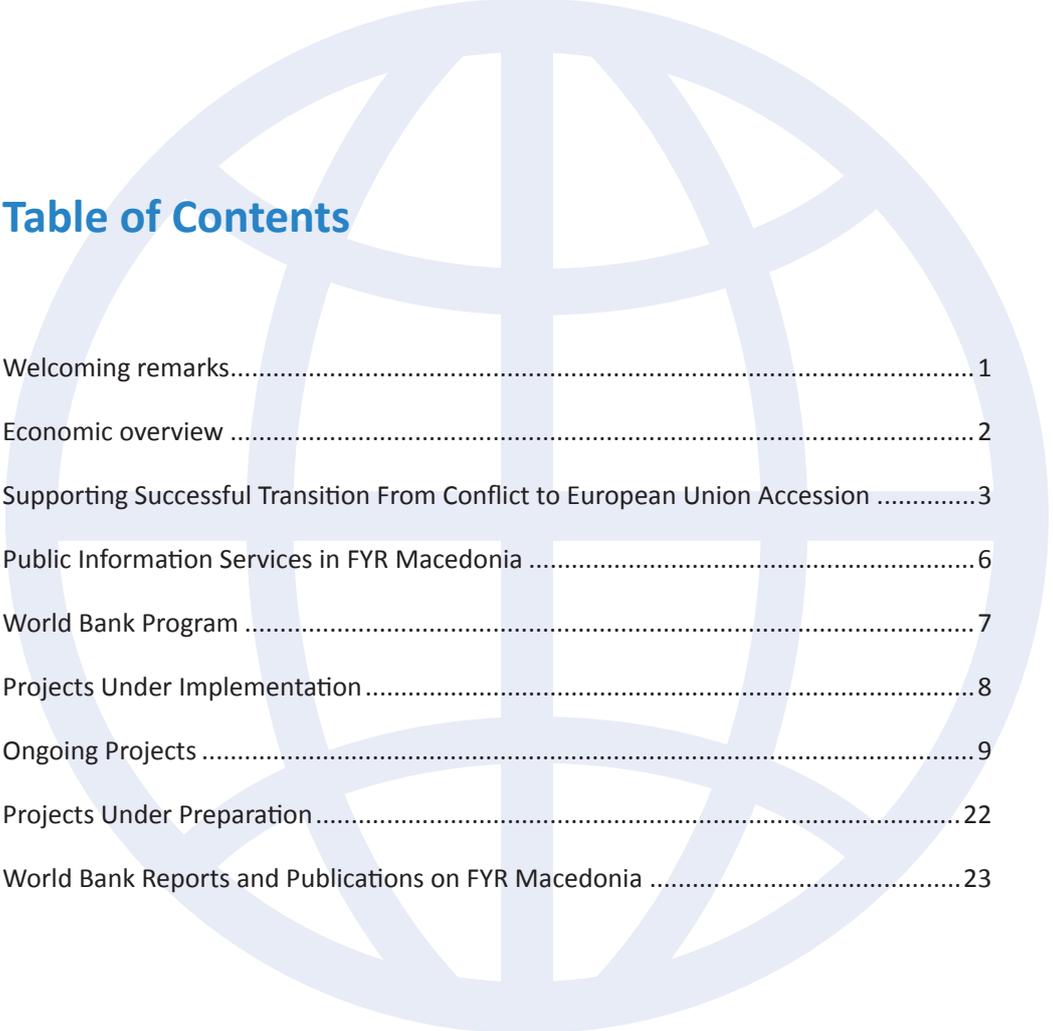




WORLD BANK

# 15 years of Partnership





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**October 2010, Skopje**



## Dear Reader,

Welcome to the World Bank Program Snapshot. It starts with a brief economic and program overview to provide you with the context for the World Bank program in the country and presents one-page snapshots of the World Bank projects to inform you of where the World Bank money is going and to report about the results the Bank programs are bringing to the country and its people. We will update this publication regularly to continue providing you with the up to date information on our program and its results.

During the last decade the country has made significant progress from conflict to a European Union candidate. During this period, it has pursued prudent macroeconomic management, which has contributed to gradually accelerating economic growth and helped the country weather the 2008-2009 global economic crisis. The country performs well on indices of business climate and its people are living longer, fewer infants are dying and more children are going to school today.

These results are encouraging but many challenges remain. The global financial crisis has harmed many Macedonian people—the poverty level remains high and employment opportunities remain limited, especially for youth. Future success depends on improving the country's competitiveness, creating more jobs and providing better social services to people, as well as dealing with the emerging climate change threats. Today, knowledge and skills increasingly hold the key to a gainful and productive future.

World Bank support is based on a country-led and owned policy agenda, consistent with the country's middle-income status and its aspirations for EU membership. The future World Bank program aims at supporting faster growth by improving competitiveness, more inclusive growth by strengthening employability and social protection, and greener growth through more sustainable resource use. We will continue to support the country's EU accession agenda and to work together to improve the standards of living of Macedonian people.

The actions we take today will shape future opportunities and challenges.

*You can also access this World Bank Program Snapshot at [www.worldbank.org.mk](http://www.worldbank.org.mk)*

### **Lilia Burunciuc**

Country manager  
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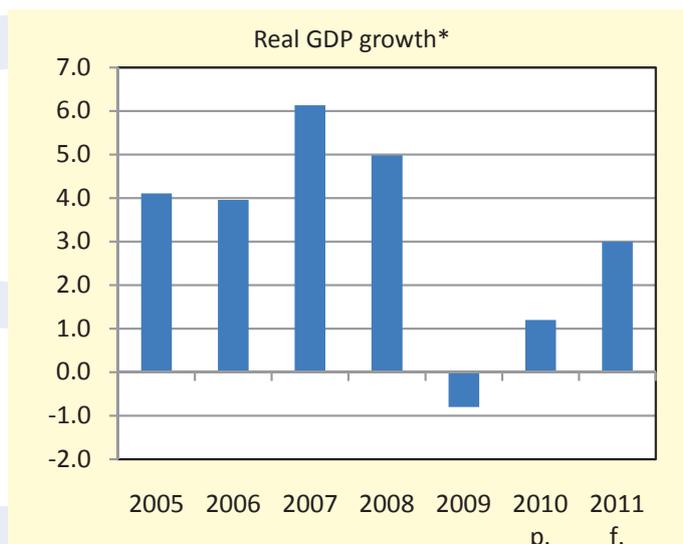
## Economic overview

The country weathered the global economic crisis better than most countries in the region. The Gross Domestic Product (GDP) contracted by less than 1 % in 2009, one of the less severe contractions experienced in the region largely due to the accommodative fiscal policy, the relatively healthy financial sector and the impact of reforms implemented earlier.

The recovery of the economy in 2010 has been gradual. GDP fell by -1.1% in the first quarter of 2010 (y-o-y), and only recovered by 0.4% in the second quarter as good exports performance was off-set by slack domestic spending as investors remained restrained and households increased precautionary savings in response to non-improving labor markets. Economic activity appears to have picked-up in the third quarter, with domestic demand also improving supported by loosened monetary policy and higher government spending. These trends are expected to continue in the fourth quarter with the economy projected to grow by 1.0-1.5% in 2010. Inflation remains low with average price increasing by 1.1% in the first nine months of 2010.

The growth rate of the economy is projected to accelerate to around 3% in 2011, benefiting from accommodative fiscal policy, and a more robust recovery of investments and consumption in response to loosened monetary policy and more stable economic conditions. More substantial reduction in unemployment and poverty will critically depend on achieving stronger and sustainable growth rates of the economy over a longer period of time, In this regard, the economy faces significant challenges. The short-term growth prospects remain uncertain due to the tepid and uneven recovery in the largest trading partners. Furthermore, demand and prices for metals (key export product of the country) could decline and negatively affect the external balance. At the same time, despite some improvement recently, business and consumer confidence remain low which may keep domestic demand depressed.

Beyond the immediate impact of the crisis, achieving stronger and sustainable growth rates will require the creation of a more diverse, competitive and environmentally sustainable economy. Prudent macroeconomic policies are needed to preserve the fiscal and external imbalances manageable and thus safeguard macroeconomic stability. At the same time, infrastructure improvements, combined with better human capital and business environment will create opportunities for faster growth by strengthening property rights, reducing costs of businesses and improving competitiveness.



Selected Economic and Business Indicators\*

	2008	2009	2010 p.
GDP - in USD million	9,835	9,372	9,136
GDP growth rate	5.0	-0.8	1.2
External Debt (as % of GDP)	47.4	58.7	
Public Debt (as % of GDP)	27.9	31.5	
Doing Business	<b>DB09</b>	<b>DB10</b>	
Ease of Doing Business	69	32	
Starting a Business	13	6	
Paying Taxes	28	26	
...			
Closing a Business	131	115	
Construction Permits	151	137	

\*source: State Statistical Office

# Supporting Successful Transition From Conflict to European Union Accession

## Synopsis

The World Bank Group has worked closely with a number of development partners to help the Former Yugoslav Republic of Macedonia (FYR Macedonia) travel the road from conflict in 2001 to reaching the threshold of joining the European Union today. This collaboration has brought a wide range of results during the years of collaboration from boosting school enrollment to slashing the red tape for businesses, and from creating a model cadastre system in the region to rehabilitating more than 200 kilometers of roads.

## Challenge

FYR Macedonia is a lower middle-income country, whose landlocked position, small size, multiethnic population, and relatively high degree of economic openness make it especially vulnerable to internal and external shocks, such as: embargos, economic fluctuations in the neighboring countries (for example, the recent crisis in Greece), and to regional and local armed conflicts since its independence from Yugoslavia in the early 1990s.

Despite its success in weathering the shocks and transitioning from a conflict-affected country to a candidate for the European Union (EU) membership, FYR Macedonia is still facing formidable political, economic, and social challenges. On the political side, the resolution of the long-standing dispute with Greece over its name is blocking the EU negotiations.

The biggest economic challenge is to create more jobs to reduce the very high unemployment rate (32 percent), especially among the country's youth. Linked to this challenge is the need to maintain macroeconomic stability, and increase the country's competitiveness, which is dependent on further improving the business environment, and the quality of education. By seeking to transform itself into a "green economy," FYR Macedonia is pursuing an opportunistic and pragmatic path, given that it is expected to be severely affected by climate change, and also because the current energy intensity of its economy is very high. Finally, the country faces the challenges to ensure the financial sustainability of the pension system, to improve the effectiveness of the social safety net, and to improve the health services delivery.



## Approach

Since 1995, the World Bank has played an important financial and advisory role in five key areas: (i) strengthening country competitiveness for sustained economic growth; (ii) improving the business environment; (iii) investing in human capital; (iv) improving road, rail, and energy infrastructure; and (v) supporting decentralization.

The World Bank's approach included a combination of investment and development policy lending, underpinned by substantive analytical and advisory work. Through more than 20 country-tailored reports delivered over the past five years, the World Bank Group's strong analytical and knowledge services have helped the country choose the appropriate mix of policies and interventions to promote economic growth and improve service delivery.

Because of fast moving developments (FYR Macedonia transitioned from post-conflict to an EU candidate country in three years), the World Bank needed to adapt quickly to the changing environment and the evolving needs of the client. Given the EU candidacy and middle-income country status, the demand for the World Bank support focuses on complex policy reforms, institutional capacity building, multifaceted implementation issues, and critical analytical work.

The World Bank Group in FYR Macedonia has earned a reputation of a trusted, unbiased partner and reform proponent that, over the years, has been contributing substantially and transparently to the policy dialogue and economic development of the country.

## Results

### **The World Bank provided important policy and investment support to the agriculture sector.**

- The World Bank support has enabled the Ministry of Agriculture to receive the EU accreditation for the utilization of the EU Instrument for Pre-Accession Assistance in the area of rural development.

### **The World Bank has provided significant support to FYR Macedonia to improve the country's business climate.**

- FYR Macedonia has improved its ranking in the Doing Business survey to 32 out of 185 countries in 2009 (from 83 out of 125 in 2006), becoming a global top four reformer in the 2008 survey, and the third overall reformer in 2010.
- The World Bank program has helped cut the time to register a company to four days in 2009 from 48 days in 2006; it helped reduce the cost of registering a business to less than 50 euros; it also helped increase the number of registered companies by 6% during the first half of 2008.
- The burden of regulation on businesses was also reduced through the introduction of the "Regulatory Guillotine," which reviewed and streamlined more than 2,000 laws and by-laws.
- The World Bank-financed reforms in the real estate cadastre resulted in the coverage of 99 % of the territory; doubled the number of registered transactions (85,786 in 2008, as compared to 42,116 in 2005); nearly tripled the number of mortgages (8,573 in 2008, as compared to 2,920 in 2005); and shortened the period for transaction registration (70 % of all transactions are registered in one day, and 30 % are registered between 3-8 days, as compared to 90 days in 2005).



### **The World Bank has supported significant improvements in the judicial and legal framework.** These include more effective organization of the court system, which resulted in:

- Reduction of the backlog of cases in 22 of the 27 basic courts.
- Improvement of judicial infrastructure through the refurbishment of 11 court houses throughout the country, and the construction of a new Criminal Court.
- Improved enforcement of court judgments by supporting legislation that took enforcement out of the courts and placed the function in the hands of private bailiffs, which, in turn, resulted in improved enforcement of court cases to 39 % in 2009 from 18 % in 2005;
- Improved regulatory and implementation framework for bankruptcy cases through the adoption of a new Bankruptcy Law, which resulted in an average decrease in duration of bankruptcy procedures from 43 to 26 months.

### **The World Bank has invested in FYR Macedonia's human capital.** Investments in education helped:

- Increase secondary school enrollment to 95 % from 85 % between 2004 and 2008, and decrease dropout rates to 1.9 % from 2.1 % in the same period.
- The World Bank support also contributed to the introduction of the State Matura (final examination at

the end of secondary school) as part of the overall Quality Assurance System, and the introduction of strategic medium- and long-term planning at both the Ministry of Education and school levels.

#### **The World Bank is helping boost FYR Macedonia's competitiveness through infrastructure development.**

- Since 1995, more than 200 kilometers of roads have been rehabilitated and the average border entry and exit time has decreased threefold (from 60 to 20 minutes, and from 20 to 7 minutes respectively).
- The World Bank assisted the authorities in developing a new Railway Law, adopted by the Parliament, to conform to the EU legislation .
- Through the World Bank assistance, MEPSO (the public electric power transmission company) has increased the capacity of the transmission network through the completion of the power transmission line to Greece, and restored 38 transformer stations throughout the country.

#### **The World Bank supported the country's decentralization process.**

- The World Bank helped establish a stable and transparent mechanism for financing local governments by promoting and adopting a transparent formula that transfers a portion of the personal income tax and value added tax revenues to municipalities. As a result, 70 out of 83 municipalities in the country were able to clear their arrears by end-2008. Arrears fell from around US\$100 million to around US\$16 million by the end of 2008.

### **Moving Forward**

**Under the Country Partnership Strategy (CPS) for 2010-2014 the World Bank will continue its support to FYR Macedonia by providing selective and targeted financing and knowledge advisory services in support of faster, more inclusive and greener economic growth.** Because FYR Macedonia's future growth and development will depend fundamentally on the pace of the EU accession, virtually every intervention in the CPS has been identified and will be designed to help prepare for the EU membership. The objectives of the CPS are to support:



**Faster growth by improving competitiveness.**

FYR Macedonia can build on improvements in business climate through a continued sound macroeconomic management, further efforts to reduce bottlenecks in business environment and infrastructure, and stepped-up investments in education, including higher education.

**More inclusive growth by strengthening employability and social protection.** The future World Bank program will also emphasize continued improvement of social programs amid growing fiscal constraints.

**Greener growth through more sustainable resource use.** Key World Bank Group interventions will include “win-win” investments in clean and efficient energy. Since this is an emerging area of knowledge and a new subject of dialogue with the government, the World Bank will also collaborate with selected partners on the analysis on “green growth” and climate change to support adaptation and other climate sensitive policymaking.

Interventions will seek to leverage financing and expertise from within the World Bank Group and to increase the impact of external assistance, in particular, through successful application of Program-Based Approaches.

## Public Information Services in FYR Macedonia

The World Bank in FYR Macedonia, as part of a global public information services network, is offering several information access points to the public in the country:

- Public Information Center in the National Bank of Macedonia in Skopje
- Depository Library at the Faculty of Economy, on the University "St. Kiril and Metodij" in Skopje

The World Bank also maintains English and Macedonian local websites, [www.worldbank.org.mk](http://www.worldbank.org.mk), that are updated weekly. Website and public information centers provide information on:

- The current project portfolio, the data and documents;
- Publications and research papers on FYR Macedonia;
- Data and statistics;
- Information for NGOs and civil society (scholarships and grant competitions);
- On-line access to more than 4,000 Bank books and publications through e-PIC database;
- Many other useful resources and data.
- Access to information is free of charge and open for everyone. Centers are equipped with computer and internet access.

**Depository Library, Faculty of Economics, University "St. Kiril and Metodij", Skopje**  
Krste Misirkov bb, Skopje  
Tel: +389 (0)2 3286 835  
Fax: +389 (0)2 3118 701  
<http://www.eccf.ukim.edu.mk/za-fakultetot/biblioteki>  
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***ACCESS TO INFORMATION IS FREE OF CHARGE AND OPEN FOR EVERYONE.***

**Public Information Center of the World Bank and National Bank of Macedonia**

**Working hours:**

**Monday to Friday, 08.30 am to 04.30 pm**

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# World Bank Program

## Lending Program

The World Bank program consists of 14 loans and four grants, totaling US\$319.7 million, in four outcome clusters: Growth/Competitiveness; Business Environment; Human Development, and Infrastructure. In light of the global financial crisis, the Bank has put in place a series of two Development Policy Loans (DPL) to strengthen the macroeconomic framework, improve public expenditure allocations, cushion the impact of the crisis on the poor and minimize vulnerabilities of the domestic financial sector. The first DPL (US\$30 million) was disbursed in April 2010. The second DPL of the same amount is under preparation, with a projected Board date in March/April 2011. In addition, the Board approved additional financing for the Real Estate Cadastre and Registration project (US\$12 million for digitalization of cadastral maps and completion of the cadastre reform). Additional financing for US\$19 million to finance the ECSEE APL3 power transmission line linking Macedonia with Serbia is also being prepared.



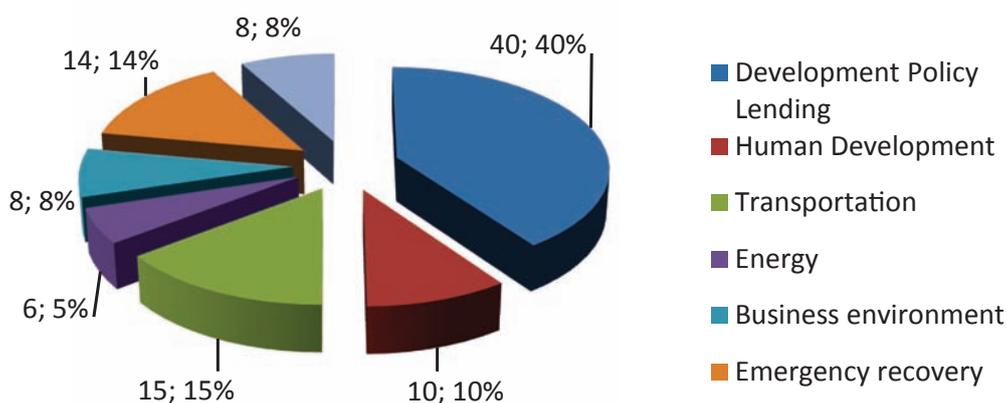
## Trust Funds

The Bank is supporting implementation of 5 Trust Funds with original commitments of some US\$28 million in public sector management, education and a GEF project in sustainable energy. The Dutch are major contributors, in education and in support of the DPL.

## Analytical and Advisory Program

Over the last two years the World Bank’s Analytical and Advisory program shifted to “just-in-time” advisory work, including the Labor Market policy notes and Policy Notes on Energy, while still delivering core economic studies (the Country Economic Memorandum and Poverty Assessment). The World Bank is working with the Swedish and Norwegian Governments to leverage US\$2 million for the preparation of a Green Growth Assessment and associated Technical Assistance. The FY11 program also includes support to the energy and water sectors. To increase the effectiveness of external support, Government and other partners agreed on a joint action plan to implement the Program Based Approach concept starting with five program areas (Business Environment/competitiveness, human development, agriculture, environment, governance).

Lending and trust funds by sector



## Projects Under Implementation

	Project	Amount (USD mil- lion)	Approval Date	Expected Closing date
1	Development Policy Loan	30	15-Dec-09	31-Dec-10
2	Conditional Cash Transfers	25.0	16-Jun-09	28-Feb-14
3	Municipal Services Improvement	25.0	26-Mar-09	30-Nov-14
4	Regional and Local Roads Program Support Project	105.2	13-May-08	31-Jul-13
5	Second Trade and Transport Facilitation Project	20.0	29-May-07	30-Sep-11
6	Agriculture Strengthening and Accession Project	20.0	12-Jun-07	30-Sep-11
7	Sustainable Energy GEF Project	5.5	26-Feb-07	31-Mar-11
8	Legal & Judicial Implementation & Institutional Support Project	12.4	1-Jun-06	31-Jul-11
9	RAILWAYS REFORM	19.4	15-Sep-05	31-Oct-10
10	ECSEE APL 3	25.0	10-Jan-06	31-Mar-11
11	Business Environment Reform & Institutional Strengthening Project	11.3	21-Jun-05	31-Dec-10
12	Real Estate Cadastre & Registration Project	14.0	15-Mar-05	31-Dec-10
13	Real Estate Cadastre & Registration Project - Additional Financing	12.1	11-May-10	31-Dec-13
14	Health Sector Management Project	10.0	13-May-04	31-Dec-10
15	Social Protection Project	9.8	13-May-04	31-May-11
16	Education Modernization Project	5.0	16-Dec-03	31-Jan-11
	<b>Total</b>	350		



## Ongoing Projects

### AGRICULTURE STRENGTHENING AND ACCESSION PROJECT

**Key Dates:**

**Approved :** June 12, 2007

**Effective:** October 2, 2007

**Closing:** September 30, 2011

**Financing in million US Dollars\*:**

Financier	Financing	Disbursed	Undisbursed
IBRD loan	20		
Government	4.90	11.7	7.8
<b>Total Project Cost</b>	<b>24.90</b>		

**\*Source Client Connection as of July 2010.**

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.**



Agriculture accounts for 16% of GDP and some 20% of employment in Macedonia. The sector also plays a central role in rural areas, where almost half of Macedonia's population lives. The sector performance over the last decade has been mixed, largely due to weather events. In addition, the sector faces multitude constraints to competitiveness including low levels of investment in farm technology and supply chains, as well as underdeveloped land and rural credit markets. FYR Macedonia's status as an EU candidate country imposes additional institutional and regulatory requirements on the sector.

**The Project Development Objective** is to improve the delivery of government assistance to the agriculture sector in a manner consistent with the European Union's pre-accession requirements.

**The Project** provides assistance in strengthening the capacity of the Ministry of Agriculture, Forestry and Water Economies to support the agriculture sector, including improving its ability to formulate and implement effective policies and increasing the effectiveness of public expenditures in agriculture - all of this in an EU-compliant manner. In addition, it provides support for setting up or strengthening the institutional structures necessary for EU accession and for accessing pre-accession assistance that Macedonia is eligible for. Further, the project assists in strengthening the veterinary capacity in order to help producers and agro-processors meet new food safety standards driven by changing consumer preferences and EU regulations. Lastly, the project supports completing the ongoing institutional reform of the irrigation sector that was initiated under the previous World Bank Irrigation Restructuring and Rehabilitation Project.

**Results achieved:**

Significant results have already been achieved in increasing the Ministry of Agriculture, Forestry and Water Economies's ability to deliver EU rural development funds. The European Commission conferred the right to manage the funds from the EU Instrument for Pre-Accession Assistance for Rural Development (IPARD) to the Macedonian Paying Agency in December 2009. This enables Macedonian farmers and processors to apply for IPARD grants to prepare for accessing EU markets, and be prepared for increased competition from other EU producers. Through investments in both IT equipment and technical assistance, the Ministry of Agriculture, Forestry and Water Economies is also increasingly gaining the capacity to track these funds, evaluate their impact, and develop new, effective rural development policies.

The support to developing effective veterinary capacity has resulted in a reduction in certain veterinary diseases prevalence (brucellosis and tuberculosis), increased preparedness for disease outbreaks, individual identification and registration of animals necessary for safeguarding animal and public health, and enhanced food-safety among food processors.

The project's support to the water sector has resulted in the establishment of Water Economies and Water User Associations. Recently the Water Economies have undergone training with the purpose of strengthening their capacity to deliver services and support the organization of the Irrigation Water Communities. This is an important step towards ensuring sustainability and improved delivery of irrigation and drainage services provided by the Ministry.

**Key Partners:** The Bank team works closely with (i) the **Ministry of Agriculture, Forestry and Water Economy** which is responsible for overall policy setting as well as for project implementation; and (ii) newly formed **Paying Agency (PA)**, which is in charge of managing the EU IPARD funds.

**Key Development Partners:** The Bank team is closely coordinating with the EU Delegation in Macedonia, as well as with the Swedish International Development Agency (SIDA).

## ENERGY COMMUNITY OF SOUTH EAST EUROPE APL 3

### Key Dates:

**Approved :** January 10, 2006

**Effective:** May 25, 2006

**Closing:** March 31, 2011

### Financing in million US Dollars\*:

Financier	Financing	Disbursed	Undisbursed
IBRD loan	25.00	13.9	12.98
Government	14.71		
<b>Total Project Cost</b>	<b>39.71</b>		

\*Source Client Connection as of July 20, 2010.

**Note:** Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



Improving the performance of the energy sector is crucial to sustaining economic development and improving competitiveness in South East Europe (SEE). Power supply in the region is projected to tighten significantly during the next few years. This will constrain economic activity and affect the quality of life of the citizens if not addressed in a timely fashion. Apart from Turkey, over the past 10-15 years investments in generation capacity in the region have been limited, with the average age of generation capacity now exceeding thirty years. Significant capacity additions and plant rehabilitations will be required over the period to 2020, along with matching transmission and distribution system investments if demand is to be met and severe power shortages and supply interruptions avoided.

**The Development Objective** of the Energy Community Of South East Europe Project is to support the integration of FYR Macedonia into the regional power market through financing investments in power transmission and institutional development that would support market participation.

Specifically, the Project has provided investment support and technical assistance to MEPSO (the public electric power transmission company) with the aim to strengthen transmission and dispatch and improve efficiency of MEPSO to support its functioning in the context of the regional power market through (a) financing investments necessary to rehabilitate and upgrade the power transmission network, (b) financing investments to increase the level of interconnection with neighboring power systems, and (c) strengthening the institutional capacity of MEPSO.

### Results achieved:

- With the completion of a 19 km transmission line to Greece, regional power trade has been facilitated. In Macedonia power transit has increased by almost 200% since the finalization of the line.
- The improved transmission capacity has increased MEPSO's earnings from power transit from €0.3 million in 2007 to €2.7 million in 2009.
- 38 transformation substations throughout the country have been rehabilitated, including the main substation for the capital of Skopje. This has resulted in a reduction of technical losses of 2.2 MW during peak hours and has improved system stability.
- Through the Public Private Infrastructure Advisory Facility (PPIAF) the Bank has provided technical assistance to the Energy Regulatory Commission to improve and clarify the regulatory framework for power supply.

### Key Partners:

The Bank team worked closely with (i) the **Ministry of Economy** which is responsible for overall policy setting; (ii) **MEPSO** (the public electric power transmission company), ultimate recipient of loan resources, and implementer of the Project. and (iii) the **Energy Regulatory Commission**.

**Key Development Partners** included the European Commission, the European Energy community and USAID

## EDUCATION MODERNIZATION PROJECT

### Key Dates:

**Approved :** December 16, 2003

**Effective:** April 23, 2004

**Closing:** September 30, 2010

### Financing from all co-financiers in million US\$:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD	5.0	5.00	0
Dutch TF	11.4		
Government	2.9		
<b>Total Project Cost</b>	<b>19.3</b>		

**\*Source Client Connection as of September 2010.**

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.**



In 2003, the education system in FYR Macedonia was highly centralized, constrained by rigid norms and standards and lacked responsiveness to issues confronting schools at the local level. As a result, the quality of education was poor. In the PIRLS assessment, which assesses children in the fourth year of formal schooling on reading comprehension, fewer Macedonian children (55%) reached the lowest acceptable benchmark than in all neighboring and EU countries that participated in the assessment (Slovenia with 83% percent was the next lowest). On the political front, the country was just emerging out of a civil conflict, which ended with the adoption of a Framework Agreement. This agreement prompted a new education policy agenda for the Ministry of Education and Science– to decentralize education administration to municipalities, improve teacher professional development, expand access to education, and improve the assessment and evaluation of the system.

**The Project Development Objective** is to (i) improve the quality of learning and participation at the targeted schools by strengthening school-level planning and management; and (ii) improve the efficiency of a decentralized education system.

**The Project** has helped FYR Macedonia respond to the challenge of creating a quality, decentralized education system by: (i) establishing a three-stage quality assurance system at the pre-university level: (1) school self-evaluation, followed by (2) an integral evaluation performed by the State Education Inspectorate, and finally (3) a nationally administrated large scale assessment of student achievements; (ii) introducing strategic medium- and long-term planning at both central administration and school levels; (iii) providing grants to all 427 primary and secondary schools to improve school infrastructure, strengthen security and hygiene, and provide teacher training and teaching aids.

### **Results achieved:**

- Secondary enrollment increased to 95% from 85% between 2004 and 2008 and dropout rates went down to 1.9% from 2.1% during the same period.
- A market for teacher training has been established, along with the criteria for accreditation and monitoring of teacher-training services, and the offered programs have met 90% of schools' priority training needs.
- The State Matura examination, part of the Quality Assurance System, was administrated for the first time in 2008 in all four-year general and vocational schools.
- 48.8 % of school managers and teachers reported improvements in students' achievements, 60.7% saw improvement in the planning and assessment processes, 28.5% confirmed that the attendance and participation of students improved, and 46.4% stated that the hygiene and safety of the students improved according to a survey of all elementary and secondary schools halfway through the project.
- The most noticeable result is the change in behavior of the school personnel, both in terms of the quality of education and the more proactive approach to solving the problems they face, as revealed through regular surveys and direct meetings with schools. School personnel and management are now more readily organize themselves and find solutions to their local issues.

### **Key Partners:**

The World Bank team worked closely with the **Ministry of Education and Science**, main recipient of loan resources and responsible for policy setting, overall coordination and management of project implementation.

**Key Development Partners** included the Government of Netherlands, who provided generous co-financing and with whom the World Bank team coordinated closely relevant policy and investment issues.

## GLOBAL ENVIRONMENTAL FUND SUSTAINABLE ENERGY PROJECT

### Key Dates:

**Approved :** December 16, 2003

**Effective:** April 23, 2004

**Closing:** September 30, 2010

### Financing from all co-financiers in million US\$:

Financier	Financing	Disbursed	Undisbursed
GEF Grant	5.5	5.00	4.8
Macedonian Bank for Development and Promotion	2.5		
Government of Macedonia	0.2		
<b>Total Project Cost</b>	<b>19.3</b>	<b>5.00</b>	<b>4.8</b>

**\*Source:** Client Connection as of August, 2010.

**Note:** Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



FYR Macedonia's existing energy resource base is insufficient to cover the country's energy needs. Electricity imports accounted for about 30% of the total electricity supply in 2009. Furthermore, about 80 percent of electricity generated is coal-based, which results in one of the highest CO<sub>2</sub> emission factors in the region (about 915 kg of CO<sub>2</sub>/MWh). FYR Macedonia consumes very little energy per capita but a high amount per unit of gross domestic product (GDP). Therefore, energy efficiency and renewable energy are crucial tools to improve the country's energy security and reduce CO<sub>2</sub> emissions.

**The Project's Objective** is to develop a sustainable market for energy efficiency and renewable energy by supporting the development of an enabling framework, institutional capacity, and necessary financing mechanisms.

**The Project** was restructured in June 2010. It has three components, namely (i) institutional support and technical assistance to support regulatory and institutional framework for renewable energy and support the creation of the National Program for Energy Efficiency in Public Buildings; (ii) grant support for energy efficiency in public buildings, focusing on municipal schools and kindergartens; and (iii) the Sustainable Energy Financing Facility – a credit line established in the Macedonian Bank for Development Promotion, which will provide seed financing for energy efficiency and renewable energy development sub-projects.

### Results achieved:

- Created an enabling environment for renewable energy generation by supporting the Energy Regulatory Commission with the establishment of feed-in tariffs for renewable energy and development of rulebooks on preferred generation from renewable energy sources.
- Made financing available for energy efficiency/ renewable energy investments by launching a credit line through the Macedonian Bank for Development Promotion, which has already financed two energy efficiency/ renewable energy operations.
- Activities to support the establishment of Energy Service Companies (ESCOs) and create a market for energy efficiency investments in public buildings are still at the initial stage.

### Key Partners:

The Bank team is working closely with the **Ministry of Economy**, which is responsible for overall policy setting in the energy sector and the **Macedonian Bank for Development and Promotion** as well as with local banks, which provides co-financing for the projects financed by the credit line.

**Key Development Partners** are the Austrian Development Agency (ADA) and USAID, with whom the Bank Team is co-coordinating closely the energy sector issues.

## LEGAL & JUDICIAL IMPLEMENTATION & INSTITUTIONAL SUPPORT PROJECT

### Key Dates:

**Approved :** June 1, 2006

**Effective:** October 12, 2006

**Closing:** July 31, 2011

### Financing from all co-financiers, million US Dollars:

Financier	Financing	Disbursed	Undisbursed
IBRD Credit	12.41	6.26	6.15
Government	2.36		
<b>Total Project Cost</b>	<b>14.77</b>		

**\*Source Client Connection as of September 2010.**

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.**



Judicial reform is a priority for the Government of FYR Macedonia. An inefficient and opaque judicial system is failing to adequately protect property, contract and creditor rights and has been repeatedly highlighted by the business community as one of the key failings of the investment climate. Strengthening the judicial system is a key area of reform required for the country's progress toward accession to the European Union.

**The Project Development Objective** is to contribute to improving judicial efficiency and effectiveness and improving the business climate in FYR Macedonia by: (i) enhancing ministerial and judicial capacity to systematically implement the Government's Judicial Reform Strategy and key laws; and (ii) improving judicial infrastructure.

**The Project** is designed to assist the Government with implementation of some key laws which directly impact the business environment, as well as strengthening the institutional framework of the judicial system by building capacity to manage and oversee its personnel, activities and performance. In particular, the Project supports implementation of the following key laws: (i) the Law on Courts which outlines a new structure for the court system; (ii) the Law on the Judicial Council, which strengthens the framework for oversight and management of the judiciary; (iii) the new Bankruptcy Law; and (iv) the legal framework for administrative dispute resolution. It also supports the creation of a Case Management Information System the upgrading of court infrastructure.

### Results achieved:

- Improved enforcement of court judgments through the adoption of the Law on Enforcement that moved enforcement away from courts. Enforcement of court cases increased from 18% in 2005 to 39% in 2009.
- Improved regulatory and implementation framework for bankruptcy cases through the adoption of a new Bankruptcy Law. Average duration of bankruptcy procedures fell from 3,6 to 2,6 years.
- Increased transparency and fairness of the administrative agency decisions, supported through the adoption of the new Law on General Administrative Procedures, along with the establishment of the Administrative Court which took over jurisdiction for administrative cases from the Supreme Court
- Increased institutional capacity to implement and monitor reforms by strengthening the General Administrative Office.
- Improved efficiency and transparency once the installation of a Case Management Information System in all courts is completed through joint financing of USAID and the World Bank.
- Improvement of judicial infrastructure through completed refurbishment of 9 court houses throughout the country (and two additional refurbishments underway). The construction of a new Criminal Court in Skopje is underway.

**Key Partners:** The Bank team works closely with the (i) **Ministry of Justice**, responsible for overall policy setting, and which houses the Project Implementation Unit; (ii) **Judicial Council**, responsible for the appointment, dismissal and disciplining of judges; (iii) **State Administrative Inspectorate**, responsible for the monitoring and enforcement of compliance of the new laws and administrative process; (iv) **Chamber of Bankruptcy Trustees**, responsible for the examination, licensing and removal of bankruptcy trustees; and, (v) **Court Administrative Office**, which manages the judiciary capital expenditures.

**Key Development Partners** include USAID, the European Union, and the American Bar Association, with whom the Bank Team coordinates closely on policy issues. USAID has co-financed the Case Management Information System.

## BUSINESS ENVIRONMENT REFORM AND INSTITUTIONAL STRENGTHENING PROJECT

### Key Dates:

**Approved:** June 21, 2005

**Effective:** November 22, 2005

**Closing:** December 31, 2010

### Financing in million US Dollars\*:

Financier	Financing	Disbursed	Undisbursed
IBRD Credit	8.38	2.42	5.96
FYR Macedonia	0.18		
<b>Total Project Cost</b>	<b>8.56</b>		

\*Source Client Connection as of September 16, 2010.

**Note:** Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



Future growth requires capacity to develop and implement an efficient regulatory environment which would stimulate business entry and investment. The Business Environment Reform and Institutional Strengthening Project was designed to help build this capacity.

**The Project Development Objective** is to strengthen the capacity of the Government to improve selected areas of the business environment in an EU-oriented context.

**The project** consists of the following five components: (i) *Business Regulation* which aims at addressing the Government's weak capacity to establish and implement business friendly regulatory regimes by streamlining obsolete or cumbersome business regulation and development of business friendly risk-based regulation. (ii) *Metrology, Standards, Testing and Quality (MSTQ) system* which aims at addressing the enterprise sector's difficulties in competing in domestic and foreign markets related to poor national MSTQ infrastructure and services. (iii) *Enterprise and Industrial Policy and Competitiveness Support (originally Competition Policy Regime)* which aims at strengthening the Government's capacity to implement a European Union-compliant industrial policy, enterprise competitiveness support and competition regimes. (iv) *Access to Information* which aims at addressing poor access to information which results in increased transaction costs and/or impedes sound investment decisions. (v) *Project Coordination Support* aims at ensuring proper implementation and coordination of project activities, including support for financial management, procurement and monitoring and evaluation.

### Results so far:

- The Company Law was revised and investor protection strengthened according to EU requirements.
- Over 100 laws and by-laws have been developed and adopted using the Regulatory Impact Assessment and 56 laws and 481 by-laws were streamlined by the Regulatory Guillotine.
- The Strategy for Industrial Policy 2009-2010 was developed and adopted by the Government, in line with the EU *acquis communautaire* (Chapter 20).
- Business registration, through the One-Stop-Shop at the Central Registry has been simplified and shortened to one day, and an interconnection is operational with the Employment Agency and social funds (health and pension insurance).
- A Disaster Recovery System was implemented providing back-up of all business registration data of the Central Registry.
- The One-Stop-Shop Phase 2, under implementation, will establish electronic registration of businesses, the first employees as well as leasing, pledge and bankruptcy registries.
- New calibration equipment for the Bureau of Metrology, currently under procurement, will broaden the calibration services to companies and will increase their export potential and competitiveness, in line with EU requirements and quality standards.

FYR Macedonia's progress in the reforms in the business environment was assessed positively in the 2009 Progress Report of the European Union (released in October 2009). Also, in the Doing Business Report 2010, FYR Macedonia was top 3<sup>rd</sup> reformer globally, moving up from 69<sup>th</sup> to 32<sup>nd</sup> place on the ease of doing business with significant progress in seven out of ten reform areas, as measured by the Report.

**Key Partners:** The Bank team has worked closely with the (i) **Ministry of Economy** (Sector for European Integration and Industrial Policy Unit); (ii) **Sector for Economic Policies and Regulatory Reforms at the General Secretariat** (charged with leadership and coordination of the policy reforms on business environment); and with the (iii) Project Implementation Unit at the Ministry of Economy, charged with coordination and management of the Project's implementation activities on a day-to-day basis.

**Key Development Partners:** An important development partner is the **European Commission**, with which the Project Teams cooperate very closely. This resulted in good coordination between the Project and EC-funded activities through the Instrument for Pre-Accession (IPA).

## MUNICIPAL SERVICES IMPROVEMENT PROJECT

### **Key Dates:**

**Approved :** March 26, 2009

**Effective:** August 4, 2009

**Closing:** November 30, 2014

### **Financing in million US Dollars\*:**

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD	25.00	0.71	23.84
<b>Total Project Cost</b>	<b>25.00</b>		

**\*Source Client Connection as of July 20, 2010.**

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.**



FYR Macedonia has embarked on a decentralization reform process a decade ago. In many areas of their responsibility municipalities are still unfamiliar with market-based approaches, hampered by outmoded practices and regulations and by incomplete modernization of land registration. The need for reform in the communal services sector is widely recognized in the country. Almost all local public services (water, sewerage and solid waste, public lighting, street cleaning and parks, marketplaces, cemeteries) are provided through municipal-owned communal service enterprises. Most of these services have suffered pervasively from rigid tariff controls, neglected maintenance, over-employment and poor financial management, leading to a vicious cycle of further deterioration and lack of funding for new investments. The prevailing institutional and policy framework, which keeps communal service enterprises overly dependent on their municipal owners and weakens commercial incentives, does not support the sustainability of services, let alone generate funding for improvements to meet the demands of the *EU acquis*.

**The Project Development Objective** is to improve transparency, financial sustainability and delivery of targeted municipal services in the participating municipalities.

**The project** aims to achieve this objective through a focus on infrastructure and services under the responsibility of participating municipalities and their communal service enterprises, such as water supply, sanitation, and solid waste management, but may also include support for other functions such as energy efficiency, urban transport, and other services under municipal provision. It provides sub-loans to municipalities for investments in revenue-generating public services and other high priority investment projects, as well as technical assistance grants for sub-project preparation, local capacity building for municipalities and Communal Service Enterprises, and national level institutional strengthening.

### **Results achieved:**

The project is in its initial phase of implementation. To date, ten municipalities have formally submitted requests to borrow under the Project. All requests were reviewed by the Ministry of Finance and seven of them have been approved. Three sub-loans have already been signed.

### **Key Partners:**

The Bank team is working closely with the (i) **Ministry of Finance** which is responsible for overall policy setting as well as for project management; (ii) **Association of Municipalities (ZELS)**, and (iii) **participating municipalities**, as ultimate recipient of loan resources through on-lending arrangements.

A **Key Development Partner** is USAID, which is providing technical assistance to municipalities on economic and financial analyses as part of an ongoing USAID-funded program.

## REAL ESTATE CADASTRE & REGISTRATION PROJECT

### Key Dates:

**Approved:** March 15, 2005

**Effective:** July 8, 2005

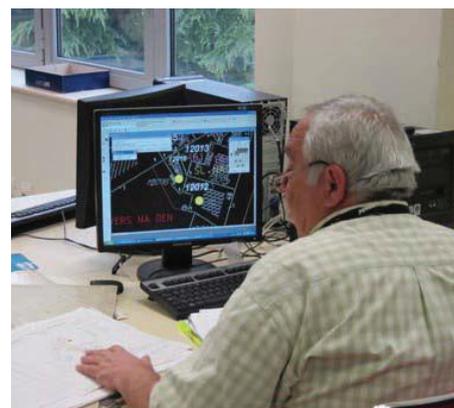
**Closing:** December 31, 2013

**Financing in million EURO\*:**

Financier	Financing	Disbursed	Undisbursed
IBRD	19.30	57%	49%
Government	1.52		
Other	0.00		
<b>Total Project Cost</b>	<b>20.82</b>		

**\*Source Client Connection as of August 18, 2010.**

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.**



In 2005, the real estate cadastre covered less than 43 % of the country, and uncertain property rights and weak land registration services created significant constraints to foreign investment. Confidence in the registration and cadastre records was low as the records were significantly out-of-date, and 60-70% of apartments were not registered at all. The lack of confidence and difficulty caused by incomplete records had negative effects on private sector investment and development of the economy overall: many land transactions were not registered, and cadastre and other records (courts, notaries) were incomplete and out-of-date leading to uncertainty and a lack of trust in the property markets. Property ownership was not registered consistently in any central place and lack of secure title made mortgage financing difficult or impossible for most citizens.

**The Project Development Objective** is to build an efficient and effective real estate cadastre and registration system, contributing to the development of efficient land and real estate markets.

**The Project** has helped the Agency for Real Estate Cadastre (AREC) to transform itself from a technical organization focused on surveying to a service organization focused on customers. One of the main objectives of the project was improving the Agency's management and monitoring, which consequently led to more efficient and client-oriented way of working. At the same time, the policy work under the Project has contributed to the new Law on Land Survey, Cadastre, and Registration of Real Estate Right, which allowed for the development of private sector surveyors. The Government and the Bank agreed on an Additional Financing loan of EUR 9.0 million in 2010, and the Project was extended for 3 years to complete the additional activities, including the digital cadastre map and a national spatial data infrastructure which will contribute to more and better services to citizens and other government partners.

### Results achieved:

- Since the project's start in 2005:
- The coverage of the territory of the country with real estate cadastre grew from 43% in to 99%.
- The annual number of registered transactions increased by 121%: there were 93,240 registered transactions in 2009 compared with 42,116 in 2005.
- Annual mortgages registered in the land administration system doubled from 3,000 in 2005 to more than 6,000 in 2009, demonstrating a substantial increase in using ownership rights as collateral. Since the project began, over 30,000 mortgages were registered.
- In 90% of offices in the country, the project reduced the time to register a sale transaction to 5 days or less—down from 60 days in 2004.
- At the end of 2009, there were 248 accredited private surveyors and 100 registered companies providing services directly to citizens—up from 14 private surveyors and no registered companies at project commencement.

**Key Partners:** The Bank team has worked closely with the **Agency for Real Estate Cadastre (AREC)** – the main implementing agency. Other key government partners include the **Ministry of Finance** and the **Ministry of Transport**, both of which members of the Land Policy Advisory Committee and have been involved in land policy activities.

**Key Development Partners** included SIDA-Sweden, Netherlands, JICA and Norway. All have provided grant funds in parallel with the main World Bank financed project to support AREC for capacity building and training, strategy, mapping, national spatial data infrastructure and IT.

## REGIONAL AND LOCAL ROADS PROGRAM SUPPORT PROJECT

### Key Dates:

**Approved :** May 13, 2008

**Effective:** October 17, 2008

**Closing:** July 31, 2013

### Financing in million US Dollars\*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD	105.20	26.50	64.42
<b>Total Project Cost</b>	<b>105.20</b>		

\*Source Client Connection as of July 20, 2010.

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



FYR Macedonia's road network of 3,781 km of regional roads and 8,496 km of local roads is considered more or less adequate in length; however, its condition falls below the standards of similar networks in Europe. A technical assessment undertaken in 2007 classified the condition of the regional and local roads as mostly "fair." This means they have "significant defects and weakened structural resistance requiring resurfacing or regravelling." This unsatisfactory condition of roads is mainly the result of inadequate attention to management and financing of the network over the last 15 years.

**The Project Development Objectives** is to reduce the cost of access to markets and services for communities served by regional and local roads by improving the condition and quality of the regional and local road network.

**The Project** is financing over the 2008 – 2012 period the rehabilitation of about 265 km of paved regional roads (about 9% of all regional roads) and about 420 km of paved and unpaved local roads (about 5% of all local roads). The project also provides assistance to the Agency for State Roads (ASR) to improve its institutional capacity and modernize its approach to management of the road network and to develop the new Public Law on Roads.

### **Results achieved:**

- Project implementation is half-way, but it has already achieved some good results:
- Rehabilitation of 47.7 km of regional roads has been completed and contracts are signed for additional 282 km, which are expected to be completed by the end of 2010.
- Rehabilitation of 28.3 km of local roads has been completed, and contracts for 60 local roads of total length 216 km have been awarded.
- The Agency for State Roads has established a road asset management system and already trained some of its staff in the use of the required software. When operational, the system will significantly improve the Agency's capacity to manage the road network and allow it to better prioritize planned improvements.
- The Agency for State Roads has also committed to improving the roads safety by implementing the newly enacted laws and regulations consistent with the European best practice. This includes the design of traffic signs and lane markings along the regional roads being rehabilitated under the Project. The Agency has also carried out training of some of its staff on the conduct of road safety audits. All these steps are moving the Agency towards a results oriented agency.

### **Key Partners:**

The Bank team works closely with (i) the **Ministry of Transport**, which is responsible for the overall policy setting; (ii) the **Agency for State Roads (ASR)**, implementer of the Project; and (iii) the **National Road Safety Council**.

**Key Development Partners** include the European Bank for Reconstruction and Development and European Investment Bank, who are financing a similar program in parallel. The European Union IPA funds may be accessed for subsequent phases of the program.

## RAILWAYS REFORM PROJECT

### Key Dates:

**Approved :** September 15, 2005

**Effective:** June 12, 2006

**Closing:** October 31, 2010

**Financing in million US Dollars\*:**

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD loan	19.38	8.2	3.5
Government	0.52		
<b>Total Project Cost</b>	<b>19.90</b>		

\*Source Client Connection as of July 2010.

**Note:** Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



In the mid-1990s, Macedonian Railways was one of the largest loss-making companies among Macedonia's public sector enterprises. Its total debt at the end of 2004 was €143 million (3.3% of GDP). Its operational performance had been declining since 1993, and the company was unable to pay staff salaries. According to World Bank estimates, if Macedonian Railways did not radically reform its institutional and operational practices, the cost to the government would have increased by another €100 million just to cover the operating losses over a decade.

**The Project Development Objective** is to improve the financial viability, productivity, and effectiveness of railway operations. This is to be achieved through labor rationalization, separation of infrastructure from operations, increasing accountability for performance of the separated entities, introducing competition in rail operations, and restructuring and rationalization of passenger services.

**The Project** balanced investments in track machinery and rolling stock with institutional and organizational reform actions. In this way, it helped to transform the Macedonia Railways company into two new market oriented companies, set up the conditions for use of the railway infrastructure by other operators, and to establish the regulatory framework for a multiple operator market. A 3-year business plan is being prepared, which, combined with the implementation of an integrated accounting system, should lead to better management of the railways.

**Results achieved:** The following actions are part of a complex reform process aimed at creating a sustainable railway system in Macedonia that is consistent with EU recommendations:

- The former Macedonian Railways have been separated into a Rail Infrastructure Company and a Rail Transport Joint Stock Company.
- Increased operating capacity of Macedonian Railways-Transport by the modernization of four shunting and two mainline locomotives.
- Increased the operating capacity of Macedonian Railways-Transport once the 36 flat-bed wagons are delivered and put in operation.
- Decreased the speed restrictions on Corridor X from 30% to 13.2%.
- A number of new Laws have been adopted in conformity with the *Aquis Communautaire* (Railway Law, Transport Safety, Contracts for carriage by rail, transport of dangerous goods, Railway Agency, etc.)
- The railway infrastructure was opened for use by more operators and Track Access Charges have been formally introduced.

**Key Partners:** The Bank team has worked closely with the (i) **Ministry of Transport and Communications**, which was responsible for overall policy setting and (ii) **Macedonian Railways (MR-Transport and MR- Infrastructure**, which are the ultimate recipients of loan resources, and implementers of the Project.

**Key Development Partners** included the European Bank for Reconstruction and Development, which has provided a parallel loan to the Government to implement the recommendations of a study for the rehabilitation of sections of Corridor X funded under the Bank loan

## SOCIAL PROTECTION IMPLEMENTATION LOAN (SPIL)

### Key Dates:

**Approved :** May 13, 2004

**Effective:** September 1, 2004

**Closing:** May 31, 2011

### Financing in million US Dollars\*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD loan	9.80	6.60	2.38
Government	1.38		
<b>Total Project Cost</b>	<b>11.18</b>		

**\*Source Client Connection as of July 20, 2010.**

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.**



A decade ago, the system of social protection in FYR Macedonia was ineffective and unsustainable. Expenditures of the Pension and Disability Fund alone accounted for more than 10% of gross domestic product (GDP), and together with the unemployment insurance and social cash benefit programs (including health expenditures), represented nearly a third of the GDP and over two-thirds of public spending. The efficiency and effectiveness of these programs, at the same time, were relatively low. The programs were generally not well targeted and the inclusion errors were high.

**The Development Objective of the Social Protection Implementation Loan** is to improve the effectiveness and efficiency of social protection through improved administration and long-term sustainability of the pension system and improved targeting and administration of cash benefits.

**The Project** supports the reform of the pension system (both policies and administration) aimed at enhancing the long-term sustainability of the system. It also provides assistance with reforming the administration of social cash benefits as well as with development of technical and organizational capacities for policy formulation, resource management and service delivery in the Ministry of Labor and Social Policy.

### **Results achieved:**

- Improved sustainability as a result of parametric reforms in the existing pension system based on intergenerational solidarity
- New mandatory fully funded pension system was introduced
- New framework for voluntary funded pension scheme was developed
- New system of collection and record keeping of pension contributions on individual basis has been introduced
- Cash benefit administration reform has been prepared and is currently being implemented to enhance business processes and ensure unified administration system for all social cash benefits
- The new Law on Social Protection has been enacted that sets the basis for the harmonization of cash benefit programs and allows for the introduction of Conditional Cash Transfer programs
- A Policy Unit in the Ministry of Labor and Social Policy and an Actuarial Unit in the Pension and Disability Fund have been established and their staff trained in policy analysis, monitoring, and identification of possible reform measures.

### **Key Partners:**

The Bank team worked closely with the (i) **Ministry of Labor and Social Policy** which is responsible for the overall policy setting and project management and (ii) **Pension and Disability Fund**.

**Key Development Partners** included the Government of Japan (which supported the development of this project through PHRD grants) Government of Netherlands and USAID (that supported the pension system reforms).

## SECOND TRADE AND TRANSPORT FACILITATION PROJECT

### Key Dates:

**Approved :** May 29, 2007

**Effective:** December 17, 2007

**Closing:** September 30, 2011

### Financing from all co-financiers:

Financier	Financing
IBRD	US \$20 million
<b>Total Project Cost</b>	<b>US \$20 million</b>

### World Bank Disbursements, million US Dollars \*:

Financier	Total	Disbursed	Undisbursed
IBRD	20.00	10.15	9.10

**\*Source Client Connection as of September 2010.**

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.**



Corridor X—a backbone of Western Balkans' transport infrastructure—is the key artery connecting the land-locked FYR Macedonia to Western Europe, Greece (Thessaloniki port), Turkey and Central Asia. That's why it is important to improve the physical conditions of the corridor as well as the border crossings. Furthermore, non-tariff constraints need to be reduced by improving the operational conditions (particularly the communication between railway and customs and the exchange of freight data), resulting in lower transport and trade transaction costs, and consequently, the reduction of the economic distance to markets.

**The Project Development Objective** is to facilitate the movement of trade between the FYR Macedonia and its neighboring countries in South East Europe.

**The Project** is financing: (i) the upgrade of a 7.3km stretch of Corridor X to motorway; (ii) the modernization of the main border crossing with Kosovo; (iii) the installation of a telecommunication infrastructure on the railway network along Corridor X; and (iv) the development of rail freight data exchange between railways and customs.

### Results achieved:

- More efficient operation of the railways as a result of a telecommunication system installed on the railway network that allows (i) communication between Railways, Customs, Border Police and other agencies; (ii) communication with neighboring countries; and (ii) better communication of the railway infrastructure manager with branch offices.
- Faster customs clearance as a result of an agreement between the Customs Administration and Macedonia Railways-Infrastructure on the data exchange protocols for access to the new customs declaration system. This will allow transport operators to exchange freight data with Customs once the new customs declaration system (being developed by the Customs Administration outside of the project) is operational.
- Improved traffic throughput, reduced queuing and increased traffic safety on Corridor X section toward Serbia once the motorway upgrade is completed (77% of physical works have already been done).
- Improved border crossing with Kosovo once the upgrade of the border crossing infrastructure is completed (expected in August 2011).

### Key Partners:

The Bank team worked closely with the (i) **Agency for State Roads**, main recipient of loan resources and responsible for overall coordination and management of project implementation; (ii) **Macedonian Customs Administration**; and (iii) **Public Enterprise Macedonian Railways-Infrastructure**.

**Key Development Partners** included European Commission and EBRD with whom the Bank team coordinated closely relevant investment and policy issues.

## CONDITIONAL CASH TRANSFER PROJECT

### Key Dates:

**Approved :** June 16, 2009

**Effective:** October 28, 2009

**Closing:** February 28, 2014

### Financing in million US Dollars\*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD loan	25	1.36	23.7
Government	1.3		
<b>Total Project Cost</b>	<b>26.3</b>		

\*Source Client Connection as of July, 2010.

**Note:** Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



The impact of the global financial crisis and economic downturn has reduced prospects for growth, exports, foreign direct investments (FDI) and private transfers in 2009. In addition, the poverty has remained high and is likely to increase due to the impact of the crisis. In this context, the role for effective and efficient social safety nets takes on increasing importance. Safety nets are part of a broader poverty reduction strategy – interacting with social insurance, health, education, financial services, and other policies aimed at reducing poverty and managing risk. Safety nets have both short-run roles in alleviating immediate poverty and inequality, and long-run impacts by enabling households to make better investments for their future. The Government recognized the fact that the impacts on human capital and reduction in the inter-generational transmission of poverty can be particularly powerful when safety net programs are directly linked to incentives for investing in education and health through conditional cash transfers.

**The Project Development Objective** is to strengthen the effectiveness and efficiency of the FYR Macedonia's social safety net through (a) the introduction of conditional cash transfers (CCT); and (b) improvements in the administration, oversight, monitoring, and evaluation of social assistance transfers.

**The Project** would address the objective by supporting the implementation of a CCT program for poor families conditioned upon the secondary school enrollment and attendance of their children, and help identify and develop possible extensions of the CCT model in health, labor and/or other levels of education. Besides, the Project would support the improvements in safety net administration, service delivery, oversight, monitoring and evaluation.

### Results achieved:

- The preparations for the CCT program launch are well advanced and it is expected that the first CCT program – targeting poor families with secondary school children – would be launched by the end of 2010.
- The work on administrative improvements of the safety net system has been initiated – the database of the cash benefit recipients is being developed, new business processes have been identified, and the procurement process for the development of the new system is under way.

### Key Partners:

The Bank team worked closely with (i) the **Ministry of Labor and Social Policy** which was responsible for overall policy setting as well as for project management; (ii) the **Ministry of Education and Science**

**Key Development Partners** included the Government of Japan (which supported the development of this project through PHRD grants) and the UNICEF (which provided support in the CCT program identification).

## Projects Under Preparation

### DEVELOPMENT POLICY LENDING 2 (proposed value: US\$30 million)

Objectives: This loan is the second in a series of two programmatic Development Policy Loans, which has three main Program Development Objectives:

(i) to manage the impact of the global crisis by maintaining a sound macroeconomic and fiscal framework;

(ii) to cushion the impact on the poor and vulnerable by enhancing social protection systems, and

(iii) to strengthen the resilience of the financial sector by addressing potential vulnerabilities. The ultimate objective is to support the Government to emerge from the crisis on a stronger footing and to resume sustained high growth and convergence in living standards with the rest of Europe.

### CATASTROPHIC RISK INSURANCE FACILITY (proposed value: US\$5 million)

Objectives: To increase access of homeowners, businesses and government agencies to financial protection from losses caused by climate change and geo-hazards. This will be achieved through supporting the creation of the South East Europe and Caucasus Catastrophe Risk Insurance Facility – a specialized regional reinsurer which in turn will enable a rapid growth of catastrophe risk insurance markets in the member countries.



### ESCEE APL3 ADDITIONAL FINANCING: STIP-NIS TRANSMISSION LINE (proposed value: US\$19 million)

Objectives: The additional financing of the ECSEE APL3 project will finance the construction of the transmission line between the cities of Stip in FYR Macedonia and Nis in Republic of Serbia.



### ENERGY PROJECT (proposed value: US\$50 million)

Objectives: This project will represent an investment in hydropower infrastructure of the country, with an aim of improving the supply of electricity, energy sector efficiency and environmental sustainability.

## World Bank Reports and Publications on FYR Macedonia

1. Doing business 2010 : Macedonia, FYR - comparing regulation in 183 economies, 2009
2. Enterprise surveys : Macedonia, FYR country profile 2009, 2009
3. Employment study, 2008
4. Can the introduction of a minimum wage in FYR Macedonia decrease the gender wage gap? : Can the introduction of a minimum wage in FYR Macedonia decrease the gender wage gap ?, Policy Research working paper, 2008
5. Comparing constraints to economic stabilization in Macedonia and Slovakia: macro estimates with micro narratives, Policy Research working paper, 2008
6. The pharmaceutical sector of the Western Balkan countries, Working paper, 2008
7. Sustainability of healthcare financing in the Western Balkans : an overview of progress and challenges, Policy research working paper, 2007
8. The Macedonia community development project : empowerment through targeting and institution building, 2007
9. Deeper integration and trade in services in the Western Balkans : building blocks for a trade-driven growth strategy , Working paper, 2007
10. Financial sector restructuring and regional integration in the Western Balkans (English), Working paper, 2007
11. Macedonia - Pension reform and the development of pension systems : an evaluation of World Bank assistance , 2007
12. A country strategy and action plan for reforms in the accounting and institutional strengthening in the Republic of Macedonia, 2006
13. Investment horizons : Western Balkans, 2006
14. Managing Lake Ohrid in times of conflict, 2006
15. Improving the business climate in Macedonia : a legal and judicial enforcement assessment (English), 2005
16. Factoring study for Macedonia, 2005
17. ECA railways: trends, prospects, and challenges (English), 2005
18. Macedonia, Republic of - Needs assessment study for the Roma education fund - background paper (English), 2004
19. Assessment of solid waste management law of Macedonia (English), 2004
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