

Annex 1: Bosnia and Herzegovina - Country Partnership Strategy FY12-FY15

RESULTS MATRIX

| Country Development Goals | Issues and Obstacles | CPS Outcomes | Milestones | Bank Program (and Partners) |
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| <i>Pillar I - Competitiveness: Support economic growth by tackling some of the bottlenecks to competitiveness and faster productivity growth</i> | | | | |
| <p><i>Competitiveness increase through, inter alia, improvement of business environment.</i></p> <p><i>Improve employment opportunities through support for SMEs creation and development, including promotion of entrepreneurship among women.</i></p> <p><i>Promote sustainable development through; inter alia; establishment of a functional institutional capacity for agriculture and rural development; stimulating development of the energy sector; and further developing the transport infrastructure.</i></p> | <p>At least three country goals outlined in the Country Development Strategy 2010-2014 (CDS), (<i>increased competitiveness, employment and sustainable development of agriculture, energy and transport</i>), will be supported by the World Bank Group (WBG) activities under Pillar I. The CPS program will contribute to the achievement of these country development goals through both existing and new operations.</p> <p>BH is ranked at 110th place in the Doing Business 2011. Country's weak business environment is one of the main factors affecting its overall competitiveness. The WBG program will contribute to improving the overall business environment, and competitiveness by:</p> <p>(i) improving fiscal sustainability as a foundation for growth and competitiveness. This goal will be supported under the DPO program - see Pillar II below.</p> <p>(ii) improving business environment by strengthening</p> | <p><i>Transparent land markets developed through registration of real estate rights, and complimentary policies that enable transactions to be made with security and efficiency.</i></p> <p>Baseline (2010): 80,000 backlog of cases and several months (on average) to complete transactions (2010)</p> <p>Target (2011): almost no backlog of cases and transactions completed in one day for 95% of cases. Target (2015) in case of the follow up project: further improved transparency and efficiency by making the integrated registration and cadastre information available on line nationwide.</p> <p>~</p> <p><i>Improved investment climate by: a) reducing costs and risks of businesses by improving inspection services, business operations and exit processes; b) improving the information and data exchange system among institutions in BiH in order to comply with respective EU processes, and c) enabling capacity building within institutions.</i></p> | <p><i>Registration data entered into automated database for 2 million folders.</i></p> <p>Baseline (2010): 1,453,171 folders completed (RS: 556,171 and FBH 897,000).</p> <p>Target (2011): 1,600,000 folders completed.</p> <p><i>Completion of systematic registration and cadastre in eight pilot sites.</i></p> <p>Baseline (2010): In the FBH - two pilot sites completed, and works are ongoing at two additional sites.</p> <p>Target (2011): 8 sites completed. Target (2015) in case of the follow up project: 25% of the country covered.</p> <p><i>Regulatory simplification of administrative procedures to be completed in selected municipalities, cantons, entities.</i></p> <p>Baseline (2011): So far only 15 out of 143 municipalities, 1 out of 10 cantons underwent regulatory simplification work of administrative procedures.</p> <p>Target (2014): 12-13 municipalities, 2-3 cantons to undergo regulatory</p> | <p><u>Current portfolio:</u> Land Registration Project (P096200)</p> <p><u>AAAs:</u> Public Expenditure and Institutional Review (underway, FY12 deliverable); REPARIS; Innovation and Science; Benefits of economic integration.</p> <p><u>Partners:</u> GtZ, EC,</p> <p><u>Potential new financing:</u> Land Registration II</p> <p><u>New financing:</u> IFC Advisory Services TA Project on Investment Climate and Competitiveness</p> <p><u>Partners:</u> SIDA, SECO, Austrian Government</p> |

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| | <p>and upgrading the system of property registration (Land Registration Project I and II), and through advisory services, aimed at strengthening the regulatory framework and eliminating administrative bottlenecks for business registration and operations (IFC advisory services - competitiveness project).</p> <p>(iii) improving access to finance for SMEs and micro-entrepreneurs through IBRD financed line of credit for SMEs and IFC's support to the corporate, and the financial sector, including partnership with MCO MI-Bospo which provides credit services to female entrepreneurs.</p> <p>(iv) REPARIS (Road to Europe Program of Accounting Reform and Institutional Strengthening) will assist Western Balkan countries in aligning their accounting and auditing framework for the private sector with the EU <i>acquis communautaire</i>.</p> | <p>Baseline (2011): 12 procedures, 55 days to register a business in BH.</p> <p>Target (2014): Reduction in time and procedures to commence operations in BH for 10%, and improvement of investment climate through reformed inspection services and information exchange</p> <p>Enhance access to finance for SMEs in the context of the global financial crisis.</p> <p>Baseline (2010): lending under the Enhancing SME Access to Financing project by participating PFIs to SMEs - 0 US\$</p> <p>Target (2014): US\$ 70 million.</p> <p>Improved confidence in the financial statements of business entities, including SMEs, will enhance access to finance and alleviate the administrative burden on SMEs by using accounting standards adapted to their size</p> <p>Baseline (2010): Partial implementation of the EU <i>acquis communautaire</i> as it relates to corporate financial reporting. Uneven application of international standards for financial reporting.</p> <p>Target (2015): Better implementation and application of the EU <i>acquis</i> and international standards</p> | <p>simplification of administrative procedures; both entities to continue regulatory simplification.</p> <p>Medium and long-term loans disbursed under the project by participating PFIs to SMEs.</p> <p>Baseline (2011): US\$ 8.2 million</p> <p>Target (2014): US\$ 70 million</p> <p>Improved accounting and auditing framework implementing EU requirements.</p> <p>Baseline (2011) As related in the Accounting and Auditing ROSC, the corporate financial reporting framework is partially aligned with the EU <i>acquis</i>; IFRS for SMEs adopted as the accounting requirement for SMEs remains to be implemented and further aligned with EU requirements.</p> <p>Target (2015): Legislative and regulatory proposals for the Corporate Financial Reporting to be aligned with the EU <i>acquis</i>. Better application of financial reporting standards and quality assurance mechanisms over audit of public interest entities.</p> | <p><u>Current portfolio: Enhancing SME Access to Finance</u> (P111780); IFC investments in MFIs..IFC's Microfinance Advisory Project</p> <p><u>AAA:</u> Western Balkan Financial Sector Assessment; Consumer Protection TA.</p> <p><u>Partners:</u> EBRD</p> <p><u>AAA:</u> REPARIS; National Program on Corporate Financial Reporting</p> <p><u>Partners:</u> EC, ADA, SECO, Government of Luxembourg</p> |
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| | <p>All the above mentioned operations are fully aligned with the fifth strategic goal of the BH's CDS - EU accession, which - under the old and new CPS remains the cross-cutting theme of the WBG's assistance in BH.</p> | <p>Baseline (2005): electricity generation - 12,800 gWh. In 2009, generation and export reached record levels. Regulatory framework for renewable energy projects not enacted. Twenty RE projects developed.</p> <p>Target (2012): Equal or greater electricity generation. Number of laws / regulations /amendments enacted on entity level 12: (FBH 6; RS 6). No of renewable energy projects implemented - 60. As a result of new RE plants – 0.5 MtCO2e/year avoided</p> <p><i>Upgraded road network, and reduced user costs on the priority sections</i></p> <p>Baseline (2010): the FRD and RSRD collect data on road user costs for rehabilitated road sections.</p> <p>Target (2012): 10% road user cost reduction.</p> <p><i>Improved commercial use of the Sava river corridor (Croatia, BH, and Serbia) in BH.</i></p> <p>Baseline (2011): sections of the river are not navigable.</p> <p>Target (2017): Priority sections of the Sava river returned to navigability.</p> | <p>Baseline (2010): Progress in EPBiH - 15%; EPHZHB - 80%; EPRS - 15%. Regulatory framework for renewable energy projects not developed.</p> <p>Target (2012): 100% in all three power management companies. Two entity-level Renewable Energy Laws drafted. Amendments to Laws on Concessions, standardized contracts/agreements and selection criteria documents drafted. Work with 10 RE Project sponsors initiated.</p> <p><i>220 km of non-rural roads rehabilitated.</i></p> <p>Baseline (2010): 134 km (82 km in the FBiH, and 52 km the RS).</p> <p>Target (2012): 220 km.</p> <p><i>Project design completed and project approved by the Board.</i></p> <p>Baseline (2011): project preparation underway.</p> <p>Target (2013): Project approved by the Board and declared effective by the end of 2012.</p> | <p><u>Potential new financing:</u> Energy Efficiency; IFC investments in renewable energy. Performance indicators will be included in the CPS PR.</p> <p><u>AAA:</u> IFC advisory services - Renewable Energy Bosnia and Herzegovina Project.</p> <p><u>Current portfolio:</u> Road Infrastructure and Safety Project (P100792)</p> <p><u>Partners:</u> EBRD and EIB.</p> <p><u>New financing:</u> Sava Waterway Rehabilitation Project (FY13 deliverable)</p> <p><u>Partners:</u> EC. IPA grant funds,(EUR 5.6 million) managed by the WB, will finance important preparatory activities such as feasibility studies and demining.</p> |
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Pillar II - Inclusion: Improve the delivery of public services for the vulnerable and the targeting and fiscal sustainability of social benefits to the poor

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| <p><i>Improve social inclusion, access to basic services, increase participation of inactive, discouraged population and their re-integration in social life, labour market, and equalisation of opportunities for work.</i></p> <p><i>Six specific strategic sub-goals include:</i></p> <ul style="list-style-type: none"> • Social policy aimed at employment; • Improve position of families with children; • Improve education; • Improve health protection; • Improve pension policy; and • Improve position of persons with disabilities. | <p>Social inclusion is the sixth strategic goal outlined in the CDS, and the main theme of a separate Social Inclusion Strategy. This goal will be primarily supported under the three year programmatic DPO series. DPO I, which was approved and disbursed in 2010, helped develop a legal framework necessary to improve targeting of non-insurance based cash transfers (both veteran and civilian categories). DPO II (FY12) will continue to support development of effective, efficient and equitable social protection policies. In addition to this, the DPO II will likely support pension reforms. A third phase of the DPO program will continue to focus on improving the safety nets, facilitating pension and public wage reforms. By improving targeting of cash transfers – thus generating some fiscal space - the DPO program will also contribute to the first strategic goal of the CDS - macroeconomic stability. Simultaneously, the on-going Social Safety Net and Employment Support Project will provide technical assistance to strengthen institutional capacity for implementation of effective social protection policies. With recently approved</p> | <p>Increased share of social benefits reach the poorest. Fiscal savings resulting from reforms of cash transfers equal 1.8% of GDP . More effective job brokerage services extended to the vulnerable active job-seekers.</p> <p>Baseline (2011):t will be established with the 2011 Extended Household Based Survey. Job-brokerage services extended to 1,468 vulnerable active job-seekers. Legal framework in place for implementation of means/income testing for non-insurance cash transfers. Bylaws regulating means/income thresholds need to be adopted.</p> <p>Target (2014): Improved targeting accuracy by 25%. Job-brokerage services extended to 10,000 vulnerable active job-seekers, 35% are employed one year after receiving the services. Mean/income testing underway for selected vulnerable categories. Fiscal savings equal 1.8% of GDP.</p> <p>Reduced incidence of non-communicable diseases through increased access to quality family medicine primary health care.</p> <p>Baseline (2010): about 58% of population covered through family medicine (FBH: 1,000,000; RS 1,200,147).</p> <p>Target (2014): about 70% of population covered (FBH: 1,500,000; RS: 1,250,000)</p> | <p>Implementation of the legislated measures adopted as a part of the reform of the overall system of non-insurance cash transfers - underway.</p> <p>Baseline (2011): no means/income thresholds established. Legislated provisions for targeting of transfers not implemented for veteran categories.</p> <p>Target (2012): New eligibility processes and -formulae identified . Pension reform underway. Job-brokerage services extended to 3,000 vulnerable active job-seekers.</p> <p>Increased number of teams operating family medicine, and increased number of health buildings constructed, reconstructed or renovated.</p> <p>Baseline (2010): 1,301 FM teams (FBH: 652; RS:649), 155 buildings rehabilitated (FBH:79; RS:56).</p> <p>Target (2014): 1,450 FM teams (FBH:900; RS:650). 239 buildings rehabilitated (FBH:129; RS:110).</p> | <p>Current portfolio: Social Safety Net and Employment Support Project (P116774).</p> <p>New financing: DPO II (FY12 deliverable).</p> <p>AAA: Western Balkan Poverty Assessment; Poverty TA and Pension TA.</p> <p>Current portfolio: Health Sector Enhancement Project-Additional Financing (P088663)</p> <p>Partners: Council of Europe Development Bank.</p> <p>Current portfolio: Solid</p> |
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| | <p>additional financing for the Health Sector Enhancement Project (FY11 - US\$ 10 million) the World Bank will help further improve the quality of primary health care through the expansion of the family medicine model.</p> <p>The Bank will continue to improve access and quality of basic services such as solid waste management.</p> | <p>Improved availability, quality, environmental soundness, and financial viability of solid waste management services.</p> <p>Baseline (2010): 75% of households in targeted area not served by the formal waste management system. 145 of estimated 1,200 wild dumps closed.</p> <p>Target (2014): number of unserved households reduced by 50%. 25% of wild dumps closed.</p> | <p>Increased number of established inter-municipal solid waste districts.</p> <p>Baseline (2010): 12 inter-municipal districts established.</p> <p>Target (2014): 16 inter-municipal districts established.</p> | <p>Waste Management II (P107998)</p> <p>Partners: EC, SIDA. EC grant financing (EUR 5.5 million) will support investments in Banja Luka and Mostar sanitary landfills, and will expand the scope and impact of the WB financed project. SIDA financing – focusing on collection – will complement WB financed activities in waste management.</p> |
| <p>Pillar III - Environmental Sustainability: <i>Ensure a sustainable use of natural resources, such as water and forestry, which are key to economic growth in BH, and adapt to climate change. Promote the sustainable development of basic municipal services</i></p> | | | | |
| <p><i>Promote sustainable development through, inter alia, supporting measures for environmental and biodiversity protection, and sustainable use of natural resources.</i></p> | <p>The CPS program will contribute to promoting the concept of “sustainable municipalities”, mainly through investments waste-water management. This strategy is co-financed by the EC and SIDA. The World Bank will also continue to assist BH to conserve its globally significant biodiversity in critical forests and mountain ecosystems. Depending on available financing – the CPS will support sustainable forestry in BH. Through these activities, the CPS program will help the country meet the EU requirements for water quality and biodiversity policy. Finally, the Bank will explore possibility of mobilizing GEF grant resources to strengthen</p> | <p>Reduction of the population’s exposure to highly polluted water from Miljacka and Bosna rivers, and improved waste water collection in the Sarajevo Canton.</p> <p>Baseline (2010): 0 m3/day of waste water collected treated at primary level. 0 connections rehabilitated.</p> <p>Target (2015): 200,000 m3/day treated at primary level. 48,000 connections rehabilitated.</p> <p>Reduced pollution from municipal sources into the Neretva and Bosna, subsequently reduced pollution in the Adriatic sea and Danube basin, and more sustainable water management.</p> <p>Baseline (2010): 5.5% of municipal</p> | <p>Cumulative length of repaired sewage collectors increased.</p> <p>Baseline (2010): 0 km sewage collectors repaired. Preparation for works on the WWTP</p> <p>Target (2015): 16 km cumulative length of repaired sewage collectors. Works on WWTP 100% completed.</p> <p>Launch of sub-project - WWTP in Mostar (phase I), and Zivinice (phase II). Piloting of integrated river basin management models.</p> <p>Baseline (2011): SIDA and the EC co-financing arrangements effective. No river basin management plans.</p> | <p>Current portfolio: Sarajevo Waste Water Project (P090675).</p> <p>Partners: EC, EBRD. EU grant financing (EUR 8 million) that will be administered by the WB will close the financing gap identified in Sarajevo Waste Water project. EBRD financing will complement WB financing.</p> <p>AAA Vrbas River basin management (P117927)</p> <p>Current portfolio: Water Quality Protection - GEF (P085112), in partnership with the EC and SIDA. EU grant financing (EUR 1.5 million) managed by the WB will support</p> |

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| | <p>BH capacity to mitigate the risk of natural disasters such as flooding and drought.</p> <p>The result matrix for the Pillar III will be updated with new indicators in the early Progress Report.</p> | <p>waste water is treated and discharged according to standards. No integrated water management in any river.</p> <p>Target (2012): 11% of municipal wastewater treated in accordance with new water standards. Main rivers are covered by completed or near-completed frameworks for sustainable water management.</p> <p><i>Expanded coverage of protected forest and mountain areas, and strengthened institutional and technical capacity for their sustainable management.</i></p> <p>Baseline (2010): 2.1%, or 112,000 ha of areas under formal protection.</p> <p>Target (2013): 3% or 153,000 ha formally protected.</p> | <p>Target (2012): works completed. Four main river basins have completed or near-completed sustainable river basin management plans.</p> <p><i>FBH: proposal on legal establishment of 2 new PAs submitted and feasibility study for one PA completed. FBH and RS: establishment of PAs with management plans that include ecosystem-based management approaches and tools.</i></p> <p>Baseline (2010): FBH: feasibility study for additional PA underway. FBH and RS: PA management plan for 1 NP contracted and PA management plans for 4 more PAs being contracted.</p> <p>Target (2013): FBH: 1 more new PA formally proposed and considered. FBH and RS: at least 3 parks, including Sutjeska, fully implement new ecosystem-based approaches.</p> | <p>investments in Zivinice waste water treatment plant. SIDA will co-finance waste water treatment plant in Mostar.</p> <p>Neretva and Trebisnjica Management - GEF (P084608), in partnership with the EC (EU IPA grant financing EUR 2 million)</p> <p>Forest and Mountain Protected Areas - GEF (P087094).</p> <p><u>Potential new financing:</u> Forestry Project II, Regional Flood Control, CRIF, and Sustainable Municipalities Project. If these operations are pursued, performance indicators will be included in the CPS PR.</p> |
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Annex 2: FY08 – FY11 CPS COMPLETION REPORT

This report is a self-evaluation by the World Bank of the experience in implementing the FY08 – FY11 Country Partnership Strategy (CPS) in Bosnia and Herzegovina (BH). The main purpose of this report is threefold:

- i) assess progress towards achieving country goals and in that light examine the development outcomes and overall performance of the CPS program;
- ii) assess the performance of the World Bank in delivering the CPS program; and
- iii) derive lessons from the implementation of the CPS program that will be taken into consideration for the design and implementation of the new CPS for the period FY12 - FY15.

I. SUMMARY OF FINDINGS

1. **Overall, the CPS program achieved expected outcomes in both core and non-core areas.** The CPS program and consequently its expected outcomes were divided into “*core*” and “*non-core*” program areas. Core program areas were related to sectors in which there was strong demand for investments along with clear commitment for reforms by the authorities, while the non-core program referred to reform areas where political commitment needed to be verified prior to engagement. Under the core program, all major outcomes were either fully or partially achieved. In particular, all core program indicators were fully achieved in Pillar II of the CPS which aimed at improving the quality of public spending and the delivery of public services for the vulnerable. Progress was also made in non-core program areas where three out of four non-core program goals were partially achieved. An indicator related to Sava river navigability was dropped as the project, which would lead to that particular outcome, was postponed to the next CPS. An increase in formal employment was the only outcome which was not achieved. In spite of the progress made during the first two years of the CPS program implementation, performance in this area was severely affected by the economic crisis.

2. **World Bank performance in delivering the CPS program has been satisfactory.** Based on the lessons learned from the implementation of the previous Country Assistance Strategy FY05 - FY07, the World Bank followed the principles of result orientation, flexibility, and partnership in delivering the program. In particular, the World Bank demonstrated flexibility in adjusting its lending program in response to the impact of the global economic crisis. Given the rapidly changing economic environment, the BH authorities and the World Bank pursued an urgent reprogramming of the CPS program to help mitigate the impact of the crisis with focus on maintaining macroeconomic stability, protecting the vulnerable through improved targeting of social benefits, and mitigating the effects on the real economy, and small and medium enterprises in particular. Consistent with these priorities, in FY10 the World Bank approved four projects for a total amount of US\$231 million, a record amount since the period of post-conflict reconstruction.

3. **Key lessons and recommendations for the new CPS** can be summarized as follows:

- The World Bank can support structural reforms in BH’s politically complex environment, but a long-term commitment is needed.
- Policy dialogue in key areas should be maintained even in the absence of lending, as it provides valuable input and forms a basis for future policy making.
- Build consensus around institutional arrangements to be pursued under the project during the project preparation.

- Maintain flexibility in allocation of resources.
- Results are possible even in the politically tensed environment when interventions are aligned with investment priorities of the government.
- Reinforce operational cooperation with development partners, IFIs, and the EC in particular.

II. PROGRESS TOWARDS ACHIEVING COUNTRY GOALS

4. **In the absence of the formal Country Development Strategy, the declaration entitled “Platform for Action” from October 2007, which outlined key reform areas that governments at all levels in BH will pursue, served as the basis for the CPS design.** A new Country Development Strategy for the period 2008 - 2013, was still under preparation at the time when the CPS was agreed. The Platform for Action outlined the commitment by the authorities to take collective and coordinated action in the following three areas: i) **improve fiscal coordination and stability;** ii) **create a more conducive business environment;** and iii) **promote other reforms that ensure sustainable development.**

Improving Fiscal Coordination and Stability

5. **Satisfactory progress was made in terms of improving fiscal coordination and stability.** The state level Law on Fiscal Council was adopted in 2008 and the BH Fiscal Council was subsequently established. The Fiscal Council was the key forum for discussion related to the IMF Stand-by Arrangement in the amount of about EUR 1.1 billion (600 percent of the quota) which was approved in July 2009. The Fiscal Council agreed to an overall fiscal envelope for 2009 and 2010, which was an explicit condition under the IMF’s Stand-by Agreement. The World Bank was not directly involved in activities related to establishment and performance of the Fiscal Council.

6. **Entity governments launched structural reform of the social protection schemes.** Reviewing and streamlining the social spending scheme with a view to improving its effectiveness was an explicit objective in this area of the Platform for Action. Recognizing that the system of social protection in BH was poorly targeted, inequitable, and fiscally unsustainable, entity authorities partnered with the World Bank in designing a reform program that would improve targeting of social benefits and ensure provision of services to the most vulnerable on a sustainable basis. A policy matrix developed for the First Public Expenditure Development Policy Operation (DPO I) contained a set of policy measures that initiated the process of structural reforms in the area of social protection. Legislative changes that were adopted in late 2009 in the RS and early 2010 in the FBH as a part of the DPO I supported policy reforms, were possibly the most significant structural reforms pursued in BH over the last five years.

7. **The economic crisis halted any promise of BH reducing public expenditure as a share of GDP.** Due to the impact of the global economic crisis, GDP in BH was reduced for the first time since the war. At the same time, governments in BH tried to maintain the same level of expenditures during the crisis. Consequently, the public expenditure increased from 49.5 percent of GDP in 2008 to 50.4 percent of GDP in 2010. Simultaneously, there was a drop in public revenues from 46 percent of GDP in 2008 to 45 percent of GDP in 2010. Resulting fiscal deficit was partially closed by the IMF stand-by arrangement and the World Bank’s DPO I.

Creating a Better Business Environment

8. **Modest progress was made in improving the business climate in spite of significant progress in property registration.** While progress was made in simplifying business registration, starting a business is still slow and complex. The World Bank's Doing Business 2011 report ranks BH at 110th place. BH is the second lowest ranked economy in South East Europe, and only Kosovo is ranked lower at 118th place. However, progress was observed in terms of property registration. The time it takes to register property has been reduced from 84 days in 2009 to 33 days in 2010. Doing Business 2011 recognized this progress and BH moved from 139th to 103rd place in terms of registering property indicator. While the Bank correctly recognized that there was little commitment to pursue reforms in the area of business environment ("non-core" program), there were positive outcomes in this area where there was substantial Bank engagement, particularly through the Land Registration Project.
Promoting sustainable development

9. **Accelerated implementation of investment projects lead to satisfactory outcomes in the transport and energy sector, while the development of competitive agriculture was only partially achieved.** Sustained and coordinated efforts by IFIs (EBRD, EIB and the World Bank) resulted in substantially improved road maintenance, and an increasing level of investments in new road sections. Overall, IFIs (EBRD, EIB, and the World Bank) approved about EUR 848 million for investments in the transport sector over the last 5 years, and EUR 336 million was disbursed mainly for road rehabilitation during the period 2009-2010. In the energy sector, export of power reached record levels in 2009, and the three power management companies maintained strong performance both in terms of profitability and in terms of quality of services over the last four years. However, in the agriculture sector absence of political agreement about the role of different levels of government has prevented coordinated action to improve competitiveness of the sector.

III. DEVELOPMENT OUTCOMES AND PERFORMANCE OF THE CPS PROGRAM

10. **The CPS program was well aligned with the priorities outlined in the Platform for Action.** Pillar I of the CPS aimed at improving the environment for private sector led growth and convergence to the EU. Activities under Pillar I responded to two sets of priorities outlined in the Platform for Action: i) create a better business environment; and ii) promote reforms that ensure sustainable economic development. Pillar II which focused on the quality of public spending and the delivery of public services for the vulnerable, responded to the Platform for Action goal of improving stability and fiscal coordination by, inter alia, reviewing and streamlining social spending schemes with a view to improve their effectiveness.

11. **Overall, the CPS program achieved projected development outcomes in "core" program areas, while projects outcomes in "non-core" areas were partially achieved.** As mentioned earlier, the CPS program and its outcomes were divided into "core" and "non-core" program areas, whereby core areas were related to sectors with strong demand for investments along with clear commitment by the authorities, while non-core areas were characterized by less clear political commitment to reforms. In particular, projected outcomes in the core program areas such as land registration, electricity generation, water supply and sanitation, primary health care, and small scale agriculture, were fully achieved. CPS outcomes were partially achieved in other core program areas such as business registration, agricultural policy, energy market integration, and protected areas. Outcomes were also partially achieved in all non-core areas except in the case of non-core indicator related to an increase in formal employment. This goal was not achieved due to the economic crisis. A summary of the CPS outcomes is schematically shown in

Figure 1 below. Please see Result Matrix in Table 1 for a detailed description of progress against individual performance indicators.

Figure 1: CPS Program Performance

| CPS Pillar | CPS outcome areas | CPS implementation progress | | |
|--|-------------------------------------|-----------------------------|--------------------|----------|
| | | Not achieved | Partially achieved | Achieved |
| Pillar I: Improve the environment for private sector led growth and convergence to Europe | Business registration | | | |
| | Land registration | | | |
| | EU compatible agriculture | | | |
| | Road network | | | |
| | Energy market integration | | | |
| | Electricity generation | | | |
| | Ecosystem protection | | | |
| | A vian influenza | | | |
| | Sava river navigability | | | |
| | <i>Privat. & corp. restr. *</i> | | | |
| | Water and sanitation | | | |
| | Solid waste management | | | |
| Participatory budgeting | | | | |
| Primary health care | | | | |
| Commercial agriculture | | | | |
| <i>Social benef. targeting*</i> | | | | |
| <i>Fiscal coordination*</i> | | | | |
| <i>Formal employment*</i> | | | | |
| <i>* Non-core outcomes</i> | | | | |

Internal and external factors affecting CPS program performance

12. **BH's complex and fragmented governance structure and political polarization between the key political parties undermined the advancement of a single economic space.** As recognized in the CPS document, heightened political tensions in the BH's complex governance structure represented the main risks for the policies aimed at strengthening the single economic space, and coordinated implementation of economic reforms. Project activities that required a degree of political consensus about the role of different levels of government were negatively affected (for example Agriculture and Rural Development Project -ARDP- see para 17 below).

13. **In spite of the unfavorable political environment, the necessity to respond to the impact of the global economic crisis provided strong incentive to initiate reforms.** BH authorities and the World Bank recognized that an effective response to the crisis would require macroeconomic stability, adequate protection of the most vulnerable, and acceleration of investments. In this context, satisfactory results were achieved even in the politically complex environment. Macroeconomic stability was maintained, reforms were initiated to improve targeting of social benefits to the vulnerable, and implementation of investment projects was significantly accelerated.

Pillar I: Improving the environment for private sector led growth

14. **Substantial results were achieved in reducing business registration in courts.** The time needed for courts to process business registration fell from 17 days in 2007 to 6 days in 2010 in the RS, and from 23.7 to 10.4 days in the FBH. The Business Enabling Environment Structural Adjustment Credit, which closed in December 2007, contributed to achievement of these results. However, progress in court registration was not followed by streamlining in other areas of business registration. Thus, in spite of recent progress particularly in the RS, business registration in BH remains complex. As indicated in Doing Business 2011, business registration takes on average 55 days and involves 12 procedures. The World Bank delivered a Doing Business Reform Memorandum in 2008 outlining actions to improve the overall business environment. After successful streamlining of business regulations including business registration in the RS, the IFC currently supports a “guillotine” initiative in the FBH in an effort to reduce excessive business rules and procedures.

15. **Registration of property has been streamlined, and the backlog of cases has been reduced.** The time required to register property has been reduced from 84 days in 2009 to 33 in 2010. A substantial backlog of property registration cases (80,000 in 2006) was significantly reduced to 18,305 in November 2010. As mentioned above, the Doing Business 2011 report recognized this progress and BH has moved from 139th to 103rd place in terms of the registering property indicator. The World Bank has supported reforms in this area through the Land Registration Project. Design of this operation has proven to be sound; and it envisaged the need for a follow-up operation, which will be considered in the new CPS. Design of a follow-up project should inter alia include a communications campaign to raise public awareness of women’s legal rights, and develop an IT system to collect and monitor data by gender. Namely, recent analysis showed that while women’s legal rights are formally protected, tradition frequently favors male inheritance of property so that women waive their inheritance of land in favor of male family members

16. **The Investment Climate Assessment (ICA) found that the private enterprise sector in BH has been on an upswing but its full potential remains constrained.** The ICA report, which was delivered in June 2008, identified the main obstacles for private sector development, and recommended actions that should be considered in the enterprise sector, business environment, and corporate restructuring if private sector-led growth is to become a significant influence in the expansion of the BH economy.

17. **Lack of political consensus affected EU related reforms in the agriculture sector.** Activities related to building the institutional capacity and agricultural information systems are progressing well, while the activities related to establishing the EU compatible payment system remain behind schedule due to the lack of agreement as to the role and authority distribution between the various levels of government. Acknowledging that such an agreement is unlikely to be reached over the short-term, the World Bank is currently restructuring the ARDP to reallocate resources to well performing components, and in response to the flooding crisis in late 2010 in BH which had severely negative effects on farmers in affected areas.

18. **Investments in the transport and energy sector led to satisfactory outcomes.** The Road Infrastructure and Safety Project made strong progress against the target of rehabilitating 240km of roads. The intermediate outcome indicator of 120 km of road rehabilitation in each entity has already been met in the RS, while 89% completed in the FBH. It is expected that outcomes related to road safety and reduction in road user costs will be achieved by the end of the project. In the energy sector, continued

support of the World Bank (currently ECSEE APL3 is under implementation), and other development partners has contributed to achieving record levels of power generation in 2009. The alignment of investments with the priorities of the Entity governments and the implementing agencies led to successful outcomes. Export of power by BH helped alleviate shortages in the region, deepen integration of regional electricity market, and was commercially attractive for BH power utilities. Convergence of national and regional interests helped strengthen regional power trade and is the building block of regional market development in the early stages. These results were partially offset by the failure to promote integration of the power sector into the regional market due to disputes on the functioning of the national transmission company (TRANSCO).

19. **IFC financing was well distributed to support SMEs, microfinance, banks, and medium size local companies.** IFC's strategy was to actively support the restructuring and modernization of local companies in BH, to improve their competitiveness, encourage broader intra-regional collaboration and provide financing to local and regional investors with focus on export-oriented companies. For example, IFC financing for CIMOS company helped to revive the automotive industry in BH, and has contributed to about 1,000 jobs. In addition, the project helped the company to develop management and technical skills, transfer knowledge, improve productivity, and promote efficient use of raw materials and labor, which in turn helped to strengthen the competitiveness of the domestic automotive industry in the country. IFC supported micro-entrepreneurs and SMEs through credit lines to two local banks as well as through its financing to two microfinance institutions. Financing to MFIs "EKI" contributed to disbursement of 84,000 new loans during 2009-2011, increased loan portfolio financing for women to US\$80.0 million by the end of 2011 from US\$47.0 million as of December 31, 2007, and is expected to reach an estimated 5,000 new micro-entrepreneurs during the life of the loan. IFC loan to MFI "MI-Bospo" will help reach an estimated 3,000 new micro-entrepreneurs.

20. **Partially satisfactory outcomes were achieved in protecting the critical forests and mountain areas, while the objective of strengthening capacity to respond to avian influenza and other similar outbreaks was fully accomplished.** Although the total area under formal protection increased from 0.55% in 2007 to 2.1% in 2010, delays in formation of Una national park affected overall progress against the target of 3% of protected areas by 2010. The perceived reduced risk of avian influenza outbreak has reduced demand to adhere to strict and safe poultry handling procedures. Nevertheless, it is estimated that 50% of the at-risk population practice safe handling procedures.

21. **Privatization and corporate restructuring made only moderate headway.** Only six strategic enterprises were privatized during the period of the CPS implementation (2 in the FBH and 4 in the RS). Commitment to privatization remains elusive, particularly in the FBH, as privatization goals did not feature prominently in the programs of political parties in the campaign for October 2010 general elections. The World Bank correctly decided to extend limited support in these "non-core" areas through the EC financed Trust Fund for corporate restructuring and through non-lending services such as the 2008 ICA. Companies which adopted recommendations provided under the EC Trust Fund improved their operations and profitability in 2010. After a successful Turkish company privatized a soda ash plant, one of the largest employers in Tuzla area, IFC supported its turnaround and increased competitiveness through economies of scale. Through its investment IFC contributed to help alleviate the adverse effects of the global financial crisis on BiH and sent an encouraging signal to other foreign investors in the region.

Pillar II: Improving the quality of public spending and the delivery of public services for the vulnerable

22. **All core program outcomes under Pillar II were achieved.** World Bank supported programs were successful in improving local infrastructure, enhancing primary health care, and extending support for small scale agriculture in less developed areas.
23. **Results were particularly noteworthy in improving local infrastructure and services.** The Urban Infrastructure and Services Delivery Project helped reduce water losses in all participating municipalities and extend 24h water supply to some 300,000 inhabitants for the first time. Under the Solid Waste Management Project the Bank supported six regional sanitary landfills that are now fully functional. The number of wild dumpsites was reduced by 15%. The Second Solid Waste Management Project, which is currently under implementation, will expand the number of regional landfills and improve their effectiveness.
24. **The Health Sector Enhancement Project was successful in promoting the family medicine model of primary health care.** Targets related to utilization of family medicine in primary health care were exceeded in the FBH, and fully achieved in the RS. Most importantly, the percentage of the population registered with family medicine teams increased from 5% before the project started, to about 58% of the population in early 2011. Additional financing in the amount of US\$10 million approved in Q3 FY11 will build on this successful implementation and further expand the coverage of the family medicine model of primary health care to 70% of the population.
25. **The IFC support for the BH Heart Center in Tuzla has increased access to essential cardiovascular services.** The Center was the first private hospital and thus has helped establish quality benchmarks for the delivery of private health services. Also, the project is an example of successful public-private partnership in demonstrating the viability of public financing of privately provided services. The Center is expected to reach 4,500 in-patients and 20,000 outpatients per year by 2012
26. **Reforms were initiated in the non-core program area of improving targeting of social benefits.** Continued policy dialogue underpinned by the Bank's analytic work (Social Transfers in BH: Moving Toward a More Sustainable and Better-Targeted Safety Net), laid the groundwork for the reform of the system of non-insurance based cash transfers. In late 2009 and early 2010, as a part of the reform agenda agreed under the DPO I, the entities adopted legislation that should substantially improve the targeting of non-insurance based cash benefits. In addition to this, the Social Safety Net and Employment Support Project was designed to provide technical support for implementation of reforms of the social protection system, and extend job-brokerage services to vulnerable active job seekers. However, legislation remains pending to introduce the principle of means testing for all non-insurance based cash-transfers except for war veterans with a disability of 60% and above. Newly elected governments are facing significant pressure by interest groups to maintain the current levels of spending with no improvements in targeting. At the same time, Entity governments need further budget support and a follow up DPO II will be considered in the new CPS. In this context, prior to embarking on a new set of reforms that would be supported under the DPO II, the World Bank and the Entity governments will ensure that there was no backtracking and that there continues to be satisfactory progress in implementing the DPO I reforms.

IV. WORLD BANK PERFORMANCE

27. **Overall, the World Bank performance in delivering and implementing the CPS program was satisfactory.** The Bank delivered the program that was aligned with the country priorities, realistically achievable, and which incorporated principles of flexibility, partnership and results orientation based on lessons learned from the earlier programs. The two pillars of the CPS were consistent with government priorities, and aimed to accelerate the country's progress toward the EU membership.
28. **The Bank made the right decision to atune its program to a "Platform for Action".** In the absence of a formal country development strategy, the Platform for Action represented the minimum common denominator of development priorities jointly pursued by all levels of government in BH. The fact that the new Country Development Strategy has still not been adopted by all levels of government suggests a shortcoming in commitment among different levels of government in BH to jointly address key development priorities. Tensions surrounding the constitutional reform process created an environment whereby development programs and even the process of EU integration were treated as less important by the key policy makers. In such an environment, the Bank acted pragmatically, aligning its program behind the single available platform that aimed at accelerating the implementation of urgent reforms to attract investment, accelerate job creation and improve overall living standards in the country.
29. **The Bank demonstrated responsiveness in allocating resources based on the strong demand and commitment, and flexibility to adjust the lending program in response to the economic crisis.** During the first phase of CPS implementation (FY08-FY09) the Bank approved projects in the "core" areas of transport, local infrastructure and environmental protection for which there was a strong demand and commitment for reforms by the authorities. During the second phase (FY10-FY11), the Bank and the BH authorities agreed that the rapidly changing economic environment required urgent reprogramming of certain planned investment operations and careful consideration of the DPOs. Consequently, the Bank's lending program for 2010 included support for the country's budgets under stress by the drop of revenues caused by the global economic slow-down, through the Public Expenditure DPO I (US\$111 million), and a line of credit to enhance access to finance for small and medium enterprises (US\$70 million). This also meant that the Sava River Navigability Project that was originally scheduled for this CPS period had to be postponed to the next CPS cycle.
30. **IFC maintained satisfactory performance** combining its investment operations with advisory services to improve access to finance and competitiveness of micro-entrepreneurs and SMEs, develop trade finance to help trade flows during the global financial crisis, and to explore opportunities for public private partnership (PPP) projects. IFC currently has 9 projects in its BH portfolio, with total commitment of US\$ 128.4 million. Projects in the financial sectors represent 35%, general manufacturing 61%, and health 4% of the IFC portfolio
31. **The delivered lending program was in line with maximum planned lending.** A total of nine operations, eight investment projects and one DPO, were delivered during the CPS period (see Table 1). Maximum planned lending was US\$317 million, and the total amount approved over the CPS period was US\$315.4 million of which IDA credits - US\$131, IBRD loans - US\$175 million, and GEF grants - US\$9.4 million. IFC committed over US\$76 million for six projects (3 in the financial sector, 1 in health, and 2 in chemicals).

32. **Over the last year there has been significant progress in accelerating project implementation and reducing effectiveness delays.** In the period 2006-2009 it took on average 10-12 months for projects to become effective upon Board approval. Consequently, many projects were affected in the initial stages of implementation, which led to suboptimal outcomes. In 2010, this processing time was reduced to 6.7 months on average. Further reducing the time required for project effectiveness to 6 months is the target agreed with counterparts from all project teams and the ministries of finance. It is expected that elimination of effectiveness delays will greatly accelerate implementation and achievement of development outcomes.

33. **Strong disbursement performance.** The disbursement ratio in FY10 was 25.9% which was the best result of all Southeast European Countries (ECCU4) and among the best in the ECA region. The current disbursement ratio (June 2011) of 24.5% means that strong disbursement performance was maintained in FY11 (see Figure 2 below). The main reasons behind the strong recent disbursement performance are a mix of internal and external factors including: i) the urge to accelerate implementation in response to the economic crisis and political cycle (general elections in 2010); ii) maturity of larger projects in the portfolio (for example: Road Infrastructure and Safety, ECSEE APL3, and Solid Waste Management D); and iii) the project design attuned to the domestic priorities and implementation capacity.

Figure 2: Trends in Disbursement Rates (% of undisbursed balances)

| | FY07 | FY08 | FY09 | FY10 | FY11 |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| Bosnia and Herzegovina | 13 | 13 | 16 | 26 | 25 |
| ECA | 19 | 19 | 18 | 19 | 17.2 |
| Bank | 23 | 22 | 27 | 24 | 24 |

34. **As of June 2011, the active portfolio consisted of 14 projects, with total commitments of US\$ 332.3 million, of which about US\$200 million remains available for disbursement.** The current portfolio is healthy. The amount of commitment at risks, a measure of the likelihood that projects will not meet their stated development objectives on time, represents 6.3% of the portfolio which compared favorably with ECCU4 (8.7%) and ECA averages (12%). Only one project is currently considered to be at risk. Implementation progress for ARDP is rated as moderately unsatisfactory and the project restructuring is pursued to address identified weaknesses. Implementation progress of all other projects is rated moderately satisfactory (see Figure 2 below).

35. **Analytical and Advisory Activities provided strong input for the policy dialogue, and helped the authorities develop responses to the economic crisis.** The analytical work delivered during the period of the CPS implementation was aligned with the country demand and economic concerns. A Policy Note on Social Assistance Transfers in BH (FY09), and Poverty update (FY10) provided analytical underpinning for the reforms of the social protection system that were initiated in late 2009 and early 2010. An Investment Climate Assessment (FY08) responded to the need to analyze performance and structural constraints in the enterprise sector and provide recommendations on how to address identifies challenges. A Transport Sector Review (FY10) provided a framework for future development planning in the transport sector. Finally, a series of policy notes on competitiveness, which jointly present the Country Economic Memorandum for BH, informed the policy dialogue about the relevant aspects of competitiveness. These Policy Notes and the policy dialogue generated during and after their presentation contributed to the design of the new CPS.

Figure 3: Portfolio Indicators - June 2011

| Project name | Board | Effective | Closing | Age in years | | Orig. commitment \$ | % disbursed | % Disb. ratio in FY10 | % Disb. ratio in FY11 | Latest IP | Latest DO |
|---------------------------|------------|------------|------------|--------------|--------------|---------------------|--------------|-----------------------|-----------------------|-----------|-----------|
| | | | | | | | | | | | |
| HEALTH SECTOR | 3/31/2005 | 4/3/2006 | 6/30/2011 | 6.2 | 27.00 | 91.1% | 52.8% | 53.7% | S | MS | |
| SOCIAL SAFETY & EMPL | 2/25/2010 | 10/7/2010 | 10/31/2014 | 1.3 | 15.00 | 4.9% | 0.0% | 9.3% | MS | S | |
| AGR & RURAL DEVT | 6/19/2007 | 2/26/2008 | 6/30/2012 | 3.9 | 21.00 | 24.9% | 6.9% | 16.2% | MS | MS | |
| AVIAN INFLUENZA | 6/20/2007 | 3/28/2008 | 6/30/2011 | 4.0 | 5.00 | 63.3% | 38.2% | 84.2% | S | S | |
| ECSEE APL3 | 6/16/2006 | 4/13/2007 | 6/30/2012 | 5.0 | 36.00 | 48.8% | 16.9% | 47.3% | S | S | |
| FOREST&MOUNT AREAS | 5/29/2008 | 4/17/2009 | 4/30/2013 | 3.0 | 3.40 | 28.5% | 9.0% | 8.4% | MS | MS | |
| LAND REGISTRATION | 4/27/2006 | 4/16/2007 | 3/31/2012 | 5.1 | 15.00 | 58.2% | 29.0% | 40.9% | S | S | |
| NERETVA & TREBISNICA | 5/29/2008 | 3/6/2009 | 12/31/2013 | 3.0 | 6.00 | 28.7% | 16.6% | 25.5% | S | S | |
| ROAD INFR & SAFETY | 12/13/2007 | 9/19/2008 | 12/31/2011 | 3.5 | 25.00 | 77.9% | 51.2% | 70.1% | MS | S | |
| WATER QUALITY PROTECT | 6/7/2005 | 11/18/2005 | 2/28/2011 | 6.0 | 8.90 | 56.5% | 24.8% | 37.2% | MS | S | |
| URB INRA & SER | 7/8/2004 | 2/23/2005 | 6/30/2011 | 6.9 | 25.00 | 68.2% | 13.5% | 46.1% | MS | MS | |
| SOLID WASTE II | 11/25/2008 | 10/23/2009 | 2/28/2014 | 2.5 | 40.00 | 4.5% | 4.0% | 2.4% | MS | S | |
| SARAJEVO WASTE WATER | 12/22/2009 | 7/15/2010 | 11/30/2015 | 1.4 | 35.00 | 3.2% | 0.0% | 3.2% | S | S | |
| ENHANCING SME ACCESS | 12/15/2009 | 8/16/2010 | 7/31/2014 | 1.5 | 70.00 | 6.8% | 0.0% | 23.27% | S | S | |
| 14 active projects | | | | 3.8 | 332.3 | 38% | 25.9% | 24.5% | | | |

36. **IFC advisory services in BH focused on four business lines: i) sustainable business advisory-** with programs on corporate governance, renewable energy, integrated solid waste management and international standards and technical regulations and Balkan hotel market access; ii) **investment climate-** with programs on alternative dispute resolution, and sub-national competitiveness (investment generation as a part of sub-national competitiveness); iii) **access to finance-**with programs on micro-finance; and iv) **infrastructure-**promoting private sector participation (PSP) in all infrastructure sub-sectors.

Highlights of the results achieved through IFC advisory services include:

- BH's first initial public offering of a private company with the listing of Fratello Trade at the Banja Luka Stock Exchange.
- Corporate governance codes and corresponding scorecards for the Sarajevo and Banja Luka Stock Exchanges.
- Working with the University in Sarajevo IFC helped to set up the first Masters program in Corporate Governance in the region with 127 postgraduate students being graduated so far.
- Advisory services to 6 local SMEs helped them to get US\$ 13 million in financing from the local banks and other investors, and US\$2 million from IFC.
- IFC supported 6 local companies in construction materials and food processing sectors to implement international standards needed for export to international markets. Companies received US\$2.4 million in financing and increased their exports by US\$15.6 million.
- Integrated solid waste management advisory services contributed to the finalization of a €7.5 million PPP investment into a biomass district heating plant in Gracanica.
- Sub-national competitiveness project contributed to direct and indirect savings for businesses of more than US\$54 million. Out of about 1,400 administrative procedures more than 820 were improved, 90 procedures were changed, more than 1,700 businesses went through the reformed procedures, and about 900 people were trained.

- IFC’s advisory services helped MFI “MI-Bospo” to transform into a microfinance company.
- IFC advisory services, with the introduction of the Balkan Hotel Market Access Program assisted to ongoing efforts to attract international tourists to the BH by developing three on-line booking web portals.

V. LESSONS AND SUGGESTIONS FOR THE NEW CPS

37. **The World Bank can support structural reforms in BH’s politically complex environment, but a long-term commitment is needed.** Bank support to structural reforms—e.g, business environment reform through the Business Enabling Environment Structural Adjustment Credit—suggests structural reforms in BH take time to implement, and desired outcomes may be achieved only in stages and over the medium term. Thus, a longer-term commitment and a combination of financial and advisory services are needed to achieve long lasting results.

38. **Policy dialogue in key areas should be maintained even in the absence of lending, as it provides valuable input and forms a basis for future policy making.** Despite failure to push forward much needed structural reforms in the area of social and veteran benefits, and cancellation of US\$51 million for the Second Social Sector Structural Adjustment Credit (SOSAC II) in 2006, the Bank continued policy dialogue in this sector. The dialogue culminated with the presentation of findings of 2009 study on social benefits in BH which revealed that the system was inequitable, inefficient, and fiscally unsustainable. Continued policy dialogue and the Bank’s analytic work provided basis for the initiation of reforms that were supported under the DPO I. These reforms will have a greater chance of success since the BH authorities had access to the right mix of financial (DPO and SSNESP) and advisory services from the Bank. It is still preferable in BH to continue to pursue a degree of reform through investment lending, and to rely on not overly complex or ambitious DPOs opportunistically, in line with domestic capacity, and in areas where there is clear commitment for reforms. At the same time, policy dialogue should be maintained in selected key areas where the Bank’s analytic work may serve as a basis for the future reforms.

39. **Build consensus about institutional arrangements to be pursued under the project during the project preparation.** Institutional reforms envisaged under several projects designed during the previous CAS did not enjoy political support and implementation was consequently delayed. For example, under the ARDP, the activities related to establishing an EU compatible payment system are behind schedule due to the lack of agreement as to the role and authority distribution between the various levels of government. Furthermore, several projects have experienced delays at the beginning of the implementation since implementation arrangements are not firmly agreed (for example SSNESP in the RS did not start 4 months after effectiveness). In a politically complex environment such as BH, it is necessary to reach firm agreement about all aspects of institutional and implementation arrangements during the project preparation.

40. **Maintain flexibility in allocation of resources.** The Bank demonstrated much needed responsiveness and flexibility in adjusting its lending program in response to the impact of the global economic and financial crisis. Although flexibility may involve postponement of some operations, it should be maintained in the next CPS cycle as it allows the Bank to respond to emerging economic concerns by the Government.

41. **The Bank's decision to divide the CPS program into "core" and "non-core" program areas has proven successful.** Such an approach allowed much needed flexibility to the Bank to simultaneously pursue investment lending in "core" areas while maintaining policy dialogue and opportunity for engagement in the "non-core" areas. For example, when the opportunity emerged, the Bank played a lead role in helping the Governments achieve the objective of reviewing and streamlining social spending schemes with a view to improving their effectiveness.
42. **Results are possible even in the politically difficult environment when interventions are aligned with investment priorities of the government.** The Bank applied lessons learned from the previous CAS period (FY05-08) and fully aligned its portfolio to the investments priorities of the Entity governments. Whereas in the previous CAS, the portfolio included structural adjustment credits and associated TA projects for which there was little commitment, the structure of the portfolio during this CPS period mainly included investment operations for which there was high level of commitment and readiness to implementation. This principle should be maintained in the next CPS cycle. Furthermore, limited World Bank resources should be allocated more strategically. While some streamlining of the portfolio has been achieved, from 16 active projects worth US\$300 million at the time of CPS approval to 12 projects worth US\$302.3 million at the end of the CPS cycle (June 30, 2011), greater selectivity will be needed in the new CPS, focusing on the fewer larger operations. Small stand-alone operations should be avoided. Additional financing and project restructuring should be considered in sectors where there is need to scale up operations or where new circumstances require a different approach. This will involve making some tough strategic choices and even exiting some sectors.
43. **The Bank should continue to strengthen partnerships with other development partners, International Financial Institutions (IMF, EBRD, EIB, CoEDB), and the European Commission (EC) in particular.** During implementation of the CPS program the Bank's activities were harmonized with activities of other development partners. The IMF has been the key partner in supporting reforms in the social sector as these reforms complemented the IMF's stabilization program. Successful partnership was maintained with EBRD and EIB in the transport sector and energy sector, and with CoEDB in the health sector. Informal coordination among IFIs (EBRD, EIB, IMF, IFC, CoEDB, KfW) was initiated by the Bank. Cross cutting portfolio issues were examined and it was agreed that IFIs will make a joint presentation about the key issues affecting implementation of investment projects to the new State level government. SIDA remains an important development partner in activities related to business climate, agriculture and local infrastructure. Finally, given that support for the process of BH's EU accession is likely to remain the key cross cutting theme in the new CPS, strategic partnership with the EC will be the key in maximizing the development outcomes. In 2010, a new form of partnership was introduced between the EC and the Bank in BH with the EU approving EUR 22.6 million of IPA funds as co-financing for five Bank financed investment operations in two sectors: transport, and environment (water management). Implementation of this co-financing arrangement will be an important guide for any future partnership with the EC.
44. **Synergy between the IBRD/IDA and the IFC should be further improved.** The CPS period was marked by satisfactory cooperation within the World Bank Group. However, BH counterparts will benefit from a more fully integrated approach by the World Bank Group in pursuing country development goals. In this regard, the Result Matrix of the new CPS should reflect outcome indicators that will be achieved by all agencies of the World Bank Group (IDA/IBRD/IFC) and its main development partners.

Table 1: CPS Program FY08 - FY11 - Summary of Self-evaluation

| Country Strategic Goals | CPS Outcomes Supporting Country Goals | Status and Evaluation Summary | Lending and Non-lending activities that contributed to the outcome | Lessons for the new CPS |
|--|--|--|---|---|
| Pillar I – Improve the environment for private sector led growth and convergence to Europe | | | | |
| <p>Create the conditions for sustainable and balanced economic growth and EU integration process</p> <p>Key reform priorities in the Platform for Action supporting this goal:</p> <ul style="list-style-type: none"> - Create a better business environment - Promote reforms that ensure sustainable economic development | <p>CORE PROGRAM GOALS</p> <p><i>Reduction in the duration and number of procedures required to register a business.</i></p> <p>Baseline: June 2007: New Business Registration System (BRS) launched – Average registration time 54 days (DB) Target: 30 days in the FBH, 23 days in the RS (2008)</p> <p><i>Development of transparent land markets through registration of real estate</i></p> <p>Baseline: 2006: 150,000 registry folders completed in the automated database, 80,000 backlog cases, several months to complete real estate transactions Target: 2 million folders completed, full reconciliation, no backlogs (2011)</p> | <p>PARTIALLY ACHIEVED: Court registration improved but start up process is still slow. In 2010, all 16 courts used the new business registration system; average court registration takes 6 days in the RS and 10.4 days in the FBH. Overall start up process takes 55 days in the FBH and 22 days in the RS.</p> <p>ACHIEVED: As of June 2011, 1.45 million folders were completed. Backlog has been reduced to 18,305 and 80% of cases is now resolved in 5 working days in 16 Land Registration Offices (10 in FBH and 6 in the RS). Current progress in implementation of the Land Registration Project provides assurance that the program goal will be fully achieved as planned by the end of 2011.</p> | <p>Business Environment Structural Adjustment Credit (P071001 - BAC) - the credit was closed on December 15, 2007 after meeting the outcome based conditions related to business registration.</p> <p>Land Registration Project (P096200) - project closing on March 31, 2012. The project document was clear and realistic about what could be achieved during the project implementation as well as what would be needed in the subsequent five year period. Thus, there was the big picture and specific achievable outcomes for a project. These estimates have turned out to be accurate and during the last year of the project the counterparts have been preparing the follow-up program for the next five years.</p> | <p>Structural reforms take time in BH, and desired outcomes may be achieved only in stages and over the medium term (BAC implementation lasted 5 years, very unusual for a SAC). The main lesson from this and other attempts at structural reforms in BH, is that the country and its fragmented governance structure present unique challenges to building commitment for the reform agenda. DPOs may be successfully used to pursue reforms in areas (currently not many) where the commitment to reform – and a certain level of consensus about the path to follow - is evident in both Entities and at the State level. Or where the external environment, be it a global economic crisis or the EU accession agenda, is creating the opportunity to build commitment where it was previously lacking. Thus it is preferable in BH to continue to pursue a degree of reform though investment lending, and to rely on not overly complex or ambitious DPOs opportunistically, in line with domestic capacity, in areas where there is commitment for reforms.</p> |

| Country Strategic Goals | CPS Outcomes Supporting Country Goals | Status and Evaluation Summary | Lending and Non-lending activities that contributed to the outcome | Lessons for the new CPS |
|-------------------------|---|--|---|---|
| | <p><i>Support harmonization with the EU's Common Agricultural Policy by supporting establishment of agricultural information systems, and EU-compatible payment systems for subsidies.</i></p> <p>Target: EU-compatible payment system designed (2010). Initiating EU-compatible Rural Development Grants (2011)</p> <p><i>Stakeholder driven extension services operational</i></p> <p>Baseline: Limited in the RS, none in the FBH (2007) Target: Stakeholder managed, contracted public-private extension services reaching 20% of commercial farmers (2012)</p> | <p>PARTIALLY ACHIEVED: Rule books on farm and client registry and livestock registry completed. In 2010, about 50% of agriculture subsidies in RS and 30% in FBH were structural (investment grants) approximating IPARD requirements. Overall, establishment of registries at state and entity level for effective Agricultural Information System (AIS) required to administer IPARD payments is progressing. However, development of an agreed program, structure, and authority for a state level payment system remains outstanding.</p> <p>PARTIALLY ACHIEVED: Extension agencies established. Draft extension strategies have been developed in both entities. However, the Bank assessed that drafts lack strategic vision to develop sustainable systems. The strategies are currently under revision based on comments from the Bank team.</p> | <p>Agriculture and Rural Development Project (P101213). Activities related to building the institutional capacity and agricultural information systems are progressing well. Activities related to establishing a EU compatible payment system remain behind schedule due to the lack of agreement as to the role and authority distribution between the various levels of government. Project restructuring underway.</p> <p>Agriculture and Rural Development Project (P101213). AAA: Policy Note Series on Trade and Integration: Agriculture Sector Policy Note.</p> <p>Currently in discussion with UK funded EPIC program to support finalizing extension strategy in both entities. Government considering using project funding to extend EPIC team support to help with this task.</p> | <p>The ARDP was prepared at a time of optimism for BH moving towards building functional state systems including a State-level Ministry of Agriculture. However, resistances to centralized state structures were well apparent. Consequently, project preparation conservatively foresaw initial entity-level structures but with the ultimate aim of linking entity systems to an emerging functional State level system. However, during implementation, the main external stakeholders, incl. EC and SIDA, developed a position favoring a single Paying Agency at the state level. At mid-term, the emerging lessons from this are:</p> <ul style="list-style-type: none"> - the exclusive insistence on the establishment of a unified, state-level Paying Agency prevented progress towards the target of an EU-compatible payment system, which could also have been achieved though state-level coordination of entity-level program and payment structures; - the target of a EU-compliant payment structure was overly ambitious. A target of an EU-type payment structure would have offered more implementation choices towards an identical target. |

| Country Strategic Goals | CPS Outcomes Supporting Country Goals | Status and Evaluation Summary | Lending and Non-lending activities that contributed to the outcome | Lessons for the new CPS |
|-------------------------|--|--|--|---|
| | <p><i>Road network better maintained and safer</i></p> <p>Baseline: 2006: road user costs US\$0.25 per km per vehicle</p> <p>Target: Reduction in road user costs of at least 10 percent on rehabilitated roads (2011).</p> <p><i>Road safety strategy.</i></p> <p>Baseline: No integrated road safety strategy at the State and Entity level</p> <p>Target: Integrated road safety strategy at the State and Entity level is implemented (2011)</p> <p><i>To facilitate BH's participation in the SEE energy market and integration into the EU; BH electricity system operated as a single control area.</i></p> <p>Baseline: no ISO (2006)</p> <p>Target: ISO-administered "Balancing Market Mechanism" for the entire BH</p> | <p>PARTIALLY ACHIEVED: 70% of planned road sections rehabilitated to date and it is expected that the rehabilitation target will be met by the project closure, but the entity road directorates have not yet provided updated road user costs for rehabilitated road sections.</p> <p>PARTIALLY ACHIEVED: Both entities adopted mutually harmonized road safety strategies in 2008. The Law on Traffic Safety on Roads in the RS has been prepared and is awaiting parliamentary approval. In the FBH, an Action Plan for implementing the Road Transport Safety Strategy has been developed and implementation is underway. It is expected that this goal will be fully achieved by the end of 2011 as originally planned.</p> <p>PARTIALLY ACHIEVED: ISO was created 2008 and is now functional and is operating the power system in the country. However, the dispute between the Entities on the issue of Transco (and related institutional</p> | <p>Road Infrastructure and Safety Project (P100792). The project closing on December 31, 2011.</p> <p>Road Infrastructure and Safety Project (P100792).</p> <p>AAA: Transport Sector Review</p> <p>ECSEE APL 3 (P090666).</p> | <p>The Bank investments played a catalytic role in supporting road rehabilitation, improvements of road safety including adoption of road safety strategies. The Bank's work also facilitated involvement of EBRD and EIB whose volumes of lending far outweigh the Bank's lending in this sector. These IFIs are expected to maintain or increase investments in road and railway infrastructure. Therefore, the Bank should consider focusing on other segments of the transport network to facilitate regional trade and cooperation (for example: Sava river navigability).</p> <p>Technical assistance for creation and institutional development of the Independent System Operator (ISO) was provided by USAID and investment financing by EIB. Though it was not funded by the Bank, monitoring of this component was included in the Project outcomes since it is an essential</p> |

| Country Strategic Goals | CPS Outcomes Supporting Country Goals | Status and Evaluation Summary | Lending and Non-lending activities that contributed to the outcome | Lessons for the new CPS |
|-------------------------|--|--|--|---|
| | <p>electricity system is fully operational (2011)</p> <p>BH electricity generation and exports sustained or increased at corresponding hydrological conditions Baseline: Power generation 12,800 Gwh (2006) Target: Equal or greater generation and exchange import/export transactions between EPs in BH and other regional power utilities.</p> <p>Improved commercial use of the Sava river corridor Baseline: 2007: sections of the river are not navigable Target: Priority sections of the River Sava returned to navigability</p> <p>Critical forests, water and mountain ecosystems protected and used in a sustainable way Baseline: Area under formal protection is 0.55% (2007) Target: protected area 3% (2010)</p> | <p>arrangement for ISO) has deepened preventing the proper functioning of Transco, and particularly its investment decisions.</p> <p>ACHIEVED: Generation and export of power in 2009 has reached record levels and the EPRS and EPBiH have earned record profits inspite of lower prices in the regional electricity market.</p> <p>NOT ACHIEVED: Sava River Navigability Project has been postponed due to the need to adjust the CPS lending program in response to the crisis.</p> <p>PARTIALLY ACHIEVED: Area under formal protection increased to 2.4% or 123,000 ha.</p> | <p>ECSEE APL 3 (P090666).</p> <p>Sava River Navigability Project - under preparation.</p> <p>GEF Forest and Mountain Protected Areas (P087094).</p> | <p>component of sector restructuring and market development. Because of political disagreements between the two Entities, this component could achieve the targeted outcome only partially. State level policy and sector structure issues that require political resolution and close collaboration among the State and the Entities should not be included in investment projects but should be supported through technical assistance with the involvement of key donors.</p> <p>Flexibility was one of the three key operating principles of the CPS (other two being results, and partnerships). The Bank demonstrated flexibility in 2009 to adjust its lending program in response to the impact of the economic and financial crisis. Although this meant postponement of some operations (such as Sava River), flexibility principle should be maintained in the next CPS cycle.</p> |

| Country Strategic Goals | CPS Outcomes Supporting Country Goals | Status and Evaluation Summary | Lending and Non-lending activities that contributed to the outcome | Lessons for the new CPS |
|-------------------------|---|--|---|---|
| | <p><i>Enhanced capacity for an effective response to avian influenza infection</i></p> <p>Baseline: 2007: weak and inconsistent safe poultry handling procedures</p> <p>Target: 50 % of at risk population practicing safe handling procedures in respect to poultry meat</p> <p>NON-CORE PROGRAM GOALS:</p> <p><i>Privatization and corporate restructuring advanced</i></p> <p>Baseline: FBH - 14 SOEs scheduled for privatization in 2008. RS - privatization about 2/3 completed, 80 enterprises to be privatized in 2008. 500 SOEs would benefit from privatization and restructuring; about 200 VPEs are viable candidates for restructuring.</p> <p>Target: FBH privatization policy adopted and implemented. RS – policy adjustment to reflect lower quality of remaining assets to be privatized. Complete restructuring of 12 enterprises to</p> | <p>ACHIEVED: Surveys and communications strategy completed. It is estimated that 45 - 50% of at risk population practices safe handling procedures.</p> <p>PARTIALLY ACHIEVED: 17 enterprises privatized in FBH (only two strategic ones: Hepok – Mostar, and Tobacco factory Mostar). FBH Privatization plan was not adopted. In the RS - 21 enterprises were privatized over the period 2008-2010 (of which 4 were strategic enterprises). 13 enterprises (6 in RS and 7 in FBiH) implemented financial and operational restructuring in varying degree, depending mostly on the commitment of management and owners. Where the implementation of recommendations was completed, these companies improved their operations and operated profitably in 2010.</p> <p>Overall, restructuring proved</p> | <p>Avian Influenza Preparedness Project (P100415).</p> <p>Accelerating Enterprise Restructuring (EC funded, Bank administered)</p> <p>AAA: Investment Climate Assessment</p> | <p>This project was designed in response to the threat of avian flu pandemic. Although the project has achieved its development objectives and has build institutional capacity to respond to pandemics, this relatively small operation (US\$ 5 million) was overly complex in terms of implementation arrangements. In future, such small stand-alone operations should be avoided. Instead, additional financing for successful projects and proactive restructuring of less than satisfactory projects should be promptly pursued.</p> <p>Bank’s decision to divide the CPS program into “core” and “non-core” program areas was the right one. Prior to engagement in non-core program areas the Bank required strong signals of commitment for reforms by the authorities. Privatization was identified as important but still non-core area as government commitment was indefinable. Indeed, ambitious original plans in both entities were not followed by concrete actions (particularly in the FBH). Thus, the Bank’s engagement was limited and in the form of EC funded grant for enterprise restructuring. Given the lack of commitment by the authorities, stronger involvement by the</p> |

| Country Strategic Goals | CPS Outcomes Supporting Country Goals | Status and Evaluation Summary | Lending and Non-lending activities that contributed to the outcome | Lessons for the new CPS |
|--|--|--|--|---|
| | demonstrate possible methods and benefits of active approach - 2009. | difficult for various interests in management and owners to accept and implement. | | Bank would unlikely have any impact. |
| Pillar II – Improve the quality of public spending and the delivery of public services for the vulnerable | | | | |
| <p>Reduction of Poverty</p> <p>Key reform priorities in the Platform for Action supporting this goal:</p> <p><i>Improving stability and fiscal coordination by, inter alia, reviewing and streamlining social spending schemes with a view to improve their effectiveness</i></p> | <p>Improved delivery of water supply, sanitation and urban services</p> <p>Baseline: Water supply in five participating municipalities (92%, 0%, 100%, 90%, 94%) (2004)</p> <p>Target: 100% in 4 large municipalities</p> <p>Administration of solid waste at municipal level improved</p> <p>Baseline: 2003: 1 regional (not sanitary) landfill operational, numerous wild dumpsites</p> <p>Target: Six regional sanitary landfills established and operational (2009); 20% reduction in wild dumpsites</p> | <p>ACHIEVED: Current values for water supply in four target large municipalities are: Banja Luka - 100%; Posusje - 100%; Cazin - 100%; and Pale - 96%. By the end of the project (June 30,2011) the target will be fully achieved.</p> <p>ACHIEVED: Six regional sanitary landfills have been established and are now fully operational. The recent assessment suggests that 15% reduction in the number of wild dumpsites was achieved. This result is somewhat below projected 20% due to lack of counterpart financing for this activity. However, the achieved result is seen as satisfactory given the actual very high number of wild dumpsites.</p> | <p>Urban Infrastructure and Services Delivery Project (P083353)</p> <p>Solid Waste Management Project (P057950) - closed on December 31, 2009.</p> | <p>Basic infrastructure and services remain important particularly for the local governments. The Bank has been the lead investor in local development in BH and continued involvement may still have major positive development impact.</p> <p>The World Bank is seen as the lead development partner for improvements of solid waste management in BH. Following the successful implementation of the first project, the Second Solid Waste Management Project was approved to scale up and reinforce the network of regional sanitary landfills. Such an approach of scaling up successful operations should also be taken into consideration in other sectors. Furthermore, the project mobilized significant additional financing from the</p> |

| Country Strategic Goals | CPS Outcomes Supporting Country Goals | Status and Evaluation Summary | Lending and Non-lending activities that contributed to the outcome | Lessons for the new CPS |
|-------------------------|---|---|--|---|
| | <p><i>Sustainable mechanisms for municipal capital investments</i></p> <p>Baseline: Weak citizen participation in decision making at local level (2007) Target: Improved participatory budgeting in 30 poor municipalities (2009)</p> <p><i>Significant increase in utilization of family medicine in primary health care</i></p> <p>Baseline: No. of first examinations by FM doctors (FBH: 582,716; RS: 572,876 - 2005) Target: increase by 55% in FBH; by 15% in RS (2010)</p> <p><i>Significant reduction in utilization of secondary and tertiary health services</i></p> <p>Baseline: No. of referrals to specialists in locations where FM model was introduced</p> | <p>ACHIEVED: In 2009, 44 less developed municipalities (14 in FBH, and 30 in RS) use participatory budgeting practices (PBP) systematically.</p> <p>ACHIEVED: 75% increase in the FBH with 1,020,014 first examinations by FM doctors. In the RS 4,238,848 first and control examinations were made. 15% increase is believed to have been achieved although the health MIS does not differentiate between first and control visits. Importantly, the percentage of the population registered with upgraded FM teams increased from about 5% to about 58% of the population</p> <p>ACHIEVED: Over 10% decrease in the number of referrals was achieved in the FBH in locations where FM model was introduced (1,204,566 referrals in 2009). The RS has measured the number of referrals and referral rate in the</p> | <p>Community Development Project (P070995) - closed on August 31, 2009.</p> <p>AAA: From Stability to Performance: Local Governance and Service Delivery in Bosnia and Herzegovina</p> <p>Health Sector Enhancement Project (088663) - closing on June 30, 2011. Additional financing of US\$ 10 million was approved in FY11.</p> <p>Health Sector Enhancement Project (P088663)</p> | <p>EC - EUR 5.5 million (out of EUR 22.6 million approved for five Bank financed operations under IPA 2010). Overall, interventions supporting the EU agenda in close partnership with the EC will be the strategic priority in the new CPS.</p> <p>Additional financing approach is the right way to scale-up effective practices, in this case to scale up the family medicine model.</p> <p>Primary health care reform is well grounded focusing on education and human resources. However, investments in human resources will not lead to optimal outcomes if not matched with appropriate health care financing arrangements. Future HSEP</p> |

| Country Strategic Goals | CPS Outcomes Supporting Country Goals | Status and Evaluation Summary | Lending and Non-lending activities that contributed to the outcome | Lessons for the new CPS |
|-------------------------|--|--|--|---|
| | <p>FBH: 1,513,241 (2005) RS: tbd*</p> <p>Target: FBH: decrease by 10% (2010); RS: tbd*</p> <p>* This indicator was dropped. The information systems do not distinguish between first and control visits. The team is currently finalizing the new result framework as a part of HSEP additional financing package. New key indicators will monitor the expansion of FM through population registered by FM teams, and enhancement of the FM model through improved quality of service delivery. New key indicator will be incorporated in the result matrix of the new CPS.</p> <p><i>Increase in marketable horticultural produce in poor southern BH areas</i></p> <p>Baseline: 5% of farm production is marketed (2003) Target: 30 % of farm production marketed (2011)</p> <p><i>Small-scale market integrated commercial agriculture further developed. Improve access to credit for agribusiness/ agri-processing and small farmers -</i></p> | <p>fully operational FM health center of Laktasi. The number of referrals has increased to 47,673 (2009) but so has the population registered with the Health Center. Laktasi Health Center has maintained good referral rate of 7.1% upon first examination and 20.3% including follow-up visits to specialists.</p> <p>ACHIEVED: In southern parts of BH, marketable surplus of milk has doubled, area under vineyards has doubled, and area under horticulture has increased by 25%. Combined livestock figures grew by 30%.</p> <p>ACHIEVED: US\$4.4 million in long-term loans was disbursed to agri-businesses in the target area. US\$ 11.5 million was disbursed by partner microcredit organizations to small farmers. While portfolio at</p> | <p>Small Scale Commercial Agriculture Development Project (P055434) - closed on March 31,2010.</p> <p>Small Scale Commercial Agriculture Development Project (P055434)</p> | <p>implementation (additional financing credit) will thus focus on performance based contracts in the FBH and on intensive policy dialogue with the Health Insurance Fund to ensure that adequate financing arrangements are developed to support the FM model.</p> <p>Small pilot projects with limited regional impact could be important to demonstrate successful approaches that can be scaled-up nationally. However, limited financing available in the new CPS should be used strategically and small stand-alone projects should be avoided.</p> |

| Country Strategic Goals | CPS Outcomes Supporting Country Goals | Status and Evaluation Summary | Lending and Non-lending activities that contributed to the outcome | Lessons for the new CPS |
|-------------------------|---|--|--|---|
| | <p><i>in less developed southern parts of the country.</i></p> <p>Baseline: 2006: US\$2.15 million for agribusiness; US\$1.5 million for microcredit</p> <p>Target: - US\$4.5 million long-term loans by 2010 for agri-business/agri-processing, US\$7.5 million disbursed as microcredit to small farmers and rural families with 99.5% repayment rates</p> <p>NON -CORE PROGRAM GOALS:</p> <p><i>Increased targeting of social benefits</i></p> <p>Baseline: targeting accuracy of social benefits – below 20% (2008). Social benefits reach only 18% among the poorest quintile. Right-based approach.</p> <p>Target: targeting accuracy of social benefits at least 40% Social benefits reach 70% among the poorest quintile (2012). Needs based approach.</p> | <p>risk remained low at 1.5%, overall quality of portfolio and repayment rates suffered in 2009 as a result of the global financial crisis.</p> <p>PARTIALLY ACHIEVED: Important progress was made in terms of revising the legal framework for non-insurance cash transfers in both entities. Income testing was introduced for cash transfers to veteran categories to ensure sustainability of the system and adequate support to the most vulnerable. Although need based approach has now been legislated, the first results will be measurable from 2011 onwards.</p> | <p>Development Policy Operation (P116951) - disbursed in Oct 2010.</p> <p>Social Safety Net and Employment Support Project (P116774) - effective as of October 7, 2010.</p> <p>AAA: Social Assistance Transfers in BH: Moving Toward a More Sustainable and Better Targeted Safety Net</p> <p>Protecting the Poor During the Global Crisis: 2009 BH Poverty Update.</p> <p>-</p> | <p>The Bank adopted flexible approach in BH and remained open for partnership in addressing structural problems (high risk - high reward areas) in “non-core” program areas. Non-core program areas are those where political commitment needs testing prior to engagement or where a ceiling on resources prevents implementation in the early years of the CPS. Continued policy dialogue about the reform of non-insurance cash transfers, the Bank’s analytic work, and effective communication to explain the benefits of reforms, greatly contributed to the launch of reforms in this politically sensitive area. When the</p> |

| Country Strategic Goals | CPS Outcomes Supporting Country Goals | Status and Evaluation Summary | Lending and Non-lending activities that contributed to the outcome | Lessons for the new CPS |
|-------------------------|--|--|--|--|
| | <p><i>Reduce the burden of Government on the economy and strengthen fiscal coordination</i></p> <p>Baseline: National Fiscal Council not established, and fiscal targets not well coordinated between different levels of government. Current expenditures equal to 41% of GDP (2007). Target: Fiscal Council established and functional. Sound fiscal framework maintained. The share of current expenditures in GDP lower by 2pp (2011).</p> <p><i>Increase formal employment</i></p> <p>Baseline: 687,445 employees (2007) Mid-term: 5% growth (2008) Target: 10.2% growth (2010)</p> | <p>PARTIALLY ACHIEVED: The state-level Fiscal Council Law was adopted in 2008 and the Fiscal Council (FC) was established. The FC agreed on the overall fiscal envelope for the state and the two entities for 2009 and 2010. These were an integral part of the Stand-by Agreement with the IMF and have largely been observed. However, given the October 2010 General Elections, the FC failed to adopt the overall fiscal envelope for 2011 as this decision was postponed for the incoming governments.</p> <p>NOT ACHIEVED: Formal employment growth was positive up to 2008 was positive, but this trend was subsequently reversed in 2009 and 2010 as a result of impact of the global economic crisis on BH economy. 2008: 706,088 (2.7% growth compared to 2007) 2009: 686,044 (-0.2% growth compared to 2007) 2010: 681,332 (-0.9% growth compared to 2007)</p> | | <p>global economic crisis made policy decisions to reform more urgent - commitment to reform was more evident. A DPO with realistic targets was designed in parallel with a capacity building operation (SSNESP) to support the reform efforts over the medium term. The main lesson is that important steps forward in reforms can be achieved also in a complex institutional environment such as the one in BH. However the Bank needs to be already engaged with analytical work and country dialogue to be effective. Also, reforms efforts in BH need to be supported over the medium term to build capacity and avoid policy reversals.</p> |

Table 2: CPS Program FY08 - FY11 - Planned Lending Program and Actual Deliveries

| MAXIMUM PLANNED LENDING | | | | | ACTUAL LENDING | | | | |
|-------------------------|--|--------------------|------------|-----------|---|--------------------|------------|------------|--|
| FY | Project | Amounts (US\$mil.) | | | Project | Amounts (US\$mil.) | | | |
| | | IDA | IBRD | GEF | | IDA | IBRD | GEF | |
| FY08 | Road Infrastructure and Safety | 25 | | | Road Infrastructure and Safety | 25 | | | |
| | Solid Waste II | | 25 | | Solid Waste II - forwarded to FY09 | | | | |
| | GEF Neretva and Trebisnjica Management | | | 8 | GEF Neretva and Trebisnjica Management | | | 6 | |
| | GEF Forest and Prot. Areas (i) | | | 4 | GEF Forest and Mountain Protected Areas) | | | 3.4 | |
| | <i>Subtotal</i> | 25 | 25 | 12 | <i>Subtotal</i> | 25 | | 9.4 | |
| FY09 | Municipal Development | 15 | 10 | | Municipal Development - forwarded to FY10 as | | | | |
| | Sava River Navigability | 10 | 15 | | Sarajevo Wastewater Management Project | | | | |
| | | | | | Sava River Navigability - forwarded to FY12 | 15 | 25 | | |
| | <i>Subtotal</i> | 25 | 25 | | <i>Subtotal</i> | 15 | 25 | | |
| FY10 | Pillar 1 | | | | Sarajevo Wastewater Management Project | | 35 | | |
| | Investment Climate | | | | SME Competitiveness and Access to Credit | | 70 | | |
| | PSD | | | | Social Safety Net and Employment Support | 15 | | | |
| | Land registration II | | | | Public Expenditure Development Policy Operation | 66 | 45 | | |
| | Regional Transport Corridor (Vc) | 79 | 126 | | <i>Subtotal</i> | 81 | 150 | | |
| FY11 | Pillar 2 | | | | Health Sector Enhancement - Add. Financing | 10 | | | |
| | Public sector Admin. Reform | | | | | | | | |
| | Social Sectors | | | | <i>Subtotal</i> | 10 | | | |
| | Readiness for IPA Accession Financing | | | | | | | | |
| | Rural/Agriculture | | | | | | | | |
| | <i>Subtotal</i> | 79 | 126 | | <i>Subtotal</i> | 10 | | | |
| | TOTAL | 129 | 176 | 12 | TOTAL | 131 | 175 | 9.4 | |

Table 3. CPS Program FY08 - FY11 - Planned Non-lending Program and Actual Deliveries

| Planned non-lending products²⁹ | Planned delivery (year) | Actual delivery (year) |
|--|--|-------------------------------|
| Energy Sector Study | 2007 | 2007 |
| Strengthening Local Governance Study | 2007 | 2009 |
| Transport Sector Review | 2008 | 2010 |
| Investment Climate Assessment | 2008 | 2008 |
| Country Economic Memorandum | 2008 | 2009 |
| Poverty Update | 2008 | 2009 |
| Regional climate change/disaster mitigation | not defined | 2009 |
| PPP training follow up | dropped | |
| IFC and WBI advisory services | IFC advisory services delivered continuously during the period of CPS implementation | |
| Study of primary health care reform | dropped | |
| Social Assistance Transfers in BH | not defined | 2009 |
| Annual Fiscal Updates | not defined | 2009 - 2011 |

²⁹ The list includes all planned AAA products as outlined in Table 5, page 31 of the original CPS document.

Annex 3 :Active and Planned Trust Funds in Bosnia and Herzegovina

| ACTIVE TRUST FUNDS | | | | | | |
|---|---|---------------------------------------|------------|----------|--------|--|
| TF NUMBER | TRUST FUND | DONOR | CLOSING FY | US\$ 000 | BE/RE* | |
| TF090773 | Agriculture & Rural Development | SIDA | FY12 | 6,036 | RE | |
| TF095054 | Integrated Water-Energy Development Study | Ministry of Foreign Affairs of Norway | FY12 | 416 | BE | |
| TF096591 | Vrbas Integrated Water - Energy Study | MDTF | FY12 | 95 | BE | |
| TF055265 | GEF Water Quality Protection | MDTF | FY13 | 8,900 | RE | |
| TF091919 | GEF Forest and Mountain Protected Areas | MDTF | FY13 | 3,400 | RE | |
| TF097617 | Microfinance Bosnia and Herzegovina (IFC) | SECO | FY13 | 800 | BE | |
| TF099516 | Strengthening Consumer Protection in Banking and Microfinance Sectors | MTDF | FY13 | 239.95 | BE | |
| PLANNED TRUST FUNDS | | | | | | |
| TRUST FUND | DONOR | FY APPROVAL | US\$ 000 | | | |
| Sava River Navigability (demining, and feasibility study and design) | EU IPA | FY12 | 7,800.00 | | | |
| Solid Waste Management II (Landfills in Banja Luka, and Mostar) | EU IPA | Signed with EC | 7,700.00 | | | |
| GEF Water Quality Protection (Wastewater treatment - Zivnice) | EU IPA | FY12 | 2,100.00 | | | |
| GEF Water Quality Protection (Wastewater treatment - Mostar) - TF099534 | SIDA | FY12 | 3,500.00 | | | |
| Sarajevo Wastewater Project | EU IPA | FY12 | 11,200.00 | | | |
| GEF Neretva and Trebisnjica (sewage system - Ljubuski) | EU IPA | FY12 | 2,800.00 | | | |
| Business Environment | SIDA | FY12 | 5,000.00 | | | |
| State and Peace Building Fund Grant on Reforming Veteran Benefits | MDTF | FY12 | | | TBD | |
| Sarajevo Wastewater Project | EU IPA | 2011-2013 | | | TBD | |
| Solid Waste Management Project | EU IPA | 2011-2013 | | | TBD | |
| Water Treatment and Management | EU IPA | 2011-2013 | | | TBD | |

*BE: Bank Group Executed; RE: Recipient Executed

Annex 4: Gender Assessment

Comparisons of selected indicators for which data are available for BiH, the Western Balkans and the ECA region as a whole suggest that economic empowerment and political representation are two major areas where women achievements lag behind regional comparators (Table 1). In terms of labour market indicators, women's performance partly reflects structural problems of the country (high unemployment and low activity rates for both men and women). The gap in labour market participation between women and men in Bosnia, however, is more marked than in ECA as a whole even if not as pronounced as for other countries in the Western Balkans. Other indicators such as the gender gap in life expectancy suggest that women are at least on par with the region in terms of this summary indicator of life opportunity. In addition, fertility rates and the adolescent fertility rates suggest that women have significantly more control of their reproductive decisions than elsewhere in the region.

In terms of political representation in Parliament, in 2007 (the year for which comparative data was available) it was lower than both the Western Balkans and ECA averages (14.3 percent) and declined even further in 2008 when women constituted 10.5 percent of the delegates in the Parliament of BiH (9.5 percent of representatives in the House of Representatives of BiH and 13.3 percent in the House of Peoples of BiH). A decline was also seen between 2004 and 2008 in the participation of women in the Council of Ministers in BiH – from 10 percent to zero in 2008 at the ministerial level. Representation at the level of deputy ministers stayed constant over the period (20 percent).³⁰

Table 1. Selected gender Indicators: BiH vs. Western Balkans vs. Europe & Central Asia (2007)

| | BiH | Western Balkans | ECA |
|--|----------------------------|-----------------|------|
| | <i>Gender achievements</i> | | |
| Adolescent fertility rate (births per 1,000 women ages 15-19) | 16.4 | 17.8 | 22.4 |
| Fertility rate, total (births per woman) | 1.2 | 1.4 | 1.4 |
| Proportion of seats held by women in national parliaments (%) | 14.3 | 15.6 | 16.4 |
| Labor force participation rate, female (% of female population ages 15+) | 54.9 | 47 | 50.7 |
| Unemployment, female (% of female labor force) | 33 | 28.5 | 10.4 |
| Unemployment, youth female (% of female labor force ages 15-24) | 66.3 | 53 | 20.9 |
| <i>Gender gaps</i> | | | |
| Life expectancy advantage (female-male) | 5.3 | -0.1 | 5.3 |
| Ratio of female to male secondary enrolment | 101.9 | 1.05 | 96.1 |
| Labor force participation (female to male ratio) | 80 | 71 | 97 |

Source: Harttgen, K., & Klasen, S (2010) based on World Development indicators (2008)

Focusing on national data provides an opportunity to look more closely at other differences between women and men. Poverty data do not capture significant differences across genders given that these indicators are constructed on a household basis. Restricting the focus on female versus male headed

³⁰ Agency for Statistics of BiH. (2009). *Women and Men in Bosnia and Herzegovina*, Thematic Bulletin No. 03. Sarajevo.

households shows that, as it is often the case, female headed households are not poorer than male headed ones.

Looking at different access to factors of production shows however a more interesting story. As far as labour market performance is concerned, the LFS 2010 shows that the relative equality between men and women in terms of labour market participation is really the result of a low participation rates for both sexes (57 percent for men and 33 percent for women).³¹ Disaggregating by age cohort shows that the age profile of the employment rate for women and men is quite similar so that, with the exception of workers 65+ and older, women's employment rate is always around 55-60 percent of men's. Further, while unemployment rates of different age groups are quite similar across gender, for young workers (15-24) they are significantly higher for women than for men (68 percent vs. 59 percent). In line with these findings recent work by Hartgen and Klasen (2010) contrasting the levels of the unemployment rate as well as the ratio of the unemployment rate between men and women disaggregating by welfare group, area of residence and gender of the household head using MICS data concluded that "the critical gender issue in Bosnia appears to be linked to low labor force participation and high unemployment for women, particularly poorer women".

The quality of jobs held by women and men is also another important dimension of the gender disadvantage in Bosnia. Certainly there is a perception that "women suffer discrimination in the workplace - receiving lower salaries than men for the same type of work and earning promotions far less frequently".³² But also in terms of type of jobs that women can access in the first place there are differences between women and men. While roughly $\frac{3}{4}$ of women and men workers are employees, men are more likely to be in self-employment than women and almost none of them (against 11 percent of women) works in unpaid employment. Looking more closely at segments of the labour markets which are typically sources of good jobs, such as the civil service and large firms, shows however that there is a lot of heterogeneity across women. In the civil service women's representation appears to be almost equal to men's (48 percent in 2008).³³ Similarly, evidence from the Business Enterprise Surveys (BEEPS), shows that Bosnia does not lag behind the ECA average according to indicators typically used to assess the extent of female participation in large firms (firms with female participation in ownership, percentage of full time female workers), though it scores below average in terms of firms with female top manager. Gaps in education are important determinants of women's performance in the labour market, as well as of the heterogeneity between different groups of women workers. While 59% of men of working age have completed secondary education, only 40 percent of women are in a similar position. For tertiary education the gaps are much more contained (9 versus 7.4 percent). Note however that while the unemployment rate of those with primary education exhibits a less than 1 percentage point gap, for secondary education it is much higher for women than for men (36 versus 29 percent).

If differences in the labour market performance for men and women can be well documented, there is at least some evidence on differences in access to other factors of production. Analysis from the BEEPS 2009 suggests significant differences in the perceived access to credit in firms depending on the gender of the owner and top management. The Bosnian data show a large gender gap in the percentage of firms which consider access to credit a serious obstacle (45 percent for firms where the top manager and the

³¹ Note that these data result in a lower ratio of women to men participation rates than those reported in the WDI. The two are not directly comparable as the WDI indicators have been standardized for international comparisons, unlike the LFS 2010 ones.

³² Bosnia background study for Assessing Land Administration Project's Gender Impacts in the Western Balkans

³³ Women and men in Bosnia, BHAS, 2009

owner are female versus 22 percent for male owned/managed firms) – this is the largest gap recorded for the Western Balkans (data available for all countries but Kosovo).

Access to land is reported as a severe problem by fewer female managed and owned than male (5 percent report it as a severe problem, against 13 percent for male owned and managed firms). This is likely to reflect more the specific nature of the business women’s engage in and their land needs than an easier access land. Indeed the evidence suggests that while women’s property rights are legally protected, tradition frequently favors male inheritance of property, and men tend to play the lead role. Ownership of property is traditionally registered to male family members and it is customary for sisters to waive the right to their share of property inherited from parents for the benefit of their brothers. Women are little aware of their rights and even though a recent Family Law provides the legal framework to encourage married women to register themselves as co-owners of the property acquired through marriage, they do not appear to avail themselves of these rights often. Further, while Gender Centers were instituted at the entity level to promote awareness of women’s rights, they are understaffed and not actively involved in the land registration process.

Annex 5: Progress Towards MDGs

| Goal/Target/Indicator | Baseline 2000/ 2001 | 2007 | | 2009 or latest available data | 2015 Targets MDGs | Progress towards 2015 Targets |
|---|--|-----------------------|---------------------------------------|--|-------------------------|--|
| | | Targets as in PRSP | Data Achieved | | | |
| MDG 1: To eradicate extreme poverty and hunger | | | | | | |
| 1.1. Percentage of population living below absolute poverty line | 19.1 | 16 | 14 | 14.0 (2007) | 9 | Likely |
| 1.8. Unemployment rate in % | 22.9 | 22 | 29 | 24.1 (2009); 29.9 (2010) | 22 | Unlikely |
| | | 30 | 44.1 | 42.7 | 30 | Unlikely |
| 1.12. Unemployment rate of the 15-24 age group - % | 34.8 (Age group 19-24) | 30 | 58.4 | 47.5 | 12 | Unlikely |
| MDG 2: To achieve universal primary education | | | | | | |
| 2.1. Primary school net enrolment rate in % | b1) 97 b2) 95 b3) 92.8 b4) 98.9 | 95 | 98.4 (2005/6) 98.3 (m) 98.6 (f) | 96 | 100 | Potentially /Likely |
| 2.4. Secondary school enrolment rate % | b1) 56.8 b2) 72.6 b3) 68.3 | 75 | 79.3 (2005/06) 77.9 (m) 81.1 (f) | 77 | 85 | Potentially |
| 2.5. Higher education enrolment rate | b1) 19.8 b2) 24.2 b3) 23.0 | 25 | d1) 25 (2004) d2) 33.5 (2007) | e1) 34 (2008) e2) 50 (2009) | 35 | Likely |
| MDG 3: To promote gender equality and empower women | | | | | | |
| 3.3. Share of women in wage employment in the non-agricultural sector % | 39.2 | 40 | 33.8 | 34.9 | 45 | Unlikely |
| 3.4. Percentage of women representatives in Parliament of BIH | 14.3 | 16 | 10.5 (2008) | 10.5 (2008) | 25 | Potentially |
| MDG 4: To reduce child mortality | | | | | | |
| 4.1. Under-five mortality rate, per 1000 live births | b1) 17 b2) 10.3 b3) 11.2 | 9.3 | d1) 14 d2) 7.9 | 15 (2008) | 7 | Potentially |
| 4.2. Infant mortality (under one year of age) per 1000 live births | b1) 14 b2) 8.5 b3) 7.6 | 7 | d1) 13 d2) 6.6 | e1) 12.7 e2) 6.9 (2008) | 5 | Likely |
| MDG 5: To improve maternal health | | | | | | |
| 5.1. Maternal deaths (per 100,000 live births) | 5.05 b1) 99 b2) 99.6 49 (2001) | 4.0 100 55 | 3 (2006) 1 (2007) 99.5 35.7 (2006) | 1 (2007) 99.9 35.7 (2006) | 2.5 100.0 65 | Achieved Potentially |
| 5.2. Percentage of assisted child births (%) | | | | | | |
| 5.3. Contraception prevalence rate | | | | | | |

| Goal/Target/Indicator | Baseline 2000/ 2001 | 2007 | | 2009 or latest available data | 2015 Targets MDGs | Progress towards 2015 Targets |
|--|------------------------|-----------------------|---------------|--|-------------------------|--|
| | | Targets as in PRSP | Data Achieved | | | |
| MIDG 6: To combat HIV/AIDS and tuberculosis | | | | | | |
| 6.1. Adults with AIDS, number of new AIDS cases /no. of deaths | 51/3 | n/a | 33/4 | 43 | 50 | Likely |
| 6.3. Tuberculosis prevalence and mortality rate /100,000 | 50.4 | 30.0 | 55.8 | 30 <6 | 20.2 | Likely |
| MIDG 7: To ensure environmental sustainability | | | | | | |
| 7.1. Percentage of forest area (% of land area) | b1) 44.6 b2) 55.6 | 52 | 42.7 | 53 | 60 | Potentially Achieved |
| 7.5. Percentage of population having access to water supply systems | 53 | 58 | 65 (2008) | 65 (2008) | 67 | Achieved |
| 7.5. Percentage of population having access to water sewage system | 33 | 36 | 36 (2008) | 36 (2008) | 40 | Likely |
| MIDG 8: To develop a global partnership for development | | | | | | |
| 8.4. Official assistance for development(ODA) -as a percentage of GDP -% | 11.1 | n/a | 2.97 | 2.6 | 1 | Likely |
| 8.7. Personal computers per 100 population | 3.9 (2000) | 4 | 6.4 | 6.4 (2008) | 12 | Potentially |
| 8.8. Phone lines per 100 population | 22.6 | 15 | 28.2 | 27 (2008) | 26 | Achieved |

Annex A2: Bosnia and Herzegovina at a Glance

| Key Development Indicators (2009) | Bosnia and Herzegovina | | Europe & Central Asia | | Upper middle income |
|--|---------------------------------|--------|-----------------------|------|---------------------|
| | Population, mid-year (millions) | 3.8 | 40.3 | 99.3 | |
| Surface area (thousand sq. km) | 57 | 23,549 | 48,659 | | |
| Population growth (%) | -0.2 | 0.3 | 0.9 | | |
| Urban population (% of total population) | 48 | 64 | 75 | | |
| GNI (Atlas method, US\$ billions) | 17.7 | 2,772 | 7,363 | | |
| GNI per capita (Atlas method, US\$) | 4,700 | 6,880 | 7,415 | | |
| GNI per capita (PPP, International \$) | 8,680 | 13,297 | 12,800 | | |
| GDP growth (%) | -2.9 | 4.0 | 4.1 | | |
| GDP per capita growth (%) | -2.7 | 3.6 | 3.2 | | |

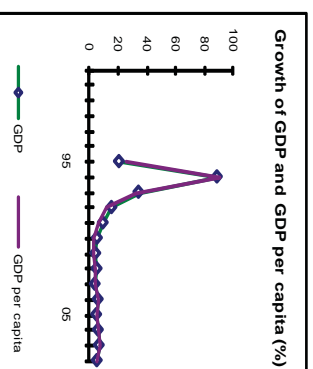
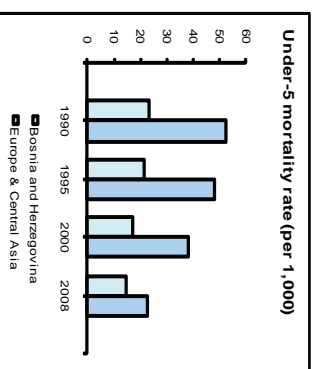
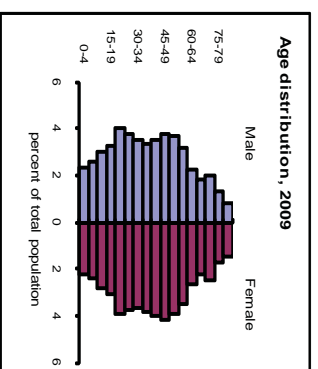
| <i>(most recent estimate, 2003–2009)</i> | |
|--|-----|
| Poverty headcount ratio at \$1.25 a day (PPP, %) | <2 |
| Poverty headcount ratio at \$2.00 a day (PPP, %) | <2 |
| Life expectancy at birth (years) | 75 |
| Infant mortality (per 1,000 live births) | 13 |
| Child malnutrition (% of children under 5) | 2 |
| Adult literacy, male (% of ages 15 and older) | 99 |
| Adult literacy, female (% of ages 15 and older) | 96 |
| Gross primary enrollment, male (% of age group) | 109 |
| Gross primary enrollment, female (% of age group) | 110 |
| Access to an improved water source (% of population) | 99 |
| Access to improved sanitation facilities (% of population) | 95 |

| Net Aid Flows | 1980 | 1990 | 2000 | 2009 ^a |
|--------------------------------|------|------|------|-------------------|
| <i>(US\$ millions)</i> | | | | |
| Net ODA and official aid | .. | 70 | 737 | 482 |
| <i>Top 5 donors (in 2007):</i> | | | | |
| European Commission | .. | 0 | 196 | 105 |
| Germany | .. | 0 | 92 | 47 |
| Spain | .. | 0 | 35 | 42 |
| Aid (% of GNI) | .. | .. | 12.1 | 2.5 |
| Aid per capita (US\$) | .. | 2 | 199 | 128 |

| Long-Term Economic Trends | |
|--|----|
| Consumer prices (annual % change) | .. |
| GDP implicit deflator (annual % change) | .. |
| Exchange rate (annual average, local per US\$) | .. |
| Terms of trade index (2000 = 100) | .. |

| | 1980 | 1990 | 2000 | 2009 |
|---|------|-------------------|-------|--------|
| Population, mid-year (millions) | 3.9 | 4.3 | 3.7 | 3.8 |
| GDP (US\$ millions) | .. | .. | 5,506 | 17,042 |
| | | <i>(% of GDP)</i> | | |
| Agriculture | .. | .. | 10.6 | 8.0 |
| Industry | .. | .. | 23.0 | 28.1 |
| Manufacturing | .. | .. | 10.1 | 12.9 |
| Services | .. | .. | 66.4 | 63.9 |
| Household final consumption expenditure | .. | .. | 103.5 | 79.6 |
| General gov't final consumption expenditure | .. | .. | 24.5 | 22.9 |
| Gross capital formation | .. | .. | 20.6 | 22.1 |
| Exports of goods and services | .. | .. | 28.7 | 33.4 |
| Imports of goods and services | .. | .. | 75.5 | 58.0 |
| Gross savings | .. | .. | 13.4 | 17.1 |

| | 1980-90 | 1990-2000 | 2000-09 |
|---|---------|-----------|---------|
| <i>(average annual growth %)</i> | | | |
| GDP | 1.0 | -1.5 | 0.2 |
| GDP per capita | .. | 28.5 | 5.0 |
| Agriculture | .. | 5.1 | 4.9 |
| Industry | .. | 22.8 | 6.8 |
| Manufacturing | .. | 9.0 | 7.6 |
| Services | .. | 34.7 | 4.4 |
| Household final consumption expenditure | .. | .. | .. |
| General gov't final consumption expenditure | .. | 21.7 | 5.3 |
| Gross capital formation | .. | .. | .. |
| Exports of goods and services | .. | 41.8 | 9.0 |
| Imports of goods and services | .. | 21.5 | 2.6 |



Note: Figures in italics are for years other than those specified. 2009 data are preliminary. ... indicates data are not available.
a. Aid data are for 2008.

Balance of Payments and Trade**2000** **2009***(US\$ millions)*

| | | |
|---|--------|--------|
| Total merchandise exports (fob) | 1,130 | 4,254 |
| Total merchandise imports (cif) | 4,166 | 9,862 |
| Net trade in goods and services | -2,577 | -4,028 |
| Current account balance as a % of GDP | -3.96 | -1,346 |
| | -7.2 | -7.9 |
| Workers' remittances and compensation of employees (receipts) | 1,607 | 2,081 |
| Reserves, including gold | 486 | 6,269 |

Central Government Finance*(% of GDP)*

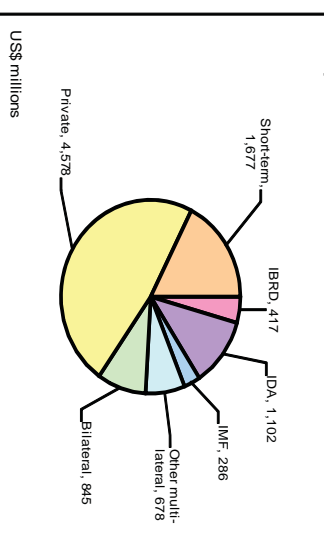
| | | |
|------------------------------------|------|------|
| Current revenue (including grants) | 39.0 | 42.7 |
| Tax revenue | 21.1 | 37.0 |
| Current expenditure | 42.8 | 43.6 |
| Overall surplus/deficit | -5.8 | -6.6 |

Highest marginal tax rate (%)

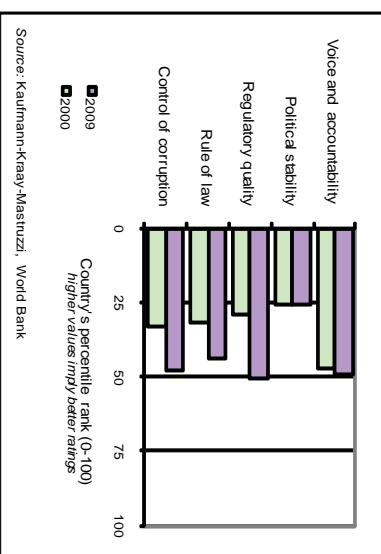
| | | |
|------------|----|----|
| Individual | .. | .. |
| Corporate | .. | 10 |

External Debt and Resource Flows*(US\$ millions)*

| | | |
|---|-------|-------|
| Total debt outstanding and disbursed | 2,773 | 9,583 |
| Total debt service | 318 | 646 |
| Debt relief (HIPC, MDR) | - | - |
| Total debt (% of GDP) | 50.4 | 56.2 |
| Total debt service (% of exports) | 9.9 | 6.9 |
| Foreign direct investment (net inflows) | 146 | 235 |
| Portfolio equity (net inflows) | 0 | 0 |

Composition of total external debt, 2009**Private Sector Development****2000** **2009**

| | | |
|--|-------------|-------------|
| Time required to start a business (days) | - | 60 |
| Cost to start a business (% of GNI per capita) | - | 15.8 |
| Time required to register property (days) | - | 84 |
| Ranked as a major constraint to business (% of managers surveyed who agreed) | 2000 | 2009 |
| Access to/cost of financing | .. | 34.9 |
| Economic and regulatory policy uncertainty | .. | 33.3 |
| Stock market capitalization (% of GDP) | .. | .. |
| Bank capital to asset ratio (%) | 20.7 | 13.7 |

Governance indicators, 2000 and 2009

Source: Kaufmann-Kraay-Mastuzzi, World Bank

Technology and Infrastructure**2000** **2008**

| | | |
|--|------|------|
| Paved roads (% of total) | 52.3 | 52.3 |
| Fixed line and mobile phone subscribers (per 100 people) | 24 | 112 |
| High technology exports (% of manufactured exports) | .. | 3.9 |

Environment

| | | |
|---|-------|-------|
| Agricultural land (% of land area) | 42 | 42 |
| Forest area (% of land area) | 42.7 | 42.7 |
| Terrestrial protected areas (% of surface area) | .. | 0.8 |
| Freshwater resources per capita (cu. meters) | 9,407 | 9,409 |
| Freshwater withdrawal (billion cubic meters) | .. | .. |
| CO2 emissions per capita (mt) | 6.1 | 7.7 |
| GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent) | 4.3 | 4.8 |
| Energy use per capita (kg of oil equivalent) | 1,180 | 1,483 |

World Bank Group portfolio**2000** **2009**

| <i>(US\$ millions)</i> | | 2000 | 2009 |
|---|-----|-------|------|
| IBRD | | | |
| Total debt outstanding and disbursed | 562 | 417 | 0 |
| Disbursements | 0 | 0 | 25 |
| Principal repayments | 0 | 33 | 17 |
| Interest payments | 33 | 17 | .. |
| IDA | | | |
| Total debt outstanding and disbursed | 398 | 1,102 | .. |
| Disbursements | 44 | 33 | .. |
| Total debt service | 3 | 23 | .. |
| IFC (fiscal year) | | | |
| Total disbursed and outstanding portfolio | 30 | 139 | .. |
| of which IFC own account | 30 | 139 | .. |
| Disbursements for IFC own account | 5 | 35 | .. |
| Portfolio sales, prepayments and repayments for IFC own account | 1 | 15 | .. |
| MIGA | | | |
| Gross exposure | 21 | 127 | .. |
| New guarantees | 21 | 26 | .. |

Note: Figures in italics are for years other than those specified. 2009 data are preliminary.

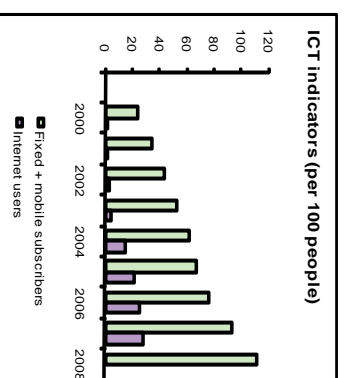
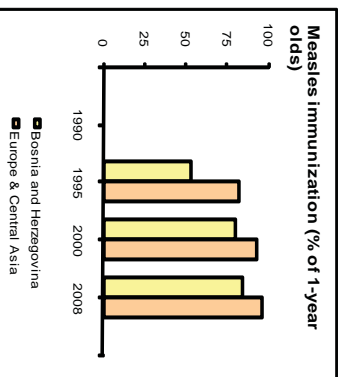
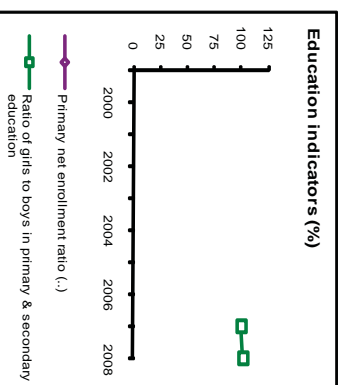
.. indicates data are not available. - indicates observation is not applicable.

Millennium Development Goals

With selected targets to achieve between 1990 and 2015

(estimate closest to date shown, +/- 2 years)

| | Bosnia and Herzegovina | | | | |
|--|------------------------|------|------|------|------|
| | 1990 | 1995 | 2000 | 2008 | |
| Goal 1: halve the rates for extreme poverty and malnutrition | | | | | |
| Poverty headcount ratio at \$1.25 a day (PPP, % of population) | .. | .. | <2 | <2 | |
| Poverty headcount ratio at national poverty line (% of population) | .. | .. | 19.5 | .. | |
| Share of income or consumption to the poorest quintile (%) | .. | .. | 9.1 | 6.7 | .. |
| Prevalence of malnutrition (% of children under 5) | .. | .. | 4.2 | 1.6 | .. |
| Goal 2: ensure that children are able to complete primary schooling | | | | | |
| Primary school enrollment (net, %) | .. | .. | .. | .. | .. |
| Primary completion rate (% of relevant age group) | .. | .. | .. | .. | 90 |
| Secondary school enrollment (gross, %) | .. | .. | 100 | .. | 99 |
| Youth literacy rate (% of people ages 15-24) | .. | .. | .. | .. | .. |
| Goal 3: eliminate gender disparity in education and empower women | | | | | |
| Ratio of girls to boys in primary and secondary education (%) | .. | .. | .. | 102 | .. |
| Women employed in the nonagricultural sector (% of nonagricultural employment) | .. | .. | .. | 35 | .. |
| Proportion of seats held by women in national parliament (%) | .. | .. | 29 | 12 | .. |
| Goal 4: reduce under-5 mortality by two-thirds | | | | | |
| Under-5 mortality rate (per 1,000) | 23 | 21 | 17 | 15 | 15 |
| Infant mortality rate (per 1,000 live births) | 21 | 19 | 14 | 13 | 13 |
| Measles immunization (proportion of one-year olds immunized, %) | 52 | 53 | 80 | 84 | 84 |
| Goal 5: reduce maternal mortality by three-fourths | | | | | |
| Maternal mortality ratio (modeled estimate, per 100,000 live births) | 18 | 15 | 11 | 9 | 9 |
| Births attended by skilled health staff (% of total) | 97 | .. | 100 | 100 | 100 |
| Contraceptive prevalence (% of women ages 15-49) | .. | .. | 48 | 36 | .. |
| Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases | | | | | |
| Prevalence of HIV (% of population ages 15-49) | .. | .. | .. | 0.1 | .. |
| Incidence of tuberculosis (per 100,000 people) | 94 | 84 | 63 | 51 | 51 |
| Tuberculosis case detection rate (%; all forms) | 100 | 76 | 110 | 90 | .. |
| Goal 7: halve the proportion of people without sustainable access to basic needs | | | | | |
| Access to an improved water source (% of population) | .. | 97 | 97 | 99 | 99 |
| Access to improved sanitation facilities (% of population) | .. | 95 | 95 | 95 | 95 |
| Forest area (% of total land area) | 43.1 | 42.9 | 42.7 | 42.7 | 42.7 |
| Terrestrial protected areas (% of surface area) | .. | .. | .. | 0.8 | .. |
| CO2 emissions (metric tons per capita) | 1.6 | 1.3 | 6.1 | 7.7 | 7.7 |
| GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent) | .. | 3.6 | 4.3 | 4.8 | 4.8 |
| Goal 8: develop a global partnership for development | | | | | |
| Telephone mainlines (per 100 people) | 15.3 | 7.1 | 21.1 | 27.3 | 27.3 |
| Mobile phone subscribers (per 100 people) | 0.0 | 0.0 | 2.5 | 84.3 | 84.3 |
| Internet users (per 100 people) | 0.0 | 0.0 | 1.1 | 34.7 | 34.7 |
| Personal computers (per 100 people) | .. | .. | 3.8 | 6.4 | 6.4 |



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

Development Economics, Development Data Group (DECDG).

2/25/11

Annex B2: Selected Indicators of Bank Portfolio Performance and Management

(as of June 30, 2011)

| Indicator | 2008 | 2009 | 2010 | 2011 |
|--|------|------|------|------|
| Portfolio Assessment | | | | |
| Number of Projects Under Implementation ^a | 14 | 13 | 15 | 12 |
| Average Implementation Period (Years) ^b | 3.4 | 4.2 | 3.0 | 3.9 |
| Percent of Problem Projects by Number ^{a,c} | 7.1 | 7.7 | 13.3 | 7.7 |
| Percent of Problem Projects by Amount ^{a,c} | 4.1 | 13.8 | 6.9 | 6.4 |
| Percent of Projects at Risk by Number ^{a,d} | 7.1 | 7.7 | 13.3 | 7.7 |
| Percent of Projects at Risk by Amount ^{a,d} | 4.1 | 13.8 | 6.9 | 6.4 |
| Disbursement Ratio (%) ^e | 13.0 | 16.0 | 26.0 | 25.0 |
| 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 | 50 | 10 |
| Proj Eval by OED by Amt (US\$ millions) | 952.5 | 183.0 |
| % of OED Projects Rated U or HU by Number | 12.5 | 33.3 |
| % of OED Projects Rated U or HU by Amt | 12.9 | 13.9 |

- a. As shown in the Annual Report on Portfolio Performance (except for current FY). Includes GEF and regional projects
 - 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 B3: IFC and MIGA Program

| | 2008 | 2009 | 2010 | 2011* |
|---|------------|------------|------------|------------|
| Original Commitments (US\$m) | | | | |
| IFC and Participants | 40.92 | 14.58 | 1.70 | 19.64 |
| IFCs Own Accounts only | 40.92 | 14.58 | 1.70 | 19.64 |
| Original Commitments by Sector (%)- IFC Accounts only | | | | |
| FINANCE & INSURANCE | | 100 | 100 | 0.69 |
| HEALTH CARE | 15.71 | | | |
| INDUSTRIAL & CONSUMER PRODUCTS | 84.29 | | | |
| NONMETALLIC MINERAL PRODUCT MANUFACTURING | | | | 99.31 |
| Total | 100 | 100 | 100 | 100 |
| Original Commitments by Investment Instrument (%)- IFC Accounts only | | | | |
| Guarantee | | | 100 | 0.69 |
| Loan | 15.71 | 100 | | 99.31 |
| Quasi loan | 84.29 | | | |
| Total | 100 | 100 | 100 | 100 |

* Data as of June 01,2011

Annex B3: Indicative IBRD/IDA/GEF Lending Program by FY
(as of June 30, 2011)

| <i>Fiscal year</i> | <i>Proj ID</i> | <i>US\$(M)</i> | <i>Strategic Rewards b (H/M/L)</i> | <i>Implementation b Risks (H/M/L)</i> |
|--------------------|--|----------------|--|---|
| 2012 | Bosnia DPO2 | 100.0 | H | M |
| | Irrigation Development Project | 40.0 | H | L |
| | Disaster Management CRIF Result | 5.0 145.0 | H | L |
| 2013 | Bosnia DPO 3* | 100.0 | H | H |
| | Land Registration II | 30.0 | H | L |
| | Sava Waterway Rehabilitation Project Result | 31.0 161.0 | H | L |
| 2014-2015 | Sector Investment Operations** | 42.0 | | |
| | Regional Flood Control GEF** Result | 42.0 | | |
| Overall Result | | 348.0 | | |

The 3rd DPO is presented here as the last in the programmatic series, but will depend on the availability of IBRD financing, along with sustained sound macroeconomic framework.

The Number and volume of investment operations in FY14 and FY15 will be revisited in CPS Progress Report and will depend on the progress in consolidating the portfolio as well as IBRD financing capacity.

Annex B4: Summary of Non-Lending Services

| <i>Product</i> | <i>Completion FY</i> | <i>Audience^a</i> | <i>Objective^b</i> |
|---|----------------------|-----------------------------|------------------------------|
| Recent completions | | | |
| Annual Fiscal Updates | FY11 | G,B | KG, PS |
| Policy Roundtables | FY11 | G,B | KG, PS |
| Transport Sector Review | FY11 | G,B | KG, PS |
| Underway | | | |
| Vrbas Integrated Water Sector Study | FY11 | K,D,B | KG,PS |
| Western Balkans REPARIS | FY11-14 | G,B | KG, PS |
| Western Balkans Programmatic Financial Sector Dev | FY11-14 | G,D,B | KG, PS |
| WB Public Financial Management Pension TA | FY11-14 | G,D,B | KG, PS |
| | FY12 | G,B | KG, PS |
| Public Expenditure Review | FY12 | G,B,PD | KG,PD,PS |
| Planned | | | |
| PEFA | FY12-13 | G,B,PD | KG,PD,PS |
| Education | FY13 | G,B | KG, PS |
| WB Programmatic Gender Monitoring | FY13-15 | G,B | KG, PS |
| WB Programmatic Poverty Assessment | FY13-15 | G,B | KG, PS |
| Energy Strategy | FY14 | G,B | KG, PS |
| <i>On demand</i> | <i>FY13-15</i> | <i>TBD</i> | <i>TBD</i> |

a. Government, donor, Bank, public dissemination.

b. Knowledge generation, public debate, problem-solving.