



1. Project Data:		Date Posted : 07/01/2005	
PROJ ID: P070146		Appraisal	Actual
Project Name: Pilot Emergency Labor Redeployment Project - PELRP	Project Costs (US\$M)	17.51	21.19
Country: Bosnia-Herzegovina	Loan/Credit (US\$M)	15.00	15.93
Sector(s): Board: SP - Other industry (35%), Agro-industry (34%), General education sector (14%), Sub-national government administration (12%), Other social services (5%)	Cofinancing (US\$M)	1.01	3.32
L/C Number: C3385			
	Board Approval (FY)		00
Partners involved : Dutch trust fund, Norway	Closing Date	09/30/2003	09/30/2004
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

Primary objective :

a) To provide ex-soldiers of Bosnia and Herzegovina (BiH) with the means for self-reliant existence.

Secondary objective :

b) To test different active labor market program measures to encourage employment generation, small business creation for the benefit of ex-soldiers and to provide stimulus to local training and consultancy firms .

b. Components

a) Counseling, Employment and Training (appraisal cost - US\$14.45 m.; actual cost - US\$18.80 m.), including job-finding services and skills enhancement of ex-soldiers.

b) Project Implementation (appraisal cost - US\$3.06 m.; actual cost - US\$2.39 m.), including technical assistance to project implementation units in the Federation of BiH and in Republika Srpska .

c. Comments on Project Cost, Financing and Dates

Final costs exceeded planned costs by 21%. The additional costs were funded by larger than expected Dutch and Norwegian cofinancing and government counterpart and the increased US\$ value of credit disbursements . At closing the IDA credit financed 75% of the project cost, down from the 86% share estimated at appraisal . The project was extended for one year in order to benefit 999 more ex-soldiers (of the 7,278 eventually assisted). While such an extension can undermine the timeliness of *emergency* assistance, this was not the case of this project . Despite having "emergency" in the title, this was a specific investment credit (SIC) that did not follow the urgency norms of an emergency recovery credit (ERC).

3. Achievement of Relevant Objectives:

objective a) **achieved with efficiency shortcomings**: while the project did assist 7,278 ex-soldiers, it did so inefficiently. The demobilization itself--the result of the Madrid Agreement of 1998--was so chaotic, according to the ICR, that many soldiers while still in the barracks were unaware that they had even been discharged from the army. The project database had nevertheless assembled details of 12,227 ex-soldiers to be assisted, but only 6,037 of them were eligible for project support (the remainder was ineligible being made up of ex-soldiers who already had employment, were living abroad, or who had received one-time severance payments from the respective ministry of defence). The difference between the 6,037 eligible ex-soldiers and the 7,278 actually assisted was made up of ex-soldiers demobilized before the Madrid Agreement and of BiH's general unemployed -not initially targeted as project beneficiaries. The Region subsequently commented that soon after start-up, both the number of ex-soldier beneficiaries and the amount of funding available became publicly known through the press, leading to an expectation (if not entitlement) that each ex-soldier would receive KM 5,000 each (US\$3,355). In actual fact the PELRP project spent US\$2,911 per beneficiary, more than five times the US\$529 spent on 17,378 ex-soldiers by the

earlier Emergency Demobilization and Reintegration Project (EDRP - Cr. 2906), an operation with similar objectives and results. The Region commented that PELRP beneficiaries, as ex-soldiers trained only for the military and with very low education levels, warranted more expensive assistance; and that beneficiaries of the EDRP, on the other hand, included civilians temporarily drafted into the military during the war, who were anxious to return to civilian life and who required less support to do so.

objective b) **partially achieved** : in testing different labor market programs, the project demonstrated agriculture to be the new form of social safety net in BiH. There was no reported stimulus to local training and consultancy firms in this area, as intended (in fact, additional training and improved capacity of the employment institutes remains as an ongoing recommendation of the ICR).

4. Significant Outcomes/Impacts:

5. Significant Shortcomings (including non-compliance with safeguard policies):

- Inefficiency in the pursuit of the project's primary objective, as expressed in the high cost per beneficiary incurred as reported in the ICR. (The intended and potential expensive higher education scholarships, that could have explained the increased unit costs, were not implemented . But the project did incur additional costs through providing motocultivators and more than 20,000 head of livestock for ex-soldiers to take up farming--as per data reported in the borrower ICR--even though the project's counseling, employment and training component had not foreseen these purchases).
- Shift of project investments from higher education scholarships to building livestock herds, while demonstrating flexibility in implementation, also reveals an inadequate assessment of demand for project components at appraisal.
- BiH Entity governments' respective ministries of defence did not allow the project to approach potential beneficiary soldiers while they were still at their barracks . This obliged the project to employ inefficient and more costly efforts to locate them after they had dispersed to their civilian locations .
- Leakage of some project assistance to beneficiaries who were not ex -soldiers.
- Shortfall of ex-soldier candidates willing to take jobs offered despite high levels of unemployment in BiH --that partly contributed to the extension of the project closing date .
- Designation of "emergency" to normal *specific investment loan/credit-SIL/SIC* for a project that was implemented at a regular pace over a period of more than four years, including a one year extension . Project design and disbursements were not those of an emergency nature, that would have featured in an *emergency recovery loan /credit -ERL/ERC*.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Moderately Satisfactory	While the project partially achieved its two objectives, it was with shortcomings in efficiency --measured by unit costs per beneficiary (see section 3 above)
Institutional Dev .:	Modest	Modest	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Unsatisfactory	BiH Entity governments' respective ministries of defence prevented the timely and more efficient project contact with soldiers to be discharged while these were still at the barracks. This incurred additional costs and delays as the project had to trace them to their new civilian locations. (notwithstanding greater counterpart funding contributions than expected)
Quality of ICR :		Satisfactory	

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

7. Lessons of Broad Applicability:

- For ex-soldiers to be demobilized and successfully incorporated into self -reliant employment, a labor deployment program such as the one supported by this project, is most effective when it draws upon technical and sectoral expertise to build up the sector most likely to demand the deployed labor --agriculture in this case .
- Assistance for integrating ex-soldiers into productive economic and social activities must begin at the barracks, *before* the soldiers are demobilized . Tracing them afterwards can be very costly and inefficient .
- For a labor market database system to be useful in matching job opportunities with the profiles of job seekers, its compilation and updating have to be part of a continuous and ongoing process .

- The enthusiastic participation of employers and their agents seeking labor is crucial for the successful integration of ex-soldiers.

8. Assessment Recommended? Yes No

Why? To give, inter alia, better account of the high costs incurred for this operation .

9. Comments on Quality of ICR:

While rated satisfactory on balance and providing sufficient data for evaluation, the ICR has a number of shortcomings. The ICR's presenting, as evidence of its cost effectiveness, this project's US\$ 2,911 cost per job being much lower than US\$5,000-US\$6,000 of other donor supported programs is not convincing . If instead, the ICR had made comparisons with other Bank financed projects in BiH, such as the US\$ 529 cost per job through EDRP (Cr.2906) or the US\$899 cost per job through the Local Initiatives projects (Cr.N002), the evidence would point to the present project *not* being cost effective. Indeed, data subsequently provided by the region show much lower unit costs per beneficiary than PELRP for demobilization programs in other countries . The ICR does not explain this relative under-achievement, nor does it refer to OED's evaluation of the earlier EDRP (Cr.2906). Finally, the ICR highlights inadequacies of counterpart funding, and recommends that this kind of funding should be avoided where possible, when, in fact, actual BiH government counterpart *exceeded* appraisal expectations by 27%.