

Republic of Serbia Country Partnership Strategy Results Matrix

COUNTRY DEVELOPMENT GOALS	ISSUES AND OBSTACLES	CPS OUTCOMES	INDICATORS	BANK ACTIVITIES & PARTNER ACTIVITIES
PRIORITY 1: DYNAMIC PRIVATE SECTOR LEAD GROWTH TO ENSURE INCOME CONVERGENCE WITH EUROPE				
Strengthen the competitiveness of the enterprise sector.	Substantial structural reform has improved the competitiveness of the Serbian economy, but a significant transition agenda remains. Addressing these issues is of very high importance for the Government.	Complete the privatization and restructuring program for socially-owned enterprises. Baseline: 1,800 socially owned enterprises sold, but 1,000 remaining in Privatization Agency database.	Complete the process of offering all socially-owned enterprises for sale by end-2008. Greater use of flexibility available in <i>Bankruptcy Law</i> (2007 baseline: 450 SOEs currently in Privatization Agency Bankruptcy Unit).	Lending: Development Policy Loans Railways APL Transport Rehabilitation Energy Community of South East Europe (ECSEE) Energy project (Zvornik rehab) Real Estate Cadastre Project IFC investments MIGA guarantees AAA/ESW: Capital Markets TA PPP analysis on opportunities and contingent liabilities Serbia Economic Memorandum Public Expenditure review Accounting & Auditing ROSC IFC regulatory reform IFC/FIAS guillotine review IFC Corporate Governance Program IFC Alternative Dispute Resolution (ADR) Program
		Continue restructuring and privatization of large state-owned enterprises.	Reduce direct financial subsidies provided by MoE to state and socially owned enterprises. 2007 baseline: 1.9% of GDP, target: 1.0%.	
Improve the business environment.	Serbia has undertaken significant reform, with <i>Doing Business 2006</i> ranking the country as the top global reformer. Nevertheless, constraints remain - particularly in regard to complex business licensing and permit requirements.	Reduce regulatory compliance burden for businesses and enhance business entry.	Simplify procedures for obtaining construction permits and reduce compliance costs. 2007 baselines: (20 procedures; 204 days; Cost: 2,700% GNI/capita). Reduce business registration time from 23 to 5 days.	Partners: EU, EBRD, EIB, IMF, UNDP, Austria, Germany, Sweden, United Kingdom, United States

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Strengthen financial sector intermediation		Divestment of remaining financial sector holdings.	Full divestment of majority stakes in 4 banks, minority stakes in 5 banks, and insurance sector holdings.	
		Lower property market transaction costs, and increase availability of mortgage backed financing.	The real estate cadastre is operational in the whole country (Oct 2007: 83%).	
			Mortgage financing provided for 15% of all land transactions. Baseline: 5%.	
Improved, well maintained and efficient infrastructure.	Serbia has considerable infrastructure bottlenecks as a result of over a decade of relative neglect and low levels of public investment spending despite relatively high overall public expenditure. Many state owned utilities continue to be significant loss makers. Scope for private provision of infrastructure is limited, although increasing.	Rationalized and financially sustainable rail operating system, in context of market opening for freight and passenger carriers.	Ratio of traffic unit kms to the number of Zeleznice Srbije (ZS) employees to increase to 270,000 (2006 baseline: 235,000)	
			50km of track rehabilitated . (2007 baseline: 0 km).	
		Strengthened road links, better condition of the road network and improved road safety, with greater efficiency in spending.	Performance based contracting used in all regions (baseline 2), with 20% reduction in winter maintenance unit costs (baseline Euro 570/ km).	
			350km of roads to be rehabilitated, with road roughness declining on IRI scale (baseline roughness: 5)	
		Improved financial sustainability of the energy sector.	Energy prices move towards full cost recovery and investment needs of EPS.	

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		Improved electricity market access for consumers and suppliers and strengthened capacity of the institutions to participate in the regional electricity market.	Electricity markets in Serbia are liberalized in accordance with ECSEE treaty, EPS restructuring continues, allowing private investment in new generation capacity.	
PRIORITY 2: PROVIDING OPPORTUNITIES AND BROADENING PARTICIPATION IN GROWTH				
More balanced regional development	Poverty in regional areas (14% of the population) continues to remain significantly higher than in urban areas (about 5%). Disparities are especially severe in depressed former mining and industrial areas of Bor and Resavica, where mining enterprise restructuring could exacerbate differentials.	Provide economic opportunities in the depressed areas of Bor and Resavica by fostering new sources of economic growth to overcome social legacy of mining. Currently 15,000 unemployed in Bor region, with over 2,000 additional layoffs expected. Improve incomes, currently 40% of national average.	2,500 people to be supported into employment through ALMPs in Bor region. Support SMEs through 1,000 micro-credit loans in Bor region.	Lending: Bor Regional Development Project Resavica Regional Development Transitional Agriculture Reform Irrigation and Drainage Project Health Improvement Project Consolidated Pension Collection and Reform Project Delivery of Integrated Social Services Project
	Improve agricultural outputs and exports, with increasingly able to meet EU standards and take advantage of EU export opportunities.	High domestic levels of protection and lack of efficiency in administration of budget resources reduce potential sector competitiveness. Widely fluctuating sector performance due to varying weather conditions.	Market support for agriculture falls from 30% of MAFWE budget to 10%. 5000 ha benefiting from irrigation development with 10% increase in corn and wheat production.	AAA/ESW: Programmatic poverty assessments Employment Generation Options Private Sector Participation in Social Services (with IFC) South East Europe Regional Higher Education Study IFC Recycling Linkages Program Partners: EU, Italy, Netherlands, Switzerland, Norway, United Kingdom

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Improve effective social protection for the vulnerable	Poverty has declined from 14.6% of the population in 2004 to 8.8% in 2007, but many households remain vulnerable to shocks.	Creation of an efficient and transparent rural development program consistent with EU pre-accession rural development programs	Rural paying agency established and operating. EU compliant rural development program operational, including management, monitoring and payment institutions and procedures.	
Strengthen social service quality and access in an increasingly decentralized environment		More effective, efficient and financially sustainable pension system	Pension contribution collections increase by 5%. Pension payments to decline as a share of GDP (Baseline: 2004-06 average: 13.5%)	
		Efficient, sustainable and decentralized delivery of integrated health, education and social protection services at the local level in municipalities supported under DILS project.	Increased take up of targeted cash benefits and social services among eligible households in municipalities benefiting from the DILS project, relative to other municipalities Among the poorest 25% of municipalities, improved access to primary and secondary education and primary healthcare in municipalities supported by the DILS project, compared to other municipalities.	

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PRIORITY 3: MANAGING DISASTER RISKS AND PROMOTING ENVIRONMENTALLY FRIENDLY DEVELOPMENT				
Strengthened environmental management.	Major environmental legacy associated with mining operations in Bor and Resavica.	Remediation of urgent environmental hazards, including tailing ponds and wastewater discharge.	Environmental remediation works completed in all 4 sites in Bor region (with 2 tailings ponds closed), and 5 of 9 sites in Resavica region.	<p>Lending: Energy Efficiency project Irrigation and Drainage project Bor Regional Development project Resavica Regional Development Danube River Pollution GEF Regional Disaster Management and Preparedness</p> <p>AAA/ESW: Regional Disaster Risk Mitigation and Adaptation</p>
	The Serbian economy is highly energy intensive, with heating of buildings a major source of consumption.	Improve energy efficiency in over 200 public buildings by 45% (with overall improvement in public energy efficiency of 0.5%).	Replace heating supply at Clinical Center of Serbia and Nis Clinical center. Energy efficiency retrofitting of 117 public buildings..	<p>Partners: EU, USAID, UNDP, Finland, Sweden</p>
	Serbia is a major source for pollution to the Danube/ Black Sea River basin.	Reduce nitrogen and phosphorus pollution flows to Danube and tributaries.	60 farms implementing nutrient management plans. 4 slaughterhouses have invested in animal waste management technology. 20% decrease in non-point source pollution flows from 2008 baseline (TBD).	
Strengthened ability to prepare for, manage, and mitigate unexpected risks, including those arising for climate change.	Recent floods, droughts and fires have highlighted the need to prepare and respond to natural disasters to avoid loss of life and economic losses.	<p>Better preparation for natural disasters and improved readiness to mitigate their harmful effects</p> <p>Reduced risk of damage from flooding to land, crops, property, infrastructure, as well as reduced risk of loss of life from flooding.</p>	<p>National strategy for disaster and risk mitigation adopted and institutional arrangements for disaster and risk mitigation strengthened.</p> <p>Flood protection schemes strengthened for 550,000 ha and 2 million people along Danube, Sava, Tisa and Tamis rivers.</p>	