



The World Bank in Serbia
Fruitful Partnership



The World Bank in Serbia

The World Bank Group is helping Serbia to raise the living standards of its citizens. Through assistance in promoting conditions for sustaining growth and creating employment, enhancing access to social capital and services and improving public sector governance, it contributes to a better quality of life for the people of Serbia. The Bank works in partnership with the authorities, other local stakeholders and the international development community to achieve Serbia's successful transition towards a market-based economy.

Since its establishment in 1944, the World Bank financed many important projects in Serbia, from the *Belgrade-Bar* railway, to the *Ibar-Lepenac* hydro system and *Kolubara A* thermo power plant.

Between 2001 and 2008, the World Bank financed 32 projects in Serbia with *over one billion US dollars*. The Bank's knowledge and financial support played a critical role in reforming Serbia's banking, education, energy, public finance and social sectors. It was instrumental in the privatization of a number of state and socially owned companies. It also assisted in the modernization of border crossings; reform of the judiciary; road rehabilitation; improving environment, health and employment services; and helped Serbia develop a more effective business environment. The World Bank continues to provide expertise and support for Serbia in areas such as reforming the pension system, agriculture and property registration (cadastre).



The World Bank's current program in Serbia focuses on three priorities identified by the Government of Serbia:

1. Encouraging dynamic private sector led growth to insure incomes continue to converge with European levels;
2. Providing opportunities and broadening participation in growth;
3. Managing emerging environmental and disaster risks

Results on the Ground

Working with the governments of Serbia during the past eight years the World Bank has facilitated projects which improved the quality of life in Serbia.

The Bank's current portfolio consists of *11 projects* under implementation with a total commitment value of *US\$444.3 million* (including IDA, IBRD and GEF). All of these projects are still under implementation and their full impact on the lives of the people of Serbia will be complete only when they close. Nevertheless, together with a number of projects, initiated in 2000-2001, which are closed, they have already improved the lives of the people of Serbia in many ways.



Serbia Education Improvement Project

Babušnica is a small town nestled in the hills of impoverished southeast Serbia. Čitluk is a tiny community in the republic's central region. And Đurđevo is a village in the heart of Vojvodina, a developed northern province. Though far apart on the map, these three communities are bound together by an innovative education program supported by a US\$10 million World Bank credit. This program has improved the lives of teachers and pupils in some 200 schools in these towns. The residents also became involved, turning this into a genuine movement.

The school improvement program was initiated in August 2002. It was part of a broader education improvement project. In addition to improving teaching and learning, these grants aimed to empower communities to take responsibility for their schools. Funding for school development was only made available once plans had been drawn up by local education authorities with input from local people. When the World Bank Country Office Team visited three elementary schools involved in the program, everyone agreed that the benefits far surpassed the original investment (between US\$5,300 and US\$6,500 per school).

Kamenka Ignjatović is a member of the development team at the Stefan Lazarević Elementary School in Babušnica. She recalls how it all began: "Almost none of our teachers were computer literate at the time. When the training started we would spend the whole day at school, staying even longer than required." The program was popular outside the school as well. After learning about the project, private partners from Babušnica eventually became interested and involved. A dance school from the town of Pirot donated a computer to the school.



“We were just like kids during the training, enjoying every second of it,” explains Snežana Rajković, a teacher at the Sveti Sava Elementary School in Čitluk with 597 pupils. “Professors, parents, and community representatives—altogether 15 people—worked on a three-year development plan for the school. Eventually, they came up with what they called an *Eco-School* project. They trained 30 professors to conduct workshops to help students apply what they learn to daily life. As a result, children at this school recycle paper, monitor water and air pollution in the area and, together with their parents, they produce environmentally friendly food.”



Elementary school in Čitluk: Learning about recycling old paper

The idea for *Quality School in a Village for a Village Project* came from the community of Đurđevo. Vukica Petrović, a teacher at the Jovan Jovanović Zmaj Elementary School explained that the community’s initial suggestions included creating a website and putting



out a school newspaper. Eventually they all agreed that increasing their knowledge of information technology was crucial to the improvement of teaching. As a result, 90 percent (28 out of 32) of the staff plus two representatives of the local community and two professors from a school nearby are now trained to work with computers.



Multimedia teaching in Babušnica

Results on the ground

- 803 grants amounting to US\$5,66 million, were awarded to Serbian schools for equipment purchasing, minor construction works and professional development of teachers
- 3200 teachers, school psychologists and school pedagogues from compulsory schools and gymnasiums were trained on how to use the results of national and international assessment of student achievements
- 7500 teachers were trained in IT, 3000 in using modern teaching methods, 3500 in communication skills and 400 in English language



Export Finance Facilitation Project

When the process of transition started in Serbia in 2000, its exports were at historically low levels. In order to support the country in helping its private sector to identify and access markets abroad, the World Bank project financed the establishment of a special export agency.

Results on the ground:

- 576 new jobs have been created in the enterprises supported by SMECA
- US\$ 2,644,300,000 of export was supported by project facilities
- US\$ 9,7 million of working capital loans/guaranties were made
- 361 credit information reports were issued



Employment Promotion Project

In 2002, Serbia turned to the World Bank to seek its help in dealing with high levels of unemployment. The World Bank Team came up with a quick and flexible solution: the Employment Promotion Project. Financed through a credit of US\$2.75 million and with additional grant support of US\$1.75 million from the United Kingdom's Department for International Development, the project aims to improve the efficiency of Serbia's labor programs by piloting and testing new approaches, establishing innovative labor redeployment programs and providing employment services.

Results on the ground:

- 13 Work Transition Centers (WTC) were set up
- Of the 9,000 workers who visited the WTCs, an estimated 7,000 workers received counseling services and information; 2,000 workers were trained and retrained. 800 new jobs were created or jobs saved in pilot enterprises through the WTCs. Such services were previously non-existent
- 223 relevant staff of Ministry of Labor, Employment and Social Policy and National Employment Service trained to design and implement Enterprise Social Plans.
- 132 representatives from local municipalities and social partners from 4 pilot sites and 9 new municipalities were trained for LRP and WTC
- Social partnership for joint work on LRP was established in all 11 municipalities in Serbia



Privatization and Restructuring of Banks and Enterprises Technical Assistance Project

In the decade following the breakup of Yugoslavia, Serbia suffered a near economic meltdown. The financial sector was in shambles, and people had little confidence in the banking system. Many state-owned companies were heavily indebted and lacked adequate corporate governance. These problems were combined with hyperinflation and high unemployment.

The World Bank has helped Serbia restructure the banking sector and privatize enterprises to foster private sector growth and job creation. Because of the interconnectedness of the two sectors, these challenges had to be tackled simultaneously. Support was channeled through two credits and matched by technical assistance.

Panagiotis Vlasiadis, the Greek general manager of Jubanka which was privatized in January 2005, had only positive remarks about his experience in Serbia thus far.

“I have found the Serbians to be very professional and sincere,” he emphasizes. “They are not just paying lip service to privatization; they truly believe in it. They have recovered from their financial problems very quickly.”

Ordinary Serbians already feel the impact of these reforms on their daily lives. “People are a lot more secure about banks now,” says Snežana Mandić, 24, of Belgrade.





With the vast majority of Serbia's companies in dire straits, privatization of state- and socially-owned companies—where each employee has specific ownership rights—became a top priority. Large companies likely to attract foreign investment were sold with tenders, and smaller companies were auctioned and allowed to set their own timetable for privatization.

The World Bank provided technical assistance to the Privatization Agency (PA) to sell 46 companies by open, transparent, and competitive tender. The goal was for foreign and other “strategic” investors to rehabilitate them.

One of the most vivid examples of a thriving company sold by auction is Hotel Park, in Novi Sad, the second-largest city in Serbia. The hotel was nearly defunct just a few years ago but has now achieved five-star status. Blagoje Rižić, who has worked in security at the hotel for seven years, says the difference is like night and day.

“Previously, the hotel was neglected, and employees did not want to do anything,” says Blagoje. “Now, I have gone through training on the new security equipment, and my job is clearly defined.”

Also in Novi Sad, Velefarm, a pharmaceuticals wholesaler, purchased Sanitarija in April 2004 and has since heavily invested in the struggling company with a whole warehouse of brand-new equipment. “Salaries have doubled since the privatization,” says Gordana Šljivančanin, deputy director of Sanitarija. “Jobs have become easier to perform because we have removed many obstacles.”

The World Bank project's direct assistance to advancing the restructuring and privatization programs yielded the following results, with a projected high contribution to private sector led growth:

- The sales of 19 large socially owned enterprises as going concerns that the project directly supported through financing of restructuring agents and financial advisors. This generated about US\$119 million sales proceeds, including US\$27 million from restructured socially owned enterprises, US\$92 million from direct sales and US\$109 million of investment commitments.

More broadly, the project assisted the overall privatization program



as it helped build and maintain the institutional capacity of the PA to administer the complex process.

- As of the end of April 2007, the PA had restructured 65 of 78 socially owned enterprises in the restructuring list and sold 19 socially owned enterprises as going concerns (this does not include tenders and auctions of under EUR 1 million)
- The total value of all sales of large socially owned enterprises from the restructuring list as of the same date was US\$89 million
- In total, the PA has sold 1,512 socially owned enterprises out of 2,091 offered between 2002 and August 2007, representing a success rate of 72%
- The tender and auction sales have generated US\$4.8 billion of revenue for the budget, US\$1.7 billion of new investment commitments and US\$392 million for social programs as of August 2007

Results in bank privatization: The government chose ten majority state-owned banks for privatization at the end of 2004, offered seven for sale to strategic foreign investors, and privatized six of them, including the largest state-owned bank,. The government has raised almost US\$1.3 billion through the privatization of banks (of this, US\$0.7 billion with direct project support). As a result of the project and other donor support, the Serbian banking sector has almost completed the transition from the state control to the private sector, largely to foreign owners; increased competition and the flow of credit to the real sector; and reduced the interest rates. More specifically, the total number of banks has decreased from 47 in 2003 to 37 in 2006.

Results in bankruptcy/liquidation of banks: Nineteen banks have been put into bankruptcy/liquidation by the end of the project (an increase of six from end-2004). Of them, one case has been closed, while the others - of which ten were supported by the project - are undergoing the bankruptcy/liquidation process that takes several years.



Energy Efficiency Project

Warmer, brighter and more comfortable schools and hospitals is the motto of this World Bank funded project, which aims to lower the heating costs in public buildings in Serbia. The project also reduces pollution by introducing more environmental friendly ways of heating schools and hospitals during the winter.

In the Serbian village of Čonoplja, the pupils at Mika Antić elementary school have one more reason to look forward to attending classes in winter. With the newly refurbished windows and proper insulation, the children can learn without having to wear heavy coats indoors. This is a big accomplishment in the village like Čonoplja, where winters can last up to five months and improper insulation makes it difficult to retain the heat in rooms.

“In the school year 2004-05 our energy bill was 1.1 million dinars. After the windows were refurbished and proper insulation was installed, under the Energy Efficiency Project, our energy bill was just 750,000 dinars. I was quite amazed to see the impact of this project”, says Vladimir Uzelac, school director of Mika Antić elementary school.

When Dara Ninković, a teacher at Mika Antić, heard about energy savings, she decided to take action in her own home.

“It was expensive for my family – we had to get a loan, but we changed the windows in one part of our house.” Ninković says. “It has been already paid back, since we reduced the amount of the wood we burn each year from 11 to 8 cubic meters. As soon as I can afford it, I’ll change all the windows.”

In a nearby town of Bačka Palanka economic high school energy savings were as high as 40 percent. When the municipal authorities who pay the local school energy bills realized how much was saved, they decided to finance refurbishing of other schools in their small town.



Elementary school in Čonoplja: classrooms are warmer and more comfortable



Results on the ground

- New energy system at the Clinical Center of Serbia has been completed (co-generation engine to be in full operation in the first quarter of 2009)
- About 46% reduction in annual energy consumption observed in schools in the project scope
- Around 38% reduction in annual energy consumption observed in hospitals in the project scope
- 6 schools and 4 hospitals were retrofitted (with works in 10 more schools and 7 hospitals underway, including lighting improvements in additional 2 schools)
- energy efficiency retrofit works are currently ongoing at the Maternity Hospital within the Clinical Center of Serbia



Before and after the intervention: new windows make school warmer



Irrigation and Drainage Rehabilitation Project

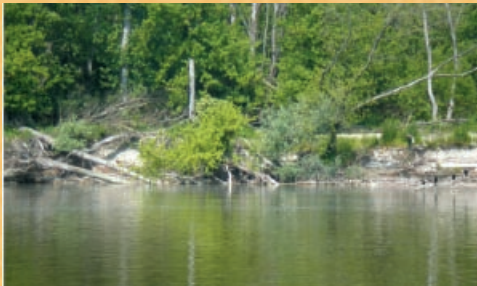
Serbia often faces floods and droughts. For a country where agriculture plays an important role in the economy, this represents a significant problem. The project financed by the World Bank aims to rehabilitate existing irrigation and drainage infrastructure, which was neglected for decades. This should improve the capacity for increased agricultural yields through supporting high priority rehabilitation of drainage and irrigation infrastructure; reduce the risk of damage from flooding to land, crops, property and infrastructure, as well as reducing the risk of loss of life from flooding in selected areas; and improve water resources management through strengthening associated institutions and policies.



Canal in Novi Kneževac: the World Bank financed project improved maintenance

Results on the ground

- One drainage canal system is completed
- Drainage has been improved on about 5,000 hectares of land



Reconstruction of the Danube left bank near Apatin: before and after the intervention



Transport Rehabilitation Project

This World Bank project helps to improve transport infrastructure in Serbia and strengthen the institutions in the transport sector. It focuses on capacity strengthening of the Serbian Roads Directorate (SRD). The goal of the project is to enhance road maintenance, rehabilitation, and road safety by incorporating safe road design principles, road safety audits and eliminating identified accident “black spots”. The project also supports the extension of the successful performance-based road maintenance contracts.

Results on the ground:

- 50 km of roads out of 210 envisaged by the project have been rehabilitated
- In two regions, Mačva and Kolubara, where The Performance Based Maintenance Contract was piloted for winter and routine maintenance of 1,200 km:
 - cost of winter maintenance was 50% less than overall in Serbia (207.8 Euro/Km vs. 572.3 Euro/Km)
 - road safety was improved - number of deaths per 10,000 vehicles was decreased from 6 to 2.4 in Macva Region and from 4.49 to 2.26 in Kolubara
- Average road roughness was decreased-from 6 to 4.14 in Pilot Districts and from 5 to 3.77 in rehabilitated road sections.



Serbia Health Project

The World Bank project contributes to the development of a sustainable and performance oriented health care system where providers are rewarded for quality and efficiency and where health insurance coverage ensures access to affordable and effective care.

Results on the ground:

- US\$9,9 million has been invested in reconstruction and for acquiring medical equipment in four general hospitals (Valjevo, Kraljevo, Zrenjanin and Vranje)
- More efficient health service has been achieved in four general hospitals through a decrease in the number of beds and length of stay by 17% and 11% respectively and an increase in average bed occupancy rate by 7%
- IT equipment has been provided and health information systems have been introduced
- US\$1,2 million has been invested in influenza vaccine production at the Torlak Institute
- The preparation for the introduction of capitation payment has been completed
- National Health Accounts have been prepared
- Four Health Technology Assessments have been completed
- Central Information Service and Regional Hospital Information Systems have been introduced
- Database of Insurers has been completed



Real Estate Cadastre Project



Cadastre in Trstenik: It is easier and quicker to get a dead

Registration of real estate is very important for economic development, in particular for economies such as Serbia, which aims to be led by private sector growth. This World Bank project seeks to build a more effective property registration and cadastre system, with the intent of contributing to the development of effective real property markets.

Results on the ground

- Increased number of transactions in land and real estate by 300%
- Increase in number of mortgages as a percentage of the total number of transactions by 3% (from 3% to 6%)
- Increase in number of completed cadastre municipalities by 1828, that is from 45% of the country to 85% of the country
- 7 urban cadastre municipalities completed in Belgrade (24%)
- 34 base stations for Geodetic Reference Framework constructed and equipped
- 22 offices renovated or reconstructed
- 33% reduction in the time taken to register sales
- Cadastral maps covering 400,000 hectares have been converted to digital form



Danube River Enterprise Pollution Reduction Project

Life in Maskar village, situated in picturesque middle Serbia, with some 50 households, doesn't offer a lot of entertainment. To pass the time Biljana Obradović, 38 year old farmer-housewife, often sifts through daily "Politika". She even reads advertisements. One day this habit of hers changed the life of her six member farmer household. Biljana saw a Serbian Ministry of Agriculture advertisement calling farmers to apply for grants to finance improvements in their everyday work while lowering the pollution of the land and rivers.

"It seemed to me this was a great opportunity for my household to purchase new machines to deal with manure. We had already planned to buy them but didn't have the money. So, we decided to apply", says Biljana. "Two months later on the day of family saint's day, Djurdjevdan, they informed us we had the grant".

Biljana and her husband Dejan are among 30 beneficiaries of the Serbian Danube River Enterprise Pollution Reduction (DREPR) project, financed by the Global Environmental Facility, with nine million dollars, and the Swedish International Development Agency, with 3.93 million dollars. The local community matches these funds with over nine million dollars. One of the aims of the project is to demonstrate cost-effective methods by which livestock farms and slaughterhouses can reduce nutrient run-off and discharge into the Danube and its tributaries.



The Obradović family received a 10,000 euros grant which helped them buy a manure spreader, manure loader and slurry tanker. They



selected the equipment through a competitive procurement method they used for the first time in their lives.

“This project changed my life the most. I loaded manure myself onto a tractor trunk before. You can imagine how my back used to hurt!

Biljana Obradović says DREPR has changed the life of her family

We hired people and paid them wages to

help me spread this manure in the field. It used to take days” says Dejan Obradović. “This time around I have collected and spreaded 260 tones of manure on my own within a couple of days. Manure is more equally distributed in the field now and since I do it quickly it doesn’t dry out and thus is more effective. We have halved the use of fertilizer lowering further the cost of farming.”

Biljana happily summarizes the benefits of DREPR project for her family: “Our life is so much easier now. It is uncomparably better than it used to be. Our work is physically easier, we spend less time collecting and spreading manure and it is cheaper as we don’t pay daily wages to workers any more and we spend less on fertilizers.”

People in Serbia rarely recognized agriculture as the source of



Dejan Obradović and his father Bogoljub are delighted with new equipment



Biljana with her daughter and mother in law

pollution of the rivers. Yet, agriculture and agro-industrial sector were identified as significant nutrient polluters. The livestock sector is one of the largest polluters of the Danube/Black Sea waters in Serbia. The project, financed by a GEF grant, aims to reduce agricultural nutrient pollution in the Danube River and encourage the adoption of EU compliant measures in selected enterprises.

Results on the ground

- The Code of Good Agricultural Practice has been developed
- Thirteen grants pre-arrangements for investments in farm manure management with total budget of EUR 1.7 million have been signed, 8 grant agreements signed, two completed
- 190 agricultural advisors, farmers, slaughterhouse managers, regulators, and environmental, veterinary, agricultural and water inspectors have been trained on proper manure and slaughterhouse animal waste management
- 80 farms have prepared Nutrient Management Plans
- Soil Science Institute and Hydrometeorological Institute have been provided with laboratory equipment and relevant software



Visit our Public Information eCenter

The World Bank Public Information eCenter (ePIC) in Belgrade is opened in partnership with the British Council to serve as your point of entry for timely and accurate information on the World Bank and its activities in Serbia and worldwide.

The World Bank, as a lead global development institution with a mission of eradicating poverty in development and transition countries, has a policy to be transparent and open to the public. As part of that policy Public Information Centers have been opened during the past decade in over 65 member countries.

At our ePIC in Belgrade you can access online and at no cost the wealth of information on the World Bank, including:

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The World Bank Group

The World Bank Group is an international organization which provides financial and technical assistance to developing countries around the world. Our mission is to reduce poverty and improve quality of life through promoting growth to create economic opportunities; and helping poor people to take advantage of these opportunities.

We support governments of member countries in their efforts to invest in schools and health centers, provide water and electricity, fight disease, and protect the environment.

We are an international organization owned by 185 countries—both developed and developing—that are our members. We were set up in 1944 as the International Bank for Reconstruction and Development. When we first began operations in 1946, we had 38 members. That number increased sharply in the 1950s and 1960s and in 1991-1992, when many countries became independent nations and joined our organization.



We are like a cooperative, where our members are shareholders. Through their representatives on our Board of Executive Directors, these countries set our policy, oversee our operations and benefit from our work.

As our members grew and their needs changed, we expanded and are now made up of five different agencies.

FIVE AGENCIES—ONE GROUP

The International Bank for Reconstruction and Development (IBRD) lends to governments of middle income and creditworthy low-income countries.

The International Development Association (IDA) provides interest-free loans—called credits—and grants to governments of the poorest countries.

The International Finance Corporation (IFC) provides loans, equity, and technical assistance to stimulate private sector investment in developing countries.

The Multilateral Investment Guarantee Agency (MIGA) provides guarantees against losses caused by noncommercial risks to investors in developing countries.

The International Centre for Settlement of Investment Disputes (ICSID) provides international facilities for conciliation and arbitration of investment disputes.

Even though the World Bank Group consists of five institutions, only the International Bank for Reconstruction and Development and the International Development Association constitute the World Bank.

Headquarters: Washington, DC and more than 100 offices around the world.

Established: July 1, 1944 by a conference of 44 governments in Bretton Woods, New Hampshire, USA

Membership: 185 countries

Staff: Approximately 7,000 employees in Washington, DC and over 3,000 in offices around the world.

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