



<b>1. Project Data:</b>		<b>Date Posted :</b> 08/07/2001	
<b>PROJ ID:</b> P069469		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Economic Assistance Grant I	<b>Project Costs (US\$M)</b>	5	5
<b>Country:</b> Kosovo	<b>Loan/Credit (US\$M)</b>	5	5
<b>Sector(s):</b> Board: PS - Central government administration (33%), General industry and trade sector (22%), Banking (15%), General education sector (15%), Health (15%)	<b>Cofinancing (US\$M)</b>	0	0
<b>L/C Number:</b>			
	<b>Board Approval (FY)</b>		00
<b>Partners involved :</b>	<b>Closing Date</b>	06/30/2000	06/30/2000
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
Elliott Hurwitz	Alice C. Galenson	Ruben Lamdany	OEDCR
<b>2. Project Objectives and Components</b>			
<b>a. Objectives</b>			
<p>The project objective was to support Kosovo's economic reform program by providing financial resources to the United Nations Interim Administration in Kosovo (UNMIK). This was intended to support (1) creation of a fully functioning and effective budget management system within the interim government of Kosovo (Central Fiscal Agency, CFA), with modern standards of public expenditure management, transparent fiscal operations and accounting and audit; (2) establishment of a fully-functioning and effective bank licensing and supervision capability (Banking and Payments Authority), with a view toward stimulating banking activity in a safe and sound manner . The project placed great emphasis on policies and institutions to ensure sustainability when UNMIK withdraws and local representative authorities take its place . Additionally, it was UNMIK policy not to exceed a budgeted financing gap of DM200 million for 2000.</p>			
<b>b. Components</b>			
(1) Create fully functioning and effective budget management system within the interim government of Kosovo; (2) Establish fully-functioning and effective bank licensing and supervision capability .			
<b>c. Comments on Project Cost, Financing and Dates</b>			
The project was approved on 3/13/00, became effective 3/20/00, and closed as scheduled on 6/30/00. Expenditure of US\$5 million was disbursed in a single tranche as planned .			
<b>3. Achievement of Relevant Objectives:</b>			
<b>(1) Budget</b> --The CFA made good progress in establishing an effective and transparent budgetary function : it designed, managed, and implemented the 2000 budget, and established an internal audit unit . Expenditures in 2000 were slightly lower than projected, and locally-generated revenues were equal to projections . Donor support, however, was around DM220 million, or 10% higher than envisioned.			
<b>(2) Bank supervision</b> --The Banking and Payments Authority (BPK) was established and effectively established the functions of licensing, regulating, and supervising banks . Since the project start, 3 new commercial banks have been licensed, as well as additional non-bank financial institutions.			
<b>4. Significant Outcomes/Impacts:</b>			
<ul style="list-style-type: none"> <li>• An effective budgetary function was established, with Kosovars assuming progressively greater responsibilities</li> <li>• Social Sector expenditures were broadly on target, and budget subsidies to the public sector were 42% lower than budgeted (2000)</li> <li>• The border crossing into Montenegro was staffed with tax collectors; around DM 35 million was collected there during the first half of 2001</li> <li>• An effective bank supervision function was established</li> <li>• The BPK operated with substantial local participation</li> </ul>			
<b>5. Significant Shortcomings (including non-compliance with safeguard policies):</b>			

- The project should have been paid greater attention to the development of human capital . While substantial TA to local staff was provided by the UN and the United States, there was no explicit linkage to the project
- Only limited progress was made on the development of a payments system

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome :</b>	Satisfactory	Satisfactory	
<b>Institutional Dev .:</b>	Substantial	Substantial	
<b>Sustainability :</b>	Likely	Likely	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Unsatisfactory	

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

#### 7. Lessons of Broad Applicability:

- In a project in which substantial emphasis is placed on an "exit strategy," technical assistance for local residents should be made an explicit part of the project approach
- Strong staff experience in the Balkans and in post-conflict situations substantially contributed to project effectiveness
- The project's focus on a small set of key economic policies and functions greatly facilitated progress

8. Assessment Recommended?  Yes  No

#### 9. Comments on Quality of ICR:

The ICR is unsatisfactory. It does not contain sufficient evidence to substantiate the stated ratings and it does not address the "chief performance benchmarks" identified in the Memorandum of the Country Director. Among the pertinent data missing is: macroeconomic data (to substantiate the rating of "substantial macroeconomic achievement"); budget data for 2000 (which show the extent to which project commitments have been met); documentation and description of TA provided to Kosovar staff; status of the 2 major "tax gaps," or data on the public sector wage bill or SOE subsidies.

The following response was provided by the region : "The region disagrees with OED's evaluation (of the ICR) on two issues: (i) the relevance of including the only available macroeconomic data which cover a nominal GDP for one year and tentative GDP growth rate. The Region does not believe that these two unofficial and preliminary estimates provide any sound indication of macroeconomic performance and could be misleading . These were not therefore included in the ICR; and (ii) as this was a budget support operation, information was not included on TA as it was not part of the operation. Moreover, Kosovo, FRY, is a UN-administered territory and technical assistance is being provided by many donors bilaterally which is therefore not quantifiable in any meaningful sense ."