

# IEG

## ICR Review

Independent Evaluation Group

|                            |  |                              |                   |               |
|----------------------------|--|------------------------------|-------------------|---------------|
| <b>1. Project Data:</b>    |  | <b>Date Posted :</b>         | 09/15/2006        |               |
| <b>PROJ ID:</b>            | P069894  |                              | <b>Appraisal</b>  | <b>Actual</b> |
| <b>Project Name:</b>       | Privatization Social Support Project   | <b>Project Costs (US\$M)</b> | 355.3             | 353.43        |
| <b>Country:</b>            | Turkey   | <b>Loan/Credit (US\$M)</b>   | 250               | 249.56        |
| <b>Sector(s):</b>          | Board: SP - Agro-industry (59%), General energy sector (15%), General industry and trade sector (10%), Other social services (9%), Petrochemicals and fertilizers (7%) | <b>Cofinancing (US\$M)</b>   | 0                 | 0             |
| <b>L/C Number:</b>         | L4587  |                              |                   |               |
|                            |  | <b>Board Approval (FY)</b>   |                   | 01            |
| <b>Partners involved :</b> | None   | <b>Closing Date</b>          | 12/31/2004        | 12/31/2005    |
| <b>Evaluator :</b>         | <b>Panel Reviewer :</b>  | <b>Division Manager :</b>    | <b>Division :</b> |               |
| Howard Nial White          | Ronald S. Parker   | Alain A. Barbu               | IEGSG             |               |

## 2. Project Objectives and Components

### a. Objectives

Support the achievement of the objectives of the Government's Privatization Program, mitigate the negative social and economic impact of the privatization of state-owned enterprises, and monitor the social impact of the Economic Reform Program (ERP)

### b. Components (or Key Conditions in the case of Adjustment Loans ):

**(a) Job Loss Compensation** (Appraisal: US\$ 322.4 million, 91 percent; Actual: US\$318.8 million, 91 percent). This component financed severance and related payments, as regulated by law, to workers displaced by job loss due to the privatization of SOEs;

**(b) Labor Redeployment Services** (Appraisal: US\$ 28.3 million, 8 percent; Actual: US\$ 29.6 million, 8 percent). This component financed: (i) technical assistance and minor goods to develop and maintain administrative procedures between the Privatization Administration (PA) and other lead agencies to facilitate the assessment and planning for delivery of services to workers in 39 SOEs being privatized; and (ii) the actual cost of delivering labor redeployment services to approximately 32,000 unemployed workers through sub-contractors to the two lead agencies.

**(c) Social Impact of Economic Reform Program** (Appraisal: US\$ 1.0 million, 0.3 percent; Actual: US\$ 1.4 million, 0.4 percent). This component financed: (i) surveys to monitor the general social impact of the ERP and privatization on selected communities; (ii) analysis of social issues and identification of policy alternatives to develop a national social assistance program, based on review of international experience as it might be used in the Turkish environment; (iii) follow-up surveys to determine the economic status and coping strategies of workers directly displaced from SOEs; and (iv) follow-up surveys to monitor the net impact of labor redeployment programs.

**(d) Project Management** (Appraisal: US\$ 1.10 million, 0.3 percent; Actual: US\$ 1.14 million, 0.3 percent). This component financed technical assistance and minor goods to: (i) coordinate project execution, and manage the resources of the project; (ii) procure all Bank-financed goods and services for implementing agencies; (iii) operate the financial management system according to the Bank's financial management requirements; (iv) act as liaison between the technical agencies and the Bank; and (v) ensure that annual audits are completed in keeping with Bank standards.

### c. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Both total project costs and the breakdown by component remained close to the appraisal estimates. A one year

extension was granted. This was necessary since the pace of privatization was initially slow, so the extension allowed the project to fully disburse.

### **3. Relevance of Objectives & Design :**

The objective was, and remains, highly relevant, since privatization is an important part of economic reform in Turkey, so that the program to mitigate the adverse consequences for those laid off is important both socially and politically.

The design, which focused over 90 percent of the resources on monetary compensation for those made redundant, was also appropriate.

One question can be raised about design. It is observed that redeployment services were hardly taken up by retrenched (see below). One reason, given in the ICR, is that the government introduced legislation offering employment in the public sector). But another possible explanation is that job loss compensation was not paid to those who became re-employed within six months, creating a disincentive to seek new employment. There is a difficult balance between wanting to avoid hardship (and so paying to all those laid off), spending resources on those who don't need them (and so not paying to those who quickly re-enter employment), and avoiding creating adverse incentives (so don't pay those who re-enter employment). It would, however, be very difficult, if not impossible, to determine the optimal balance between these three, so there are no grounds for arguing that the design chosen was worse than any imagined alternative.

### **4. Achievement of Objectives (Efficacy) :**

Although there was a single objective it can be broken down into elements :

#### **1. Support the achievement of the objectives of the Government's Privatization Program : Satisfactory**

The privatization program went ahead, and was accompanied by retrenchments, those raising the efficiency of these enterprises. But opposition to privatization was reduced by the activities supported by this project.

#### **2. Mitigate the negative social and economic impact of the privatization of state-owned enterprises . Satisfactory**

Job compensation was paid to 18,261 laid off workers, which is lower than the appraisal figure of 48,000 on account of fewer than expected redundancies. Just over 31,000 cases received labor deployment services. However, a tiny percentage of these were direct or secondary lay offs from SOEs.

#### **3. Monitor the social impact of the Economic Reform Program (ERP): Moderately satisfactory**

The surveys for this component were subject to some delays, which limited their usefulness in management of the PSSP and design of the follow-on PSSP 2. They may however be of use in implementation of PSSP 2.

### **5. Efficiency :**

The project objectives were achieved within budget and an understandable delay, so efficiency was substantial,

### **6. M&E Design, Implementation, & Utilization:**

The project had a clear set of KPIs, though they did not fully match the program objectives. These indicators were monitored by the PA, which prepared quarterly monitoring reports. Evaluation was built into the third component of the project. The ICR does not appear to draw greatly on these reports, so quality cannot be assessed.

### **7. Other (Safeguards, Fiduciary, Unintended Impacts--Positive & Negative):**

None

| 8. Ratings :                | ICR           | ICR Review    | Reason for Disagreement /Comments |
|-----------------------------|---------------|---------------|-----------------------------------|
| <b>Outcome :</b>            | Satisfactory  | Satisfactory  |                                   |
| <b>Institutional Dev .:</b> | Substantial   | Substantial   |                                   |
| <b>Sustainability :</b>     | Highly Likely | Highly Likely |                                   |
| <b>Bank Performance :</b>   | Satisfactory  | Satisfactory  |                                   |
| <b>Borrower Perf .:</b>     | Satisfactory  | Satisfactory  |                                   |
| <b>Quality of ICR :</b>     |               | Satisfactory  |                                   |

**NOTES:**

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- ICR rating values flagged with ' \* ' don't comply with OP/BP 13.55, but are listed for completeness .

**9. Lessons:**

1. Privatization programs are complex and all the key aspects should be taken into account in the design of the program and components, as the PSSP did . When the interventions are designed, they should complement each other (e.g., complementarity between JLC and LRS) and steps should be taken to ensure that internal or external factors do not directly or indirectly detract from or neutralize the desired impact of the selected interventions (e.g., concurrent legislation offering employment in the government counters the PSSP goals ). Furthermore, it is critical to involve all the key stakeholder groups in the process early and to communicate the program clearly and often in a tailored manner to all the key groups .
2. Successful programs should be flexible and scalable in their design, and teams should not stop short of formal adjustments to the originally designed set of indicators to increase the value of what is measured . It is critical to measure the right set of indicators regularly and throughout the project, and to draw implications from the indicators for the project design and/or implementation. In this case, it would have been particularly helpful to formally track primary demand and use of the services by the populations from SOE layoffs vs . secondary layoffs vs. generally unemployed, to be able to adjust this one and draw lessons for the future programs .

**10. Assessment Recommended?**  Yes  No

**Why?** Verification of satisfactory outcomes .

**11. Comments on Quality of ICR:**

The ICR presents a clear and concise overview of the project . However, the discussion would benefit from some more context. For example, a table of the number of enterprises privatized each year, estimates of the total number of those laid off, and what percentage found re-employment within 6 months (the latter should be available from project data as it is the basis on which compensation is paid or not ).