DPO I | **85.0** | Financial Sector DPO I | **85.0** |
| Solid Waste AF | **5.7** | Solid Waste AF | **5.5** |
| Financial Sector DPO II | **20.0** | Policy-Based Guarantee | **79.2** |
| Higher education, R&D | **20.0** | Higher education, R&D | **16.0** |
| CRIF (disaster management) | **5.0** | | |
| ***FY11 - FY12 Total*** | **135.7** | ***FY11 - FY12 Total*** | **185.7** |
| **FY13 - FY14** | | | |
| Industrial Waste Management | **60.0** | | |
| Unassigned Project (TBD) | **20.0** | Energy Efficiency AF | **6.8** |
| *Proposed Public Expend. & Growth DPO** | ***(50.0)*** | | |
| ***FY13-14 Total*** | **80.0** | ***FY13-14 Total*** | **6.8** |
| **FY15** | | | |
| | | Industrial Waste Management | **68.9** |
| | | Support to Tax Administration | **24.0** |
| | | Fiscal and Debt Management | **23.5** |
| | | CRIF (disaster management)** | **2.5** |
| | | ***FY15 Total*** | **118.9** |
| ***OVERALL TOTAL*** | ***215.7*** | ***OVERALL TOTAL*** | ***311.4*** |

*Added to the pipeline in FY13 but not pursued in FY14.
** This regional project was delayed by legal constraints in neighboring countries.

**47. New analytic and knowledge services will provide an important diagnostic foundation for preparing the upcoming FY16-20 CPF in alignment with the twin goals of eliminating poverty and enhancing shared prosperity.** Key products include work on safety nets, poverty and jobs. *Activation and Smart Safety Nets* provides technical assistance for safety net reforms and modernization through a combination of analytical/knowledge products, just-in-time advice, and intensive policy dialogue. The *Western Balkans Poverty Assessment* relates to: (i) the regular monitoring of poverty, inequality and exclusion indicators; (ii) statistical support and strengthening capacity in areas related to the measurement of poverty and exclusion; and (iii) addressing knowledge gaps on poverty and distributional issues, particularly as they relate to Bank-supported reforms and projects. The *Western Balkans Jobs Challenges TA* is intended to identify the main labor market issues, determine policy priorities and discuss policies to improve labor market outcomes. In FY15, we will deliver the Montenegro-specific *Transport Policy Note* and *Money Laundering and Terrorist Financing National Risk Assessment*, as well as the regional *Directions for the Energy Sector in the Western Balkans* and *Biomass Based Heating in the Western Balkans;* the ongoing *Western Balkans Programmatic Gender Monitoring* will continue. The full list of AAA under this CPS is presented in Annex 4.

## IV. Risks

**48. The risks to the Bank's program include the possibility of weak macro-fiscal management further exacerbating negative public debt trends that render IFI financing difficult.** Risk mitigation is twofold: First, we maintain strong macroeconomic, fiscal and key sectoral analysis and policy dialogue to promote evidence-based decision-making by Government and outline the costs and benefits of policy and investment options. Second, we engage in institutional and administrative strengthening and EU alignment in selected areas with high long-run payoff in terms of macro-fiscal management, including public debt, tax administration and treasury operations. Payments and support associated with the contested bankruptcy of the KAP aluminum company remain a fiscal risk, but do not *a priori* alter the Bank's program for the remaining year of the CPS period.

**49. Portfolio implementation risks will remain.** Despite improvements in the disbursement ratio in recent years, the Bank's program may face implementation obstacles as a result of weak capacity and insufficient political will. Bank staff and management will continue to closely work with project units and government to reduce this risk by enhancing engagement with implementation agencies and their authorizing ministries, in particular for new operations.

## Annex 1: Results Matrix

### Pillar 1: Support EU accession through strengthening institutions and competitiveness

| CPS Outcomes | Revised and new CPS Outcomes | Progress to Date | CPS Instruments and Partners |
|---|---|---|---|
| **Strengthen the Central Bank's capacity to provide liquidity as a Lender of Last Resort (LOLR),** as indicated by:<br>- Liquidity ratio in the banking sector remains compliant with CBM's prudential norms. | **Revised CPS outcome:** Strengthen the Central Bank's capacity to provide liquidity as a Lender of Last Resort (LOLR), as indicated by:<br>- Liquidity ratio in the banking sector rises from 21% in 2008 to remain compliant with CBCG's prudential norms. | **Targets achieved**:<br>Banks' overall liquidity ratio fell sharply in 2008, commensurate with the withdrawal of deposits; liquidity then rose to 40% at end- 2012, well above prudential norms. | Closed operations:<br>Financial & Private Sector Development Policy Operation (P116787)<br>&<br>Financial Sector Policy Based Guarantee (P130157) |
| **Enhance public confidence in the health of the banking sector**, as indicated by:<br>- Stabilization of the decline in bank deposits<br>**Baseline**: -31% percent y-y decline in June 2009; **Target**: decline halted<br>- Resumption of growth in credit<br>**Baseline**: 15% y-y contraction in credit in Dec. 09 | **Revised CPS outcome:** Enhance public confidence in the health of the banking sector, as indicated by:<br>- Stabilization of the decline in bank deposits<br>**Baseline**: Euro 1.8 billion at end-2009; **Target**: decline halted<br>- Resumption of growth in credit<br>**Baseline**: 15% y-y contraction in credit in Dec. 09 | Positive annual growth of bank deposits exceeded pre-crisis level, growing to €2 billion by end-2012.<br><br>Nascent credit growth has resumed, climbing to 5% y-y at end 2012. | **AAA/ESW:**<br><br>FY11-14 Programmatic Balkan FSD/TA Facility |
| **Improve the capitalization of Montenegrin banks and their resilience to shocks**, as indicated by:<br>- Average Capital Adequacy ratio of the banking system remains above prudential norm mandated by CBM | **Revised CPS outcome**: Improve the capitalization of Montenegrin banks and their resilience to shocks, as indicated by:<br>- Overall banks' Capital Adequacy Ratio reported to be 15% and remains above the 10% prudential norm mandated by CBCG | Banks' overall CAR at end-2013 was reported to be 14.7%, well in excess of the prudential norm of 10%. | |
| **Strengthen Montenegro's capacity to resolve problem banks and financial institutions**. | **The original outcome remains valid** | Amendments to the Law on Banks where enacted to enhance the CBCGs enforcement powers, and strengthened the interim administration process for problem banks. Other key deficiencies addressed in these amendments included inter alia: (i) limiting the powers of the courts to suspend or revoke CBCG decisions; and (ii) establishing legal protection for the CBCG personnel as supervisory authority. | |
| **Improve public expenditure management as indicated by decreasing trend in the deficit and debt levels** | *Dropped* | *Rationale for dropping: This outcome was specifically related to earlier development policy lending that did not materialize within the CPS period.* | Public and Institutional Expenditure Review |

| CPS Outcomes | Revised and new CPS Outcomes | Progress to Date | CPS Instruments and Partners |
|---|---|---|---|
| **2010 projected baselines**: general government deficit of 4.5 % of GDP; gross public debt 48.4% of GDP. | | | delivered in FY11<br>Public Expenditure and Finance Accountability Assessment delivered in FY13. |
| **Improve the quality and coverage of PHC services in and outside Podgorica**, as indicated by:<br>- Increase in PHC utilization rates<br>**Baseline**: 37% of general population report visiting general practitioner in 2009;<br>**Target**: 40% by 2012.<br><br>- Increase in client satisfaction with PHC services<br>**Baseline**: 66% of population in Podgorica *totally satisfied* in 2008;<br>**Target**: 70% in 2012; 61% of population outside Podgorica *satisfied* in 2008<br><br>**Improve the financial sustainability of the health sector**, as indicated by:<br>- HIF maintains a zero deficit in 2012<br>**Baseline**: small projected deficit in 2009. | **The original outcomes remain valid.** | **Target exceeded**<br>44% of the general population and 82% of Roma use the services of a chosen doctor.<br><br>**Target achieved.**<br>In Podgorica 77% of population satisfied and 19% partially satisfied.<br>Nationally, 70% satisfied and 24% partially satisfied.<br>Roma satisfaction 82.1%.<br><br>**Target achieved.**<br>Zero deficit. | Closed project:<br>Health Systems Improvement Additional Financing (P114275) |
| **Streamline property registration and business permitting,** as indicated by:<br>- Increase in real estate transfer tax<br>**Baseline**: €41m in revenue in 2007;<br>**Target**: €121m in 2014<br><br>- Decrease in time to receive a construction permit<br>**Baseline**: 6 months in 2008;<br>- **Target**: 2 months in 2014<br><br>**Strengthen the transparency of corporate financial reporting in line with EU standards,** | **Revised CPS outcome**: Streamline property registration and business permitting**,** as indicated by:<br>- Average transaction registration time reduced.<br>**Baseline:** 25 days in 2008;<br>**Target:** 9 days in 2014.<br>- Decrease in time to receive a construction permit<br>**Baseline:** 6 month in 2008;<br>**Target:** 2 months in 2014.<br><br>**Revised CPS outcome.** Strengthen the transparency of corporate financial reporting in line with EU standards, as indicated by the establishment of the oversight authority | **Target achieved.**<br>Average transaction registration time reduced to 9 days.<br><br>**Target achieved.**<br>The average time to issue a construction permit is within the target of 60 days, both at the central and at the municipal level.<br><br>*Results will be reported in the next CPF* | Current portfolio: Land Administration Project (106906)<br><br>**AAA/ESW:**<br><br>CEM: Growth & Competitiveness (delivered in FY13)<br><br>FY11-14 Regional REPARIS<br>IDF Grant Capacity building for effective oversight |

| CPS Outcomes | Revised and new CPS Outcomes | Progress to Date | CPS Instruments and Partners |
|---|---|---|---|
| **Strengthen government capacity to deliver agricultural assistance and upgrade agricultural practices to EU standards**, as indicated by:<br>- Rural development measures compatible with EU IPARD integrated into MAFWM programs<br>- Food safety labs accredited to EU standards<br>**Baseline**: 0 labs accredited in 2010;<br>**Target**: 100 % accredited by 2014 | **Revised outcome indicator.** Strengthen government capacity to deliver agricultural assistance and upgrade agricultural practices to EU standards, as indicated by:<br>-Number of analysis methods of the Veterinary Diagnostic Laboratory in Podgorica ISO17025 accredited<br>**Baseline**: 0 analysis method accredited<br>**Target**: 16 analysis methods accredited<br><br>-Amount of IPARD –like grant funding awarded<br>**Baseline**: 0 Euros<br>**Target**: 5 million Euro | **Target achieved.**<br><br>**Target on track to be achieved**. IPARD-Like grant funding already awarded :3,4 million Euros | Current portfolio:<br>Montenegro Institutional Development and Strengthening Project (MIDAS P107473)<br><br>MIDAS GEF (P110602) |
| **Strengthen land and natural resource management focusing on Montenegro's northern regions,** as indicated by:<br>- Increase in agri-environmental measures adopted by targeted households<br>**Baseline**: 0;<br>**Target**: measures adopted by 20% of households. | **Revised outcome indicator.** Strengthen land and natural resource management focusing on Montenegro's northern regions**,** as indicated by:<br>-Land area where sustainable land management practices have been adopted as a result of the project<br><br>**Baseline**: 0 Ha<br>**Target**: 2,000 Ha | **Target on track to be achieved.** Sustainable land management practices have been adopted in 1,700 Ha of land | |
| **Assess the quality and strengthen financing mechanisms of higher education in Montenegro in line with EU developments and Bologna agreements**, as indicated by:<br>- Completion of systems assessment of the entire higher education sector (including 2 private and 1 public universities, as well as independent research faculties) by external, international expert panel **Baseline**: no system assessment completed; **Target**: entire system assessment completed by December 2014.<br><br>- Finance reform: New model for finance reform including modernized funding formulas | **Original outcome remains valid.** | Expected Completion of the assessment: December 2014.<br><br>Finance reform model was adopted by the government in December 2013. | Current portfolio:<br>Higher Education and Comp. (122785)<br><br>**AAA/ESW:**<br><br>FY11-14 Western Balkans Study on Science, R&D and Innovation |

| CPS Outcomes | Revised and new CPS Outcomes | Progress to Date | CPS Instruments and Partners |
|---|---|---|---|
| incorporation per –student and performance-based funding components designed and instituted<br>**Baseline**: old finance model still in force;<br><br>**Target**: new finance model instituted through new or amended legislation, with documented and inclusive process of development by December 2014. | **New CPS outcome***:* Improve the research capacity of the Montenegrin higher education and research communities, as indicated by**:**<br>-Research: Center of Excellence identified and active in expanding the research and innovation capacity of a targeted and nationally relevant researched area.<br>**Baseline**: no Center of Excellence operational;<br>**Target**: Center of Excellence selected utilizing international and local experts and operational by June 2014. | CoE selected. Negotiations for the CoE contract were completed in April 2014. | |
| **Improve the security and reliability of Montenegro's energy sector**, as indicated by:<br><br>-EPCG integrated into the UCTE (ENTSO-E) telecom highway. (The telecom system enables the connection with ENTSO-E operation facilities. Having this new telecommunication system will significantly improve (i) the power system's observability and controllability, (ii) the regional coordination of system operation, (iii) the defense and restoration plan and (iv) the reliability of supply, thereby reducing the number and duration of outages).<br>**Baseline**: partial integration in 2010<br>**Target**: full integration by 2011<br><br>- Reduction in power interruptions in Andrijevica and Mojkovac regions<br>**Baseline**: 381 MWh and 369 MWh, in 2006, in Andrijevica and Mojkovac respectively;<br>**Target**: Reduce interruptions by 50% | **Original outcome remains valid.** | **Target achieved**. The telecommunication system is completed and is fully integrated into region and ENTSO-E highway. The connection of Montenegro's telecommunication system to that of Kosovo remains to be completed.<br><br>**Target partially achieved**. The power interruptions in Andrijevica region are estimated at 59 MWh in 2012 and in Mojkovac region at 285 MWh in 2012 (Andrijevica is in operation since August 2011 and Mojkovac substation is in operation since August 2013). | Closed project:<br>Energy Community of Southeast Europe<br>APL 3 (P106899) |

**Pillar II: Improving Environmental Management**

| CPS Outcomes | Revised CPS Outcomes | Progress to Date | CPS Instruments and Partners |
|---|---|---|---|
| **Strengthen solid waste management services in Bar and Ulcinj**, as indicated by:<br>- Increase in the percent of solid waste collected and disposed of in proper facilities<br>**Baseline**: 65% in 2010;<br>**Target**: 90% in 2011. | **Original outcome remains valid.** | **The 90% target was achieved in November 2012**. Almost all solid waste in the five coastal municipalities is now collected. Bar, Ulcinj and Budva began disposing into the Možura sanitary landfill in mid-2012. Kotor and Tivat also began disposing into Možura from November 2012. | Closed project:<br>Additional Financing for MESTAP (P120659) |
| **Strengthen the environmental management of Lake Skadar in cooperation with Albanian authorities**, as indicated by:<br>- Joint action on shared environmental challenges concerning fisheries management, wastewater, tourism, and industrial pollution. | **Revised CPS outcome:** Enhancing sustainable benefits of Lake Skadar natural resources through:<br>(i) strengthening the Lake regulatory and institutional capacity<br><br>**Baseline**: no Skadar Lake Commission (SLC) and Working Groups (WGs) in place; no lake-wide database developed.<br>**Target**: Operational costs (OCs) of maintaining and participating in SLC, lake-wide database and WGs included in Governments' budgets.<br>(ii) reducing immediate and longer term threats to Lake water quality<br><br>**Baseline**: (a) Long term threat: lack of institutional mechanisms, data, and analytic tools; initial monitoring data baseline to be agreed; no Predictive Hydrological Model (PHM); no joint Lake Monitoring Plan.<br>(b) Immediate threat: improperly stored hazardous waste at KAP site; inadequate outdated information on nature and quantity of legacy waste and site conditions; no basis for analysis of options; no action plan or agreement on way forward.<br>**Target**: (a) Agreed monitoring data baseline maintained or improved; PHM developed; joint Lake Monitoring plan in place and used;<br>(b) Government of Montenegro and KAP agreement reached on preferred solution and joint action plan adopted for hazardous waste dump at KAP site. | **Target achieved**. Budget allocations for SLC, lake-wide database, and Working Groups made. Intention to continue funding beyond 2013 declared by the two Governments.<br><br>(a) **Target achieved.** Monitoring baseline agreed in 2009, numeric values provided in 2010, and all remained unchanged through the project closure; the PHM completed, operational and its joint use guaranteed though a bilateral agreement; joint Lake Monitoring Plan established and in operation.<br><br>(b) **Target achieved.** Immediate threats from KAP site reduced. Feasibility Study for hazardous waste management completed and EIA carried out. Agreement on preferred solution and financing tools achieved. | Closed project:<br>Lake Skadar GEF – (TF091939) |

| CPS Outcomes | Revised CPS Outcomes | Progress to Date | CPS Instruments and Partners |
|---|---|---|---|
| | | | |
| **Reduce the environmental and public health risks of polluted industrial disposal sites**, as indicated by:<br>- Environmental remediation completed of four industrial disposal sites (KAP in Podgorica; lignite thermal power plant in Pljevlja; lead-zinc tailings pond in Pljevlja; and the Bijela shipyard) | | Results are expected during the next CPF cycle. | Pipeline:<br>Industrial Waste Management and Cleanup Project (P122139) |
| **Improve access of the Government and households to low-cost catastrophe insurance products** as indicated by:<br>- Increase in share of households covered against climate-related and geo-perils from participation in CRIF (baseline: 0% in 2010; 10% by 2014) | *Dropped* | *Rationale: CRIF project preparation is on hold.* | |
| **Enhance the efficiency of energy use in targeted public schools and hospitals**, as indicated by :<br>- Decrease in energy use attributable to retrofits of targeted buildings (baselines & targets: baseline use energy savings potential for each building established through detailed energy audit and technical monitoring and evaluation (TM&E) before investment; actual results measured through TM&E after investment). | **Revised CPS outcome (to reflect additional financing baseline and targets):**<br>Enhance the efficiency of energy use in targeted public schools and hospitals, as indicated by :<br>- Quantified energy savings of at least 40% on average in the targeted buildings, measured through TM&E<br>**Baseline**: 0%;<br>**Target**: 40%<br><br>- Number of building retrofitted with energy efficiency improvement schemes<br>**Baseline**: 0 buildings in 2009;<br>**End target** 27 in 2017 | **Achieved**<br>TM&E will be completed in December 2014 (for the original loan). The results for the 14 completed TM&E show total energy savings between 50-60 percent.<br><br>**On track to be achieved**<br>Energy efficiency implementation capacity has been enhanced and energy efficiency in 14 public buildings improved; work partly completed in the last facility of the original loan. Additional financing will include 12-14 new buildings/subprojects. | Current portfolio:<br>Montenegro Energy Efficiency Project & Energy Efficiency Additional Financing (P107992) |

## Annex 2: Gender Assessment in Montenegro

Montenegro has made great strides in promoting equality between men and women, but gender disparities still exist. The Government of Montenegro has made progress in bringing attention to gender issues by instituting Gender Equality Offices, the Department of Gender Equality and the creation of the Gender Action Plan. Nonetheless, significant gender inequalities remain. Key areas of concern are (i) low educational attainment for particular population groups; (ii) gender gaps in access to economic opportunities; and (iii) agency, including violence against women and a lack of female representation in leadership. Analysis undertaken under a Gender Assessment prepared to inform this CPS Progress Report provides additional insights into gender gaps in Montenegro.

**Education**. Montenegro has achieved, on average, gender equality in school enrolments. However, in terms of educational attainment, gender disparities exist for some population subgroups. In particular, gender gaps in educational attainment are higher among those who are not in the labor force – suggesting that the lack of education might represent a barrier to jobs -, people of non-Montenegrin nationality, and people in rural areas. Tertiary enrolment, in turn, has grown rapidly in the past decade, and in 2010 enrolment rates were 53 percent for women and 43 percent for men. There is evidence, however, of gender segregation in fields of study – with potential impact on labor market outcomes – as male graduation is more focused toward mathematics-, engineering-, and science-related fields than women's.

**Health.** Key health indicators for Montenegro suggest that there are no substantial gender gaps in this area. Nearly all pregnant women (97 percent in 2006) receive prenatal care. Maternal mortality is low: in 2010, it was estimated that 8 women die during pregnancy and childbirth, per 100,000 live births; this is below the regional average of 20. Further, there is a five year gender gap in life expectancy favoring women. This gap is comparatively low for the region, and both female and male life expectancies exceed ECA averages. Adolescent fertility rates are also comparable to other countries in the region and below the OECD average. However, only 39 percent of women report using contraception and there is wider concern that women do not engage in preventative health care. Utilization of preventative care, psychological distress, and domestic violence are areas of concern to female wellbeing in Montenegro.

**Access to economic opportunities.** Considerable gender gaps persist in access to economic opportunities in Montenegro. Male and female labor force participation is low (43 percent for women and 59 percent for men 15-64 years) compared to other countries in the region, while the gender gap in participation is relatively large. Much of the inactivity gap is explained by large gender disparities experienced by rural people. Economic inactivity is especially high among women with primary schooling or less, belonging to ethnic minorities, and older women. Overall, women spend more time caring for their families and children, which contributes to reducing their opportunities to participate in the labor market in the absence of alternative childcare options. There is little difference between male and female unemployment rates in Montenegro (21 percent and 19 percent respectively), but high rates of unemployment occur for young women (51 percent of females 15-24 years vs 43 percent of males). Among those who work, a clear wage gap exists, with women earning 16 percent less than men. This gap is not explained by workers' characteristics (e.g., education, experience), suggesting labor market discrimination against women. Finally, women are underrepresented as owners and managers of firms.

**Agency.** Significant gender gaps persist in agency. Women are poorly represented at all levels of government. For example, in 2011, only 31 percent of legislators, senior officials, and managers and 11 percent of representatives in Parliament were women. Only 2 of the 17 ministers and 26 percent of the directors in the Government of Montenegro are female. Men also hold more leadership positions in the media and there are perceptions that the media reinforces gender stereotypes. Finally, evidence suggests that violence against women goes widely unreported and is not discussed in Montenegro, yet is estimated to be a pervasive problem.

## Annex 3: List of Active Bank Administered Trust Funds in Montenegro

| Trust Fund # | Trust Fund Name | Net Grant Amount ($000) | Program Source | Grant Closing Date | Fund Benef. |
|---|---|---|---|---|---|
| TF012523 | PEFA Update Montenegro | 142.86 | SAFE | 7/31/2013 | Recipient |
| TF013555 | Capacity Building for Effective Audit Oversight IDF Grant Project | 500.00 | IDF | 8/23/2016 | Recipient |
| TF093405 | GEF FSP: MONTENEGRO INSTITUTIONAL DEVELOPMENT AND AGRICULTURAL STRENGTHENING PROJECT | 4,000.00 | GEFIA | 6/30/2014 | Recipient |
| **Total** | | **4,642.86** | | | |

## Annex 4: AAA Program and Contribution to CPS Pillars
## Country Specific and Regional FY11-15

| AAA Product | Pillar | Delivered | Planned in FY11 CPS | Description |
|---|---|---|---|---|
| Montenegro ROSC CAP | 1 | FY11 | | The project supported Montenegro in developing and adopting a Country Strategy and Action Plan (CAP) to enhance the quality of corporate sector financial reporting; it also provided support with aligning Montenegro's regulatory framework with the relevant EU laws in the field of corporate financial reporting. |
| FINSAC Center/Non-Performing Loans (NPL) Resolution TA | 1 | FY11-14 | | Provides combined policy advice, technical advisory and analytical services, and capacity/institution building approaches, in order to: keep financial authorities abreast of the latest trends and issues in financial sector oversight and management of systemic risks, help in identifying risk inherent to the design of financial sector infrastructure, detection of risks, crisis management, and identify best-practice approaches that could be applied in order to manage and mitigate such risks to the benefit of undisrupted financial sector development. |
| Pension Reform TA | 1 | FY12 | X | *Dropped* |
| Accounting & Auditing ROSC Follow-up on Country Action Plan | 1 | FY12 | | Strategic objective was to make a path to reform in financial reporting and auditing to lead to legislative and institutional aligning with the EU. This would have strategic importance in negotiating chapter 6 on the path to the EU. |
| CEM Growth and Competitiveness | 1, 2 | FY13 | X | Provides analytical support to the Government of Montenegro and informed its development strategy as it embarks on the next stage of the EU integration process. CEM provides answers to specific questions of importance for charting Montenegro's macroeconomic and structural policies for the years ahead. |
| Public Sector Institutions & Fiduciary Review | 1 | FY13 | X | *Dropped* |
| Public Expenditure and Investment Review - Public Expenditure and Institutional Review Follow Up | 1 | FY12 | X | Provided the government with a set of policy recommendations that contributed to the decision-making on a reform program aimed at: (i) increasing the efficiency of the public sector and equipping it with the tools necessary to advance with the overarching EU integration agenda; and (ii) ensuring that expenditures for the wage bill and social-security transfers remain on a fiscally sustainable path and do not result in adverse debt dynamics. |
| Labor Market Incentives TA | 1 | FY12 | | Identified main labor market issues faced by Montenegro, determined policy priorities and discussed policies to improve labor market outcomes and thus economic growth prospects through reforms of labor market institutions and the social protection system. |

| AAA Product | Pillar | Delivered | Planned in FY11 CPS | Description |
|---|---|---|---|---|
| Public & Private Sector Payment Arrears in Montenegro: Size, Composition and Policy Options for Addressing Them | 1 | FY13 | | Report was focused on presenting the volume and causes of the payment arrears in Montenegro, in both public and private sector, and on providing the government with a set of policy options for their resolution and prevention. |
| Western Balkans REPARIS - EU REPARIS (Road to Europe – Program of Accounting Reform and Institutional Strengthening) | 1 | FY13-17 | X | The objective is to support candidate and potential candidate countries of Southeast Europe with the implementation of corporate financial reporting frameworks that are aligned with the EU *acquis communautaire*. This will contribute to an improved regulatory framework for innovative and high-potential enterprises in Southeast Europe in general, and specifically help stimulate the build-up of a supportive venture capital ecosystem for high-potential SMEs which in turn will create jobs and promote shared prosperity. |
| Agriculture Assessment | 1 | FY14 | X | *Dropped (Agriculture Public Institutional Expenditure Review is planned for FY16).* |
| Public Expenditure and Financial Accountability Follow up TA | 1 | FY14 | | Provided a systemic overview of the status of public financial management and quantitative key performance indicators, covering budget planning and preparation, budget execution and control, reporting and transparency, and external scrutiny and oversight. |
| Statistical Capacity Building and Poverty Monitoring | 1 | FY11-FY14 | X | *Dropped* |
| Money Laundering and Terrorist Financing National Risk Assessment of Montenegro | 1 | FY15 | | The main objective of the project is to assist the Montenegro authorities in carrying out their NRA with a view to improving their understanding of ML/TF risks and informing the design and implementation of their risk-based AML/CFT action plan to mitigate these risks. |
| Transport Policy Note | 1 | FY15 | | Will support the Ministry of Transport and Maritime Affairs (MTMA) in identifying options for enhancing the efficiency and financial sustainability of the transport sector. |
| **Regional AAA** | | | | |
| Regional Activation and Smart Safety Nets Programmatic Analytical Work | 1 | FY11-14 | | Explores design and implementation characteristics of safety nets, the labor market institutions, as well as tax and benefit systems, which are encouraging or discouraging of undertaking activation of beneficiaries and facilitating their transition from social benefits to work. It develops methodology and performs analysis of the profile of the current beneficiaries of social assistance and proposes a mix of activation measures that would be suitable for the identified vulnerabilities and employment impediments for the respective groups. It gives cross-country review of last-resort social assistance key program design parameters which influence the behavior of working-age able-bodied beneficiaries and their families with respect to making the transition from welfare to work. Third, it gives calculations of benefit phase-out and benefit withdrawal rates in the Western Balkan countries using the OECD tax-benefit calculator, proposing changes in benefit design and in policies that would promote activation. |

| AAA Product | Pillar | Delivered | Planned in FY11 CPS | Description |
|---|---|---|---|---|
| Western Balkans Public Financial Management | 1 | FY11-FY12 | X | *Dropped* |
| Western Balkans Programmatic Financial Sector Development | 1 | FY12-FY13 | X | Assisted the Western Balkan countries to: (i) develop or improve institutional capacity of the respective country regulatory entities for the oversight and mitigation of the key financial sector risks; (ii) support ad hoc requests for bank intervention or resolution related TA or policy advice as may be required in a timely and organized manner; and (iii) provide policy and intellectual leadership for implementation of strategic financial sector development goals in this region. |
| Western Balkans Study on Science, R&D and Innovation [renamed: Western Balkans Regional Research & Development Strategy for Innovation] | 1, 2 | FY11-FY13 | X | Technical Assistance aims to identify funding instruments for the implementation of their R&D action plans. |
| Western Balkans Programmatic Gender Monitoring | 1 | FY12-FY15 | X | Proactively enhancing the inclusion of the gender dimension in the World Bank's engagement with the countries. The work aims at (i) incorporating gender in the CPSs and CPSPRs; (ii) monitoring gender inequalities; (iii) including gender in the portfolio; (iv) addressing knowledge gaps. |
| Western Balkans Jobs Challenges | 1 | FY13-16 | | Identifies the main labor market incentives, determines policy priorities and discusses policies to improve labor market outcomes. |
| Western Balkans Poverty Assessment | 1 | FY14 | | Provides: (i) regular monitoring of poverty, inequality and exclusion indicators; (ii) statistical support and strengthening capacity in areas related to the measurement of poverty and exclusion; and (iii) addressing knowledge gaps on poverty and distributional issues, particularly as they relate to Bank supported reforms and projects. |
| Monitoring and Evaluation Capacity Development for the Western Balkans and Turkey | 1 | FY14 | | A regional project designed to provide technical support to strengthen institutional capacity for monitoring and evaluation (M&E) of strategy implementation in up to five sectors. |
| Western Balkans Pensions Technical Assistance | 1 | FY14 | | Assists the six countries of the Western Balkans in designing and implementing a fiscally sustainable pension system which provides adequate benefits for old age security |
| Western Balkans Energy Efficiency Scale-Up in Buildings | 1, 2 | FY14 | | Aimed at developing a roadmap for implementation and sharing of energy efficiency best practices, policy and implementation options, case studies and plans across the target countries. |
| Directions for the Energy Sector in the Western Balkans | 1, 2 | FY15 | | Meant to identify key energy issues and constraints which require country-specific and regionally-coordinated interventions, in order to position and guide the Bank's policy dialogue, technical assistance, and financing support in the Western Balkans. |
| Biomass Based Heating in the Western Balkans | 2 | FY15 | | Will identify options and solutions for increasing the sustainable use of biomass for heating throughout the Balkans. |

# Annex 5: Key Economic & Program Indicators - Change from Last CPS

*Prepared for all CASs/Progress Reports, but included in Board version of Progress Reports Only*

| | *Forecast in Last CAS* | | | | *Actual* | | | | *Current CAS Forecast* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Economy (CY)* | *2010*[a] | *2011*[b] | *2012*[b] | *2013*[b] | *2010*[c] | *2011*[c] | *2012*[c] | *2013*[a] | *2014*[b] | *2015*[b] | *2016*[b] |
| Growth rates (%) | | | | | | | | | | | |
| GDP | 0.3 | 2.9 | 3.7 | 3.9 | 2.5 | 3.2 | -2.5 | 3.5 | 3.2 | 3.5 | 3.0 |
| Exports | 2.1 | 7.0 | 8.7 | 6.3 | 12.2 | 29.7 | -1.2 | 4.5 | 5.0 | 5.5 | 5.0 |
| Imports | -5.7 | 3.5 | 4.2 | 4.1 | 0.1 | 8.4 | 0.9 | 3.2 | 7.2 | 8.2 | 6.6 |
| Inflation (%) | 0.6 | 1.0 | 1.8 | 2.0 | 0.5 | 3.1 | 4.0 | 2.2 | 2.5 | 2.0 | 2.5 |
| National accounts (% GDP) | | | | | | | | | | | |
| Current account balance | -27.1 | -25.3 | -23.7 | -22.8 | -22.9 | -17.7 | -18.7 | -14.6 | -16.9 | -19.0 | -20.0 |
| Gross investment | 26.0 | 26.0 | 26.0 | 26.0 | 22.8 | 18.2 | 19.5 | 19.4 | 22.8 | 27.9 | 30.9 |
| Public finance (% GDP) | | | | | | | | | | | |
| Fiscal balance | -4.5 | -2.9 | -2.0 | -1.2 | -4.7 | -4.3 | -5.9 | -2.9 | -4.0 | -5.3 | -3.9 |
| Foreign financing | 5.2 | -0.2 | -1.7 | -1.7 | 5.2 | 4.0 | 6.3 | 4.8 | 6.3 | 7.3 | 6.2 |
| International reserves (as months of imports) | .. | .. | .. | .. | 2.5 | 1.7 | 1.9 | 2.4 | 2.7 | 2.8 | 2.9 |
| *Program (Bank's FY)* | FY11[a] | FY12[b] | FY13[b] | FY14[b] | FY11[a] | FY12[b] | FY13[b] | FY14[a] | FY14[a] | FY15[b] | FY16[b] |
| Lending ($ million) | 90.7 | 45 | 60 | 20 | 90.5 | 95.2 | 0 | 6.8 | 6.8 | 118.9 | .. |
| IBRD total debt outstanding ($ million)* | 233 | 310 | 331 | 336 | 316 | 306 | 377 | 396 | 396 | 388 | 390 |

*End of calendar year data

a. Estimated year

b. Projected year

c. Actual outcome

# Annex 6: Key Economic Indicators

| | | | | Estimate | | Projections | |
|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| **National Accounts (as % of GDP)** | | | | | | | |
| Gross domestic product[a)] | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Agriculture | 9 | 9 | 9 | 10 | 10 | 10 | 10 |
| Industry | 21 | 18 | 18 | 20 | 20 | 21 | 21 |
| Services | 70 | 72 | 73 | 70 | 70 | 69 | 69 |
| Total Consumption | 106 | 104 | 105 | 101 | 98 | 95 | 93 |
| Gross domestic investment | 23 | 18 | 20 | 19 | 23 | 28 | 31 |
| Government investment | 6 | 6 | 4 | 4 | 7 | 9 | 9 |
| Private investment (incl. increase in stocks) | 17 | 12 | 15 | 16 | 16 | 19 | 22 |
| Exports GNFS[b)] | 35 | 43 | 44 | 44 | 43 | 42 | 42 |
| Imports GNFS[b)] | 63 | 65 | 69 | 64 | 64 | 65 | 65 |
| Gross domestic savings | -6 | -4 | -5 | -1 | 2 | 5 | 7 |
| Gross national savings[c)] | -3 | 0 | 1 | 5 | 6 | 9 | 11 |
| Government | 2 | 0 | -2 | 1 | 3 | 4 | 5 |
| Private (non-government) | -4 | 0 | 2 | 4 | 3 | 5 | 6 |
| *Memorandum items* | | | | | | | |
| Gross domestic product (US$ mill at current prices) | 4,115 | 4,502 | 4,046 | 4,430 | 4,697 | 5,034 | 5,304 |
| GNP per capita (US$, Atlas method) | 6,900 | 7,210 | 6,930 | 7,270 | 7,510 | 8,070 | 8,500 |
| Real annual growth rates (%, calculated from previous years prices) | | | | | | | |
| Gross domestic product at market prices | 2.5 | 3.2 | -2.5 | 3.5 | 3.2 | 3.5 | 3.0 |
| Gross domestic investment | -17.2 | -33.0 | 8.6 | 15.1 | 29.8 | 27.2 | 17.0 |
| Real annual per capita growth rates (%, calculated from previous years prices) | | | | | | | |
| Gross domestic product at market prices | 2.3 | 3.0 | -2.7 | 3.6 | 2.9 | 3.5 | 3.0 |
| Total consumption | 1.2 | 2.6 | -2.0 | 1.2 | 1.1 | 1.8 | 1.7 |
| Private consumption | 1.8 | 4.0 | -3.4 | 2.1 | 1.7 | 2.4 | 2.3 |
| **Balance of Payments (EUR millions)** | | | | | | | |
| Exports GNFS[b)] | 1,158 | 1,383 | 1,389 | 1,461 | 1,521 | 1,584 | 1,660 |
| Merchandise FOB | 357 | 477 | 392 | 403 | 421 | 437 | 455 |
| Imports GNFS[b)] | 1,961 | 2,100 | 2,166 | 2,144 | 2,273 | 2,449 | 2,599 |
| Merchandise FOB | 1,624 | 1,783 | 1,781 | 1,733 | 1,854 | 2,021 | 2,163 |
| Resource balance | -803 | -717 | -777 | -683 | -753 | -865 | -939 |
| Net current transfers | 114 | 117 | 135 | 131 | 127 | 123 | 119 |
| Current account balance | -710 | -573 | -588 | -487 | -599 | -718 | -796 |
| Net private foreign direct investment | 552 | 389 | 462 | 324 | 555 | 594 | 629 |
| Net portfolio investments | 188 | 164 | -25 | 42 | 45 | 150 | 165 |
| Long-term loans (net) | 60 | - 64 | 63 | - 76 | 98 | 128 | 49 |
| Other capital (net, incl. errors & ommissions) | - 74 | - 26 | 125 | 272 | - 19 | - 83 | 17 |
| Change in reserves[d)] | - 17 | 114 | - 45 | - 77 | - 78 | - 70 | - 63 |
| *Memorandum items* | | | | | | | |
| Resource balance (% of GDP) | -25.9 | -22.2 | -24.7 | -20.5 | -21.3 | -22.9 | -23.6 |
| Current account balance (% of GDP) | -22.9 | -17.7 | -18.7 | -14.6 | -16.9 | -19.0 | -20.0 |
| Annual value growth rates (%) | | | | | | | |
| Merchandise exports (FOB) | 20.4 | 33.6 | -17.8 | 2.8 | 4.4 | 4.0 | 4.0 |
| Primary | 31.3 | 36.8 | -3.6 | 4.2 | 2.0 | 3.1 | 4.4 |
| Manufactures | 3.5 | 10.8 | -10.0 | 5.0 | 7.0 | 7.0 | 7.0 |
| Merchandise imports (FOB) | 0.4 | 9.8 | -0.1 | -2.7 | 7.0 | 9.0 | 7.0 |
| **Public finance (as % of GDP at market prices)[e)]** | 47.1 | 44.1 | 47.2 | 45.6 | 44.1 | 43.6 | 41.5 |
| Overall surplus (+)/ deficit (-) (without capital revenue) | -4.7 | -4.3 | -5.9 | -2.9 | -4.0 | -5.3 | -3.9 |
| Current revenues | 42.4 | 39.8 | 41.4 | 42.7 | 40.1 | 38.3 | 37.7 |
| Current expenditures | 40.7 | 39.4 | 42.9 | 42.1 | 37.5 | 34.4 | 32.7 |
| Current surplus (+) /deficit (-) | 1.7 | 0.4 | -1.5 | 0.6 | 2.6 | 3.9 | 5.0 |
| Capital expenditure | 6.4 | 4.7 | 4.4 | 3.5 | 6.6 | 9.2 | 8.9 |
| Foreign financing | 5.2 | 4.0 | 6.3 | 4.8 | 6.3 | 7.3 | 6.2 |
| **Monetary indicators** | | | | | | | |
| M2/GDP | 56.2 | 52.7 | 57.9 | 59.3 | 60.8 | 62.8 | 65.5 |
| Growth of M2(%) | 5.2 | -2.3 | 7.0 | 8.4 | 8.8 | 10.0 | 10.0 |
| Private sector credit growth (%) | -8.7 | -11.6 | -4.5 | 1.2 | 9.6 | 9.3 | 9.2 |
| Domestic credit / GDP (%) | 71.5 | 60.6 | 59.5 | 56.8 | 58.7 | 60.2 | 62.4 |
| **Price developments** | | | | | | | |
| Exchange rate at end year (LCU/US$)[f] | 0.7 | 0.7 | 0.8 | 0.8 | 0.7 | 0.8 | 0.8 |
| Real interest rates | 9.1 | 6.4 | 5.3 | 6.9 | 6.3 | 6.7 | 6.1 |
| Consumer price index (% change) | 0.5 | 3.1 | 4.0 | 2.2 | 2.5 | 2.0 | 2.5 |
| GDP deflator (% change) | 1.6 | 0.9 | -0.1 | 2.4 | 2.8 | 2.9 | 2.3 |

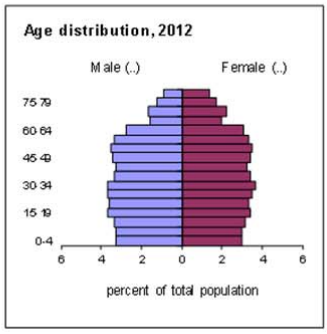
a) GDP at factor cost; b) 'GNFS" denotes "goods and nonfactor services"; c) Includes net unrequired transfers excluding official capital grants;
d) Includes use of IMF resources; e) Consolidated general government; f) "LCU" denotes "local currency units"

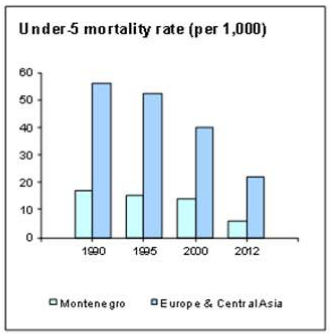
## Annex 7: Montenegro at a Glance

# Montenegro at a glance

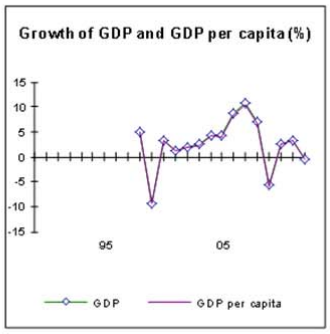
3/13/14

| Key Development Indicators | Montenegro | Europe & Central Asia | Upper middle income |
|---|---|---|---|
| *(2012)* | | | |
| Population, mid-year (millions) | 0.62 | 271 | 2,391 |
| Surface area (thousand sq. km) | 14 | 6,479 | 43,472 |
| Population growth (%) | 0.1 | 0.7 | 0.8 |
| Urban population (% of total population) | 63 | 60 | 61 |
| GNI (Atlas method, US$ billions) | 4.5 | 1,804 | 16,661 |
| GNI per capita (Atlas method, US$) | 7,220 | 6,664 | 6,969 |
| GNI per capita (PPP, international $) | 14,590 | 11,946 | 10,621 |
| GDP growth (%) | -0.5 | 1.8 | 5.0 |
| GDP per capita growth (%) | -0.6 | 1.1 | 4.2 |
| ***(most recent estimate, 2005–2012)*** | | | |
| Poverty headcount ratio at $1.25 a day (PPP, %) | <2 | 1 | 8.4 |
| Poverty headcount ratio at $2.00 a day (PPP, %) | <2 | 2 | 19.5 |
| Life expectancy at birth (years) | 75 | 72 | 74 |
| Infant mortality (per 1,000 live births) | 6 | 19 | 16 |
| Child malnutrition (% of children under 5) | 2 | 2 | 3 |
| Adult literacy, male (% of ages 15 and older) | 99 | 99 | 96 |
| Adult literacy, female (% of ages 15 and older) | 98 | 97 | 91 |
| Gross primary enrollment, male (% of age group) | 100 | 101 | 111 |
| Gross primary enrollment, female (% of age group) | 101 | 100 | 110 |
| Access to an improved water source (% of population) | 98 | 95 | 93 |
| Access to improved sanitation facilities (% of population) | 90 | 94 | 74 |




| Net Aid Flows | 1980 | 1990 | 2000 | 2012 |
|---|---|---|---|---|
| *(US$ millions)* | | | | |
| Net ODA and official aid | .. | .. | *8* | 103 |
| *Top 3 donors (in 2012):* | | | | |
| European Union Institutions | .. | .. | .. | 49 |
| United States | .. | .. | .. | 8 |
| Germany | .. | .. | .. | 6 |
| Aid (% of GNI) | .. | .. | *0.5* | 2.3 |
| Aid per capita (US$) | .. | .. | *13* | 166 |
| **Long-Term Economic Trends** | | | | |
| Consumer prices (annual % change) | .. | .. | .. | *3.2* |
| GDP implicit deflator (annual % change) | .. | .. | *20.2* | 1.9 |
| Exchange rate (annual average, local per US$) | .. | .. | 1.1 | 0.7 |
| Terms of trade index (2000 = 100) | .. | .. | .. | .. |




| | 1980 | 1990 | 2000 | 2012 | 1980–90 | 1990–2000 | 2000–12 |
|---|---|---|---|---|---|---|---|
| | | | | | *(average annual growth %)* | | |
| Population, mid-year (millions) | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | -0.1 | 0.1 |
| GDP (US$ millions) | .. | .. | 984 | 4,373 | .. | .. | 4.0 |
| | | | *(% of GDP)* | | | | |
| Agriculture | .. | .. | 12.5 | 10.1 | .. | .. | 1.2 |
| Industry | .. | .. | 23.4 | 20.1 | .. | .. | 4.5 |
| Manufacturing | .. | .. | 10.2 | 6.0 | .. | .. | -2.3 |
| Services | .. | .. | 64.1 | 69.8 | .. | .. | 4.2 |
| Household final consumption expenditure | .. | .. | 70.0 | 85.8 | .. | .. | .. |
| General gov't final consumption expenditure | .. | .. | 21.9 | 20.1 | .. | .. | .. |
| Gross capital formation | .. | .. | 22.4 | 17.9 | .. | .. | 9.0 |
| Exports of goods and services | .. | .. | 36.8 | 42.4 | .. | .. | 7.1 |
| Imports of goods and services | .. | .. | 51.1 | 66.1 | .. | .. | 9.6 |
| Gross savings | .. | .. | 19.6 | -0.1 | | | |

Note: Figures in italics are for years other than those specified. .. indicates data are not available.

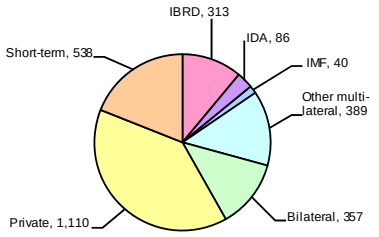
Development Economics, Development Data Group (DECDG).

| **Balance of Payments and Trade** | **2000** | **2012** |
|---|---|---|
| *(US$ millions)* | | |
| Total merchandise exports (fob) | 231 | 674 |
| Total merchandise imports (cif) | 460 | 2,674 |
| Net trade in goods and services | -140 | -1,162 |
| Current account balance | -27 | -1,004 |
| as a % of GDP | -2.7 | -23.0 |
| Workers' remittances and compensation of employees (receipts) | .. | 333 |
| Reserves, including gold | *58* | 459 |

| **Central Government Finance** | | |
|---|---|---|
| *(% of GDP)* | | |
| Current revenue (including grants) | 32.7 | 41.7 |
| Tax revenue | *27.2* | 36.3 |
| Current expenditure | 36.6 | 39.5 |
| Overall surplus/deficit | -5.4 | -2.1 |
| Highest marginal tax rate (%) | | |
| Individual | .. | .. |
| Corporate | .. | *9* |

| **External Debt and Resource Flows** | | |
|---|---|---|
| *(US$ millions)* | | |
| Total debt outstanding and disbursed | .. | 2,833 |
| Total debt service | .. | 269 |
| Debt relief (HIPC, MDRI) | – | – |
| Total debt (% of GDP) | .. | 64.8 |
| Total debt service (% of exports) | .. | 12.5 |
| Foreign direct investment (net inflows) | .. | 618 |
| Portfolio equity (net inflows) | .. | 0 |

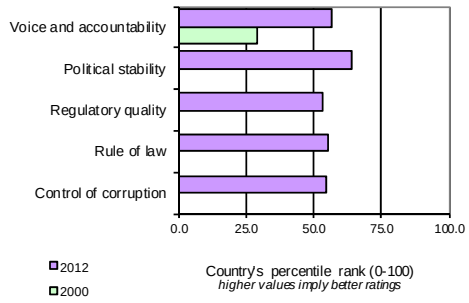
**Composition of total external debt, 2012**




US$ millions

| **Private Sector Development** | **2000** | **2012** |
|---|---|---|
| Time required to start a business (days) | – | 10 |
| Cost to start a business (% of GNI per capita) | – | 16 |
| Time required to register property (days) | – | 71 |
| Ranked as a major constraint to business (% of managers surveyed who agreed) | **2000** | **2012** |
| n.a. | .. | .. |
| n.a. | .. | .. |
| Stock market capitalization (% of GDP) | .. | 87.5 |
| Bank capital to asset ratio (%) | .. | *10.9* |

**Governance indicators, 2000 and 2012**




*Source: Worldwide Governance Indicators (www.govindicators.org)*

| **Technology and Infrastructure** | **2000** | **2012** |
|---|---|---|
| Paved roads (% of total) | 63.0 | *70.4* |
| Fixed line and mobile phone subscribers (per 100 people) | .. | 208 |
| High technology exports (% of manufactured exports) | .. | .. |

| **Environment** | | |
|---|---|---|
| Agricultural land (% of land area) | .. | *38* |
| Forest area (% of land area) | 40.4 | *40.4* |
| Terrestrial protected areas (% of land area) | 14.3 | 14.8 |
| Freshwater resources per capita (cu. meters) | .. | .. |
| Freshwater withdrawal (% of internal resources) | .. | .. |
| CO2 emissions per capita (mt) | .. | *4.2* |
| GDP per unit of energy use (2005 PPP $ per kg of oil equivalent) | .. | *5.6* |
| Energy use per capita (kg of oil equivalent) | .. | *1,900* |

| **World Bank Group portfolio** | **2000** | **2012** |
|---|---|---|
| *(US$ millions)* | | |
| IBRD | | |
| Total debt outstanding and disbursed | – | 313 |
| Disbursements | – | 97 |
| Principal repayments | – | 11 |
| Interest payments | – | 6 |
| IDA | | |
| Total debt outstanding and disbursed | – | 86 |
| Disbursements | – | 4 |
| Total debt service | – | 2 |
| IFC *(fiscal year)* | | |
| Total disbursed and outstanding portfolio | – | 35 |
| of which IFC own account | – | 35 |
| Disbursements for IFC own account | – | 0 |
| Portfolio sales, prepayments and repayments for IFC own account | – | 6 |
| MIGA | | |
| Gross exposure | – | – |
| New guarantees | – | – |

Note: Figures in italics are for years other than those specified.
.. indicates data are not available. – indicates observation is not applicable.

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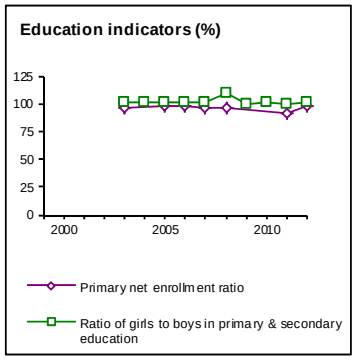
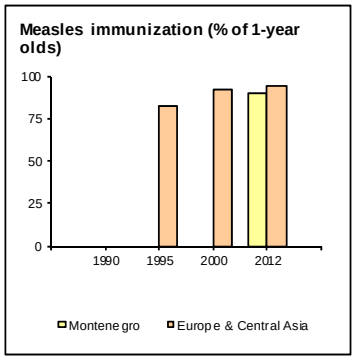
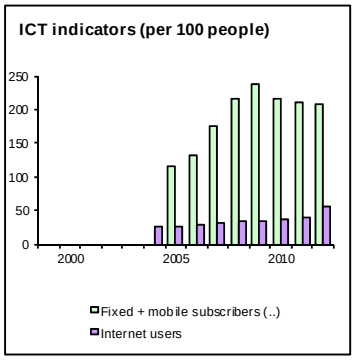
*With selected targets to achieve between 1990 and 2015*
*(estimate closest to date shown, +/- 2 years)*

| | Montenegro | | | |
|---|---|---|---|---|
| **Goal 1: halve the rates for extreme poverty and malnutrition** | **1990** | **1995** | **2000** | **2012** |
| Poverty headcount ratio at $1.25 a day (PPP, % of population) | .. | .. | .. | *<2* |
| Poverty headcount ratio at national poverty line (% of population) | .. | .. | .. | *9.3* |
| Share of income or consumption to the poorest quintile (%) | .. | .. | .. | *8.8* |
| Prevalence of malnutrition (% of children under 5) | .. | .. | .. | *2.2* |
| **Goal 2: ensure that children are able to complete primary schooling** | | | | |
| Primary school enrollment (net, %) | .. | .. | .. | 98 |
| Primary completion rate (% of relevant age group) | .. | .. | .. | 101 |
| Secondary school enrollment (gross, %) | .. | .. | .. | 91 |
| Youth literacy rate (% of people ages 15-24) | .. | .. | .. | *99* |
| **Goal 3: eliminate gender disparity in education and empower women** | | | | |
| Ratio of girls to boys in primary and secondary education (%) | .. | .. | .. | 101 |
| Women employed in the nonagricultural sector (% of nonagricultural employment) | .. | 40 | 44 | *46* |
| Proportion of seats held by women in national parliament (%) | .. | .. | .. | 17 |
| **Goal 4: reduce under-5 mortality by two-thirds** | | | | |
| Under-5 mortality rate (per 1,000) | 17 | 15 | 14 | 6 |
| Infant mortality rate (per 1,000 live births) | 15 | 14 | 13 | 6 |
| Measles immunization (proportion of one-year olds immunized, %) | .. | .. | .. | 90 |
| **Goal 5: reduce maternal mortality by three-fourths** | | | | |
| Maternal mortality ratio (modeled estimate, per 100,000 live births) | 8 | 10 | 11 | *8* |
| Births attended by skilled health staff (% of total) | .. | .. | 99 | *100* |
| Contraceptive prevalence (% of women ages 15-49) | .. | .. | 53 | *39* |
| **Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases** | | | | |
| Prevalence of HIV (% of population ages 15-49) | .. | .. | .. | .. |
| Incidence of tuberculosis (per 100,000 people) | .. | .. | .. | 18 |
| Tuberculosis case detection rate (%, all forms) | .. | .. | .. | 87 |
| **Goal 7: halve the proportion of people without sustainable access to basic needs** | | | | |
| Access to an improved water source (% of population) | 97 | 98 | 98 | 98 |
| Access to improved sanitation facilities (% of population) | .. | .. | 90 | 90 |
| Forest area (% of land area) | 40.4 | .. | 40.4 | *40.4* |
| Terrestrial protected areas (% of land area) | 14.2 | 13.2 | 14.3 | 14.8 |
| CO2 emissions (metric tons per capita) | .. | .. | .. | *4.2* |
| GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent) | .. | .. | .. | *5.6* |
| **Goal 8: develop a global partnership for development** | | | | |
| Telephone mainlines (per 100 people) | .. | .. | .. | 26.2 |
| Mobile phone subscribers (per 100 people) | .. | .. | .. | 181.3 |
| Internet users (per 100 people) | .. | .. | .. | 56.8 |
| Households with a computer (%) | .. | .. | .. | 51.3 |




Note: Figures in italics are for years other than those specified. .. indicates data are not available. 3/13/14

Development Economics, Development Data Group (DECDG).

## Annex 8: Selected Indicators of Bank Portfolio Performance and Management

**As Of Date 5/1/2014**

| Indicator | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|
| ***Portfolio Assessment*** | | | | |
| Number of Projects Under Implementation [a] | 6 | 6 | 5 | 4 |
| Average Implementation Period (years) [b] | 4.7 | 4.5 | 5.0 | 5.8 |
| Percent of Problem Projects by Number [a, c] | 16.7 | 16.7 | 20.0 | 0.0 |
| Percent of Problem Projects by Amount [a, c] | 20.0 | 19.2 | 12.8 | 0.0 |
| Percent of Projects at Risk by Number [a, d] | 16.7 | 16.7 | 20.0 | 25.0 |
| Percent of Projects at Risk by Amount [a, d] | 20.0 | 19.2 | 12.8 | 23.8 |
| Disbursement Ratio (%) [e] | 14.2 | 27.9 | 35.0 | 17.0 |
| ***Portfolio Management*** | | | | |
| CPPR during the year (yes/no) | | | | |
| Supervision Resources (total US$) | | | | |
| Average Supervision (US$/project) | | | | |

| Memorandum Item | Since FY 80 | Last Five FYs |
|---|---|---|
| Proj Eval by OED by Number | 7 | 5 |
| Proj Eval by OED by Amt (US$ millions) | 70.4 | 46.1 |
| % of OED Projects Rated U or HU by Number | 42.9 | 60.0 |
| % of OED Projects Rated U or HU by Amt | 38.6 | 58.9 |

a. As shown in the Annual Report on Portfolio Performance (except for current FY).
b. Average age of projects in the Bank's country portfolio.
c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
d. As defined under the Portfolio Improvement Program.
e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

**Annex 9: Proposed IBRD/IDA Base-Case Lending Program**
**As of 3/24/2014**

| *Fiscal year* | *Proj. ID* | *US$(M)* | *Strategic Rewards (H/M/L)* | *Implementation Risks (H/M/L)* |
|---|---|---|---|---|
| 2014 | Energy Efficiency AF | 6.8 | | |
| 2015 | Industrial Waste Management | 68.9 | | |
| | Support to Tax Administration | 24.0 | | |
| | Fiscal and Debt Management | 23.5 | | |
| | CRIF (disaster management) | 2.5 | | |
| | Result | 125.7 | | |

## Annex 10: IFC Committed and Disbursed Outstanding Investment Portfolio

| | | Committed | | | | | Disbursed Outstanding | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FY Approval | Company | Loan | Equity | **Quasi Equity | *GT/RM | Partici pant | Loan | Equity | **Quasi Equity | *GT/RM | Partici pant |
| 2008 | Gintasmont | 7.58 | 0 | 7.32 | 0 | 0 | 7.58 | 0 | 7.32 | 0 | 0 |
| 2011/12 | Podgorica | 26.76 | 0 | 0 | 0 | 0 | 26.76 | 0 | 0 | 0 | 0 |
| | **Total Portfolio:** | **34.34** | **0** | **7.32** | **0** | **0** | **34.34** | **0** | **7.32** | **0** | **0** |

* Denotes Guarantee and Risk Management Products.
** Quasi Equity includes both loan and equity types.

# Annex 11: Operations Portfolio (IBRD and IDA Grants)

**Closed Projects** 11

**IBRD/IDA** *

| | |
|---|---|
| Total Disbursed (Active) | 30.12 |
| of which has been repaid | 3.46 |
| Total Disbursed (Closed) | 151.53 |
| of which has been repaid | 0.87 |
| Total Disbursed (Active + Closed) | 181.65 |
| of which has been repaid | 4.33 |
| Total Undisbursed (Active) | 31.44 |
| Total Undisbursed (Closed) | 0.00 |
| Total Undisbursed (Active + Closed) | 31.44 |

**Active Projects**

| | | Last PSR Supervision Rating | | | Original Amount in US$ Millions | | | | | Difference Between Expected and Actual Disbursements [a/] | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Project ID | Project Name | Development Objectives | Implementation Progress | Fiscal Year | IBRD | IDA | GRANT | Cancel. | Undisb. | Orig. | Frm Rev'd |
| P107992 | ENERGY EFFICIENCY IN PUI | S | S | 2009 | 16.2 | | | | 7.05111665 | 1.04108913 | 1.0410891 |
| P122785 | HIGHER ED COMPTET | S | S | 2012 | 15.98 | | | | 13.1759195 | 4.29261771 | |
| P107473 | INSTIT DEV & AGR STRENC | MS | MS | 2009 | 15.7 | | | | 6.08935867 | 5.05809494 | |
| P106906 | LAND ADMIN & MGT | MS | MS | 2009 | 16.2 | | | | 5.11900432 | 6.17002301 | 1.655591 |
| P110602 | MONTENEGRO INSTITU DE | MS | MS | 2009 | | | 4 | | 2.23186315 | 1.64436312 | |
| Overall Result | | | | | 64.08 | | 4 | | 33.6672623 | 18.2061879 | 2.6966801 |

IBRD 34825R2


FEBRUARY 2014