



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
STATE OWNED FINANCIAL INSTITUTIONS STRENGTHENING PROJECT  
APPROVED ON MARCH 20, 2018  
TO  
REPUBLIC OF SERBIA  
  
FINANCE, COMPETITIVENESS AND INNOVATION  
EUROPE AND CENTRAL ASIA

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## ABBREVIATIONS AND ACRONYMS

AOFI	Serbian Export Credit and Insurance Agency
BPS	Banka Postanska Stedionica
CBS	Core Banking System
CFU	Central Fiduciary Unit
COVID-19	Coronavirus Disease 2019
DLI/R	Disbursement Linked Indicators/Results
ECA	Europe and Central Asia
EEPs	Eligible Expenditure Programs
EUR	European Euro
FCI	Finance, Competitiveness, and Innovation
IBRD	International Bank for Reconstruction and Development
IP	Implementation Progress
MoF	Ministry of Finance
MTSB	MTS Bank
NBS	National Bank of Serbia
NLB	Nova Ljubljanska Banka
NPLs	Non-Performing Loans
PDO	Project Development Objective
PTT	Serbian Post, Telegraph and Telecommunications Company
RSD	Serbian Dinar
SME	Small- and Medium-sized Enterprise
SOE	State-Owned Enterprise
SOFI	State Owned Financial Institution
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
USD	United States Dollar



**BASIC DATA**

**Product Information**

Project ID P156837	Financing Instrument Investment Project Financing
Original EA Category Not Required (C)	Current EA Category Not Required (C)
Approval Date 20-Mar-2018	Current Closing Date 01-Aug-2022

**Organizations**

Borrower Republic of Serbia	Responsible Agency Ministry of Finance
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**Project Development Objective (PDO)**

Original PDO

The Project Development Objective is to improve the performance of Banka Postanska Stedionica AD Beograd and promote the reform of Development Finance Institutions and Other State-Owned Financial Institutions.

**Summary Status of Financing (US\$, Millions)**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Commitment	Net Disbursed	Undisbursed
IBRD-88320	20-Mar-2018	21-Mar-2018	22-Aug-2018	01-Aug-2022	50.00	31.17	15.83

**Policy Waiver(s)**

Does this restructuring trigger the need for any policy waiver(s)?

No



## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

**1. This Restructuring Paper seeks approval to restructure the Project with the aim to extend the closing date and rebalance the two components by adding an additional DLR with more ambitious targets for NPL resolution.** The Bank received a request to restructure the Project from the Ministry of Finance (MoF) in October 2021, confirmed with an official request received on December 17, 2021. The restructuring includes the following: (i) addition of a new DLR on NPL resolution; (ii) reallocation of funds between the results-based and the technical assistance components to accommodate the additional DLR, (iii) revision to the results indicator on NPL resolution to reflect the more ambitious reforms, and (iv) extension of the closing date from August 1, 2022 to December 31, 2022.

**2. The Project supports the reform of State Owned Financial Institutions (SOFIs)** by contributing to the government’s reform program by executing a strategy for SOFIs that decreases fiscal costs, minimizes the potential for soft budget support to State Owned Enterprises (SOEs), improves the performance of those institutions that the government chose to retain in state ownership, supports the divestiture of all others, and develops a strategy for development finance and further non-performing loan (NPL) resolution. The Project’s objectives remain highly relevant.

### A. Overall Project Status

**3. The ratings for progress towards the Project Development Objective (PDO) and Implementation Progress (IP) are Satisfactory as of October 2021.** The Project became effective on August 22, 2018 and was restructured on April 7, 2020. The Project is on track to achieve the targets set for the PDO indicators and for implementing the government’s strategy for SOFIs. These achievements are reflected in the continuing good performance of BPS, based on the successful restructuring supported by the Project, the overachievement of Project targets set for reducing state-owned NPLs, and considerable progress in reducing the role of the state in the banking sector over and above the targets set under the Project.

**4. It is expected that all DLRs will be met by the end of the Project.** However, progress towards their achievement has been uneven. Delays have been encountered with respect to the DLR on the agreement between BPS and Serbia Post and the DLR on the development finance strategy. All other DLRs have already been met or will be met by their due date, including the DLR that was added and the DLR that was modified during the last Project restructuring in April 2020.

**5. Disbursements picked up in 2021.** Disbursement against several DLRs increased the disbursement ratios under the results-based component to 72 percent in EUR terms (Table 1). Disbursements under Component 2 are lower in comparison, reflecting less need for technical assistance than initially expected.

**Table 1: Disbursement status by Component, as of November 30, 2021**

	Total Loan Amount		Disbursed EUR		Disbursed USD	
	EUR	USD	Amount	%	Amount	%
Component 1	34,570,210	43,105,000	25,046,460	72	28,470,543	66
Component 2	5,429,540	6,770,000	2,024,000	37	2,315,345	34
Front-end fee	100,250	125,000	100,250	100	125,000	100
<b>Total</b>	<b>40,100,000</b>	<b>50,000,000</b>	<b>27,170,710</b>	<b>68</b>	<b>30,910,888</b>	<b>62</b>



Note: The loan is disbursed in EUR. Discrepancies between the EUR and USD disbursement ratios are a result of differences in exchange rates between the date of exchange rate determination (January 31, 2018) and the exchange rate at the time of disbursement.

**6. The need for Project restructuring arises because of the following reasons.** The Ministry of Finance would like to extend the closing date of the Project to allow for more time for current technical assistance activities to be completed and to avoid a gap between the SOFI Project closing and the pipeline Capital Markets Project becoming effective, which is not expected before late summer 2022 given upcoming Parliamentary elections. Such a gap could undermine ongoing activities by the Ministry of Finance related to the supervision of SOFIs and financial sector development more generally. In addition, the Ministry of Finance does not expect to need the entire remaining balance under Component 2 for technical assistance activities. Instead, it requested a rebalancing by adding an additional DLR related to NPL resolution to Component 1. This is justified by the more ambitious reform targets related to NPL resolution, which are also reflected in a change in the corresponding results indicator. The reduction in the technical assistance component does not mean that targets were not achieved, rather that they were achieved more economically than initially expected. The restructuring is meant to reprogram funds to allow full disbursement in line with the original PDO.

**7. Fiduciary arrangements for the Project are acceptable.** The procurement risk rating of the Project is moderate given that the Central Fiduciary Unit (CFU) has improved its capacity in the selection of consultants, monitoring of contracts, and processing of documents in STEP. Financial management performance has been assessed as acceptable and no major issues were identified by the financial management supervision conducted in September 2021. The CFU within the MoF oversees fiduciary responsibilities for the project. The CFU has been adequately staffed with experienced and qualified professionals. There are no overdue audits of project financial statements.

## B. Project Status by Component

### **Component 1: Support the Reform of State Owned Financial Institutions**

**8.** This component reimburses Eligible Expenditure Programs (EEPs) based on the achievement of a series of DLIs/DLRs in the reform areas supported by the project. The current status and progress made in the reform areas are summarized below.

#### ***DLI1: Restructure BPS***

**9. BPS continues to perform well, with good financial results in the first half of 2021.** BPS has been profitable since the Project started implementation. In 2021Q3 the bank generated after-tax net income of RSD 1.69 billion. The quality of earnings also continues to improve as BPS focuses on earnings from retail lending, in line with its new retail-focused strategy. The two PDO indicators related to the BPS restructuring, which stipulate targets for the maximum exposure to medium and large enterprises and the reduction in gross NPLs, are already achieved. BPS continues to be in full compliance with all regulatory norms and also with the quantitative indicators set out in the Government Conclusion governing its operations, including the limit on lending to State Owned Enterprises. The strong performance of BPS is reflected in the achievement of three out of the five DLRs related to the BPS restructuring (DLRs 1.1/1.3/1.4). DLR 1.2 remains pending (see below) while DLR 1.5 is tied to a specific date but is on track to be met by end 2021.

**10. BPS adopted a new business strategy for the years 2021-2025.** The new strategy updates the bank's business plan in light of the bank's performance since 2017 and utilizes current data and macro assumptions to provide updated financial projections. The updated strategy does not deviate from the strategy laid out for BPS in the Government



conclusion and maintains the bank's focus on providing credit and financial services to individuals, small business, and small-scale agriculture. A new area of focus for BPS will be financing the construction (by state-owned construction companies) and sale of apartments to security services personnel under Government programs. BPS also acquired Komercijalna banka a.d. Banja Luka, Bosnia and Herzegovina, in December 2021, and proceeded with a merger with MTS Bank, see below.

**11. BPS has continued to make progress in redefining its business relationship with Serbia Post (PTT).** Efforts to make progress in negotiating contracts redefining the business relationship between BPS and PTT resumed in early 2021 after being suspended for almost the whole of 2020 due to COVID-19. There has been some deepening of the business relationship between BPS and PTT during 2021 (two agreements have been signed: a contract to use BPS POS terminals in post offices; and, an agreement to sell BPS pension loans in post offices). However, the main issue in the bank's relationship with PTT, which is the 0.7 percent service fee charged by PTT on BPS customer transactions at post offices, remains unresolved. Signature of a contract satisfactorily resolving the service charge issue would be in line with the terms of DLR 1.2, albeit at this point well after the 31 December 2019 target specified for the DLR.

**12. BPS has still not completed the installation of a new core banking system (CBS).** The purchase of the new CBS, which was initially expected to be financed under the Project, became entangled with the proposed merger of BPS with MTS Bank (MTSB). The merger between the two banks occurred in July 2021 and provided the basis for installation of the new CBS. A gap analysis between BPS' core banking system requirements and the capacities of MTSB's CBS has been nearly completed. The process of data migration from BPS' systems to the MTS CBS is underway but a final decision and plan to complete the migration to a single system will not be made until Spring 2022. BPS management currently projects that the bank will not have a fully operating new CBS until end-2022. An operating new CBS is one of the intermediate results indicators under the Project. The protracted installation of the new CBS puts the achievement of this indicator at risk, however BPS and MoF have committed to moving ahead more swiftly.

**13. Two actions specified in the Government conclusion on the restructuring of BPS continue to be uncompleted:** (a) revocation of BPS' status as a user of public funds; and, (b) implementation of market-based compensation by BPS (which is dependent on revocation of the bank's status as a user of public funds). The MoF does not expect to be able to change BPS' status because attempting to do so would open the door to demands for similar changes by other public enterprises. As a result, it is unlikely that these two important actions defined in the Government Conclusion on BPS will be carried out. This will have an adverse long-term impact on BPS' governance and management capacity.

#### ***DLI 2: Complete Reforms and Develop Strategy on Development Finance***

**14. The reforms related to development finance are progressing, albeit with a substantial delay partly cause by the COVID-19 pandemic.** The supervisory boards of the Development Fund and AOFI each adopted Decisions consistent with the quantitative and qualitative requirements of the Development Fund Conclusion and AOFI Conclusion, respectively, in 2019. This corresponded to DLR 2.2. DLR 2.1 was retroactive.

**15. The work related to the Development Finance Strategy has progressed slowly.** The COVID-19 pandemic and the parliamentary elections in 2020 significantly delayed the decision-making process regarding the future of development finance in Serbia. Based on the findings of the study on the potential market failures for SME financing and strengthening of the institutional framework in Serbia, prepared by Ernst&Young, the authorities reached out to the consultants in mid-2020 and requested: (i) a strategic (overarching) document to reflect the findings of the study and outline the necessary structural changes in the development finance framework in Serbia, and (ii) an action plan which would identify short-



and medium-term measures and priorities, without jeopardizing the functioning of the existing development finance institutions.

**16. A public policy document on development finance is planned to be adopted by the government by end 2021.** In September 2021, the Working Group, under the leadership of the Ministry of Economy, adopted the overarching document and related action plan. These documents will form the basis for the public policy document on development finance, which is planned to be adopted by end 2021. This would constitute the achievement of the related DLR 2.3. Based on the overarching document, both the Development Fund and AOFI will be restructured, and no new institution will be created. The reforms proposed address some of the constraints identified in the original study on existing market failures, but not all of them. Of note is that under the new framework proposed, the supervision of the Development Fund and AOFI will fall to the Ministry of Finance. This will lead to a need for increased capacity in the MoF as it is currently not fully equipped to assume this role. Going forward, adequate changes in corporate governance of these institution will be of key importance for successful restructuring efforts, and crucial to monitor for the MoF.

### ***DLI 3: Implement NPL Resolution Strategy and State-Owned Banks Strategy***

**17. Progress on NPL resolution has exceeded expectations.** The Pilot NPL Portfolio, a portfolio of receivables of banks in bankruptcy as well as receivables in the name and for the account of the state with a face value of about EUR 242 million, was successfully sold in June 2019 for EUR 11.3 million (5 percent of the face value). The tender of the portfolio constituted the achievement of DLR 3.1. The second large portfolio of EUR 1.82 billion face value of receivables was tendered in September 2019, in line with the NPL Resolution Program (achievement of DLR 3.2). The portfolio was successfully sold in April 2021 for EUR 50 million (2.8 percent of the face value). The NPL portfolio sales returned otherwise frozen assets back into the economy and are widely considered a success that generated substantial activity around NPL resolution. All DLRs related to the NPL resolution agenda have been achieved and achievement of the related PDO indicator is expected once the legal steps around the second portfolio sale have been fully completed.

**18. Based on the success of the two portfolio sales, the authorities are planning a third NPL portfolio sale.** The portfolio will have a tentative face value of EUR 0.5-2 billion to be tendered in early 2022, with the aim to complete the sale in 2022. The objective of the third portfolio sale would be to reduce the level of state-owned NPLs to close to zero. This would be a substantial overachievement of the results expected under the Project, which aimed for a reduction in state-owned NPLs from USD 3.87 billion to USD 1.2 billion over the implementation period.

**19. Regarding progress with implementing the Government's strategy to reduce the role of the state in the banking sector, the status is as follows:**

- i. **Komercijalna Banka.** The acquisition of Komercijalna Banka by Nova Ljubljanska Banka (NLB) from Slovenia was concluded in December 2020. Since the state retains no stake in the bank, the privatization process has been completed. The successful privatization of Komercijalna Banka, using a transparent international tender, both completed an important component of the authorities' strategy for state-owned banks and sent a strong signal of the Government's commitment to financial sector reform. The privatization followed the successful privatization of Jubmes Banka in June 2019.
- ii. **Srpska Banka.** Srpska Banka is the only remaining state-owned bank other than BPS after the successful privatizations mentioned above. Progress by the commission formed in June 2019 to prepare a proposal for the future of the bank has been at a halt since the beginning of the COVID-19 crisis. While the bank is comparably small, resolving Srpska's situation remains important given that the bank's lack of scale and sources of income



other than revenues from resolving nonperforming assets are likely to place it in a loss-making position in the future.

**20. The reforms related to corporate governance of state-owned banks have been completed.** The related DLR 3.3 was revised during the restructuring in April 2020, in line with earlier discussions between the MoF and the Bank. The revised DLR on adopting an instruction to request the MoF's Financial Sector Department to provide advice to the Minister of Finance on the selection of state-nominated members of the Board of Directors of State-Owned Banks was achieved in June 2020. This completed the expected corporate governance reforms under the Project.

### **Component 2: Strengthen Institutional Capacity**

**21. The implementation of Component 2 progressed well.** Fifteen individual consultants have been hired under the technical assistance component of the Project since it became effective. Eleven of those consultants are directly supporting the MoF financial sector unit on matters including strategic advice, legal advice, financial analysis, business analysis, and advice on insurance and capital markets reforms. One consultant was hired for the independent verification of the achievement of DLIs/DLRs and one consultant position is the new Head of Operations of the CFU. A consulting firm (PWC) was hired through direct selection to support the sale of the large portfolio of non-performing loans (DLR 3.2) and a consulting firm (E&Y) is supporting the preparation of the development finance strategy (DLR 2.3). Both contracts remain active. In addition, an audit firm (BDO) was hired for the Project audit requirements. A few additional consultancies are expected to be supported through the Project, ranging from legal consultants to business analysts, to taxation experts.

**22. While progress has been satisfactory, it has become apparent that not the entire allocation under the component will be required for additional technical assistance activities.** Given that not all funds available under this component will be needed, it is proposed to reallocate them to Component 1 against the achievement of an additional DLR related to NPL resolution, where progress has been above expectations and continues apace. The addition of the DLR will be accompanied by a change in the corresponding PDO indicator to reflect the more ambitious reform target. The rebalancing of allocations does not indicate that the technical assistance component was not successful in achieving its objectives, rather that they were achieved more economically than initially expected.

## **II. DESCRIPTION OF PROPOSED CHANGES**

**23. The proposed changes include:** (i) adjustment of DLRs through addition of a new DLR, (ii) reallocation of funds between components, (iii) revision to the results framework, and (iv) extension of the closing date of the Project.

### **Adjustment of DLRs**

**24. The DLRs will be adjusted as follows:** A new DLR 3.5 will be added on the resolution on state-owned NPLs to reflect the progress made on this reform area, which exceeds initial expectations both for scope as well as timeline. Table 2 lists the new table of DLRs and indicates which DLRs were already achieved, and which ones were changed or added in the April 2020 and this restructuring.

### **Reallocation of proceeds between Components**

**25. The reallocation of funds will be as follows:** Funds in an amount of EUR 1,500,000 will be reallocated from Category 2 (Technical Assistance) to Category 1 (EEPs) of the Project to reflect the decrease in funds allocated toward the





technical assistance component and the addition of one DLR under Component 1. The total allocation for Category 2 will be decreased from EUR 5,429,540 to EUR 3,929,540 and the allocation to Category 1 will hence be increased from EUR 34,570,210 to EUR 36,070,210.

**Revision to the results framework**

**26. The results framework will be changed as follows:** The target for the PDO indicator related to the reduction in state-owned NPLs will be adjusted from the current target of USD 1.2 billion to USD 980 million, reflecting the additional reforms undertaken on NPL resolution. The timeline for all PDO and intermediate results indicators will be adjusted to align with the extended closing date of December 31, 2022 (see below) to allow monitoring results until Project closure.

**Extension of closing date**

**27. The closing date will be extended from August 1, 2022 to December 31, 2022.** This will allow for more time to complete ongoing technical assistance activities and add a buffer for the pipeline Capital Markets Project to become effective.

**Other issues**

**28. Project Operations Manual.** Following the restructuring, the Project Operations Manual will be revised to reflect the adjustments to the Project, including the verification protocol for the new DLR.

**29. Overall Risk Rating.** The overall risk rating for the Project was changed from Substantial at the time of approval to Moderate over the period of implementation. The revised risk ratings are reflected in the last Implementation Status and Results Report for the Project and are not specific to this restructuring.



**Results framework**

COUNTRY: Serbia

**State Owned Financial Institutions Strengthening Project**

**Project Development Objectives(s)**

The Project Development Objective is to improve the performance of Banka Postanska Stedionica AD Beograd and promote the reform of Development Finance Institutions and Other State-Owned Financial Institutions.

**Project Development Objective Indicators by Objectives/ Outcomes**

Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
<b>Improve the performance of Banka Postanska Stedionica AD Beograd</b>						
BPS gross amount of performing credit exposures to medium and large private sector enterprises is reduced compared to end-2016 (Number)		4,050.00	3,200.00	2,400.00	2,000.00	1,620.00
<i>Action: This indicator has been Revised</i>						
BPS gross NPLs are reduced compared to end-2016 (Number)		23.32	16.32	13.99	11.66	11.66
<i>Action: This indicator has been Revised</i>						
<b>Promote the reform of Development Finance Institutions and Other State-Owned Financial Institutions</b>						
Reduction in state-owned NPLs compared to end-2016 (Number)		3.87	3.62	3.25	2.37	0.98
<i>Action: This indicator has been Revised</i>						



**Intermediate Results Indicators by Components**

Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
<b>Restructure Banka Postanska Stedionica AD Beograd</b>						
BPS is in compliance with the prudential ratios set forth in Selected NBS Decisions (Yes/No)		Yes	Yes	Yes	Yes	Yes
<i>Action: This indicator has been Revised</i>						
BPS in compliance with limit on lending to State Owned Enterprises (Yes/No)		Yes	Yes	Yes	Yes	Yes
<i>Action: This indicator has been Revised</i>						
BPS BoD adopts (i) strengthened risk management policies and the Executive Board adopts implementing procedures, and (ii) compensation scheme in line with approved 2018-2020 business plan (Yes/No)		No	Yes	Yes	Yes	Yes
<i>Action: This indicator has been Revised</i>						
BPS completes installation of core banking system and associated software, hardware and services (Yes/No)		No	No	No	No	Yes
<i>Action: This indicator has been Revised</i>						



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Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
<b>Implement NPL Resolution Strategy and State-Owned Banks Strategy</b>						
Updated NPL resolution strategy, which includes a strategy for state-owned NPLs with a separate action plan, has been adopted (Yes/No)	No		Yes	Yes	Yes	Yes
<i>Action: This indicator has been Revised</i>						
Tender issued for the sale of SOFIs' NPLs, in an approximate amount of EUR 145.6 million (Yes/No)	No		No	Yes	Yes	Yes
<i>Action: This indicator has been Revised</i>						
<b>Complete Reforms and Develop Strategy on Development Finance</b>						
Strategy for Development Finance has been adopted (Yes/No)	No		No	Yes	Yes	Yes
<i>Action: This indicator has been Revised</i>						
<b>Support the Reform of State Owned Financial Institutions</b>						
Number of outreach sessions organized with business representatives as a two-way interaction (Number)	0.00		1.00	2.00	3.00	3.00
<i>Action: This indicator has been Revised</i>						



<i>DLIs</i>	<i>Disbursement Linked Results</i>	<i>Amount (EUR)</i>	<i>Achieved?</i>	<i>Change</i>
<b>DLI 1. Restructure Banka Postanska Stedionica AD Beograd</b>	DLR 1.1 BPS has adopted a business plan for the calendar years 2018-2020, consistent with the quantitative and qualitative requirements of the BPS Conclusion	802,000	Yes	No
	DLR 1.2 An agreement detailing the business model for joint operations between BPS and PTT has been executed	3,107,750	No	No
	DLR 1.3 The gross amount of BPS Performing Credit Exposures to medium and large private sector enterprises has been reduced by not less than 60% by December 31, 2020, compared to December 31, 2016; and (ii) the limit on BPS lending to SOEs, as set forth in the BPS Conclusion, has been complied with by December 31, 2020	4,010,000	Yes	No
	DLR 1.4 BPS is in compliance with the prudential ratios set forth in Selected NBS Decisions, by December 31, 2020	4,010,000	Yes	No
	DLR 1.5 BPS gross NPLs have been reduced by not less than 50% by December 31, 2021, compared to December 31, 2016	4,010,000	No	No
<b>DLI 2. Complete Reforms and Develop Strategy on Development Finance</b>	DLR 2.1 A diagnostic study for the Development Fund and AOFI have been completed	802,000	Yes	No
	DLR 2.2 The supervisory boards of the Development Fund and AOFI have each adopted Decisions consistent with the quantitative and qualitative requirements of the Development Fund Conclusion and AOFI Conclusion, respectively	1,604,000	Yes	No
	DLR 2.3 The Borrower has adopted a strategy for Development Finance	2,406,000	No	No



<i>DLIs</i>	<i>Disbursement Linked Results</i>	<i>Amount (EUR)</i>	<i>Achieved?</i>	<i>Change</i>
<b>DLI 3. Implement NPL Resolution Strategy and State-Owned Banks Strategy</b>	DLR 3.1 A tender for the sale of SOFIs' NPLs, in an approximate amount of EUR 145,600,000, has been issued by the Borrower	2,406,000	Yes	No
	DLR 3.2 A tender for the sale of the Prime Bucket of SOFI's NPLs based on the NPL Resolution Strategy, in an approximate amount of EUR 832,300,000, has been issued by the Borrower	2,406,000	Yes	No
	DLR 3.3 MoF has adopted an Instruction, acceptable to the Bank, to request MoF's Financial Sector Department to provide advice to the Borrower's Minister of Finance on the selection of state-nominated members of the Board of Directors of State-Owned Banks	2,406,000	Yes	No (changed in 2020)
	DLR 3.4 The Borrower has received at least EUR 140,000,000 from SOFI's NPL sales	6,600,460	Yes	No (added in 2020)
	DLR 3.5 A tender for the sale of the third bucket of SOFI's NPLs based on the NPL Resolution Strategy, in an approximate amount of EUR 500,000,000, has been issued by the Borrower	1,500,000	No	Yes, new
<b>Total</b>		<b>36,070,210</b>		



**III. SUMMARY OF CHANGES**

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	
Loan Closing Date(s)	✓	
Reallocation between Disbursement Categories	✓	
Overall Risk Rating	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
PBCs		✓
Cancellations Proposed		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

**IV. DETAILED CHANGE(S)**

**COMPONENTS**

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Support the Reform of State Owned Financial Institutions	43.10	Revised	Support the Reform of State Owned Financial Institutions	44.98
Strengthen Institutional Capacity	6.77	Revised	Strengthen Institutional Capacity	4.89
<b>TOTAL</b>	<b>49.87</b>			<b>49.87</b>

**LOAN CLOSING DATE(S)**

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-88320	Effective	01-Aug-2022		31-Dec-2022	30-Apr-2023

**REALLOCATION BETWEEN DISBURSEMENT CATEGORIES**

	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed
IBRD-88320-001   Currency: EUR					
iLap Category Sequence No: 1		Current Expenditure Category: EEPs under Part 1 of the Project			
	34,570,210.00	21,036,460.00	36,070,210.00	100.00	100.00
iLap Category Sequence No: 2		Current Expenditure Category: G, nonCS, CS, TR, IOC			
	5,429,540.00	1,839,434.22	3,929,540.00	100.00	100.00
<b>Total</b>	<b>39,999,750.00</b>	<b>22,875,894.22</b>	<b>39,999,750.00</b>		





**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

Risk Category	Rating at Approval	Current Rating
Political and Governance	● Substantial	● Moderate
Macroeconomic	● Moderate	● Moderate
Sector Strategies and Policies	● Moderate	● Substantial
Technical Design of Project or Program	● High	● Moderate
Institutional Capacity for Implementation and Sustainability	● Substantial	● Moderate
Fiduciary	● Substantial	● Moderate
Environment and Social	● Moderate	● Low
Stakeholders	● Substantial	● Moderate
Other		● Moderate
Overall	● Substantial	● Moderate



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