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PROJECT PERFORMANCE AUDIT REPORT

YUGOSLAVIA - FIRST INDUSTRIAL CREDIT PROJECT
(LOANS 1012/1013-YU)

June 11, 1984

Operations Evaluation Department

ABBREVIATIONS

BOAL - Basic Organization of Associated Labor
DFC - Development Finance Company
ERR - Economic Rate of Return
FRR - Financial Rate of Return
GMP - Gross Material Product
IBT - Investiciona Banka Titograd
IC - Industrial Credit
KBP - Kosovska Banka Pristina
LDR - Less Developed Regions
MDR - More Developed Regions
OED - Operations Evaluation Department
PBS - Privredna Banka Sarajevo
PPAM - Project Performance Audit Memorandum
PPAR - Project Performance Audit Report
PCR - Project Completion Report
SBS - Stopanska Banka Skopje
SDK - Sluzba Drustvenog Knjigovodstva (Social Accounting Service)
WO - Working Organization
YIB - Yugoslav Investment Bank

EXCHANGE RATES

	Average Exchange Rate
1973	US$1 - Din 16.19
1974	US$1 - Din 15.91
1975	US$1 - Din 17.39
1976	US$1 - Din 18.19
1977	US$1 - Din 18.30
1978	US$1 - Din 18.64
1979	US$1 - Din 19.00
1980	US$1 - Din 24.91
1981	US$1 - Din 35.51
1982	US$1 - Din 62.48
1983	US$8 - Din 125.67

FISCAL YEAR

January 1 - December 31

PROJECT PERFORMANCE AUDIT REPORT

YUGOSLAVIA - FIRST INDUSTRIAL CREDIT PROJECT (LOANS 1012/1013-YU)

TABLE OF CONTENTS

TABLE OF CONTENTS (cont.)

TABLE OF CONTENTS (cont.)

Page No.

Annexes (cont.)

PROJECT PERFORMANCE AUDIT REPORT

YUGOSLAVIA - FIRST INDUSTRIAL CREDIT PROJECT (LOANS 1012/1013-YU)

PREFACE

This is a performance audit on the First Industrial Credit Project involving a loan in the amount of US$28 million to the Stopanska Banka Skopje (SBS) in the Socialist Republic of Macedonia, and another of US$22 million to the Privredna Banka Sarajevo (PBS) in the Socialist Republic of Bosnia-Herzegovina, for a total of US$50 million. The borrowers on-lent part of their loans to two other banks, linked with them for the purpose of the project according to geographic proximity: SBS allocated US$16.6 million to Kosovska Banka Pristina (KBP) in the Socialist Autonomous Province of Kosovo, and PBS US$6.0 million to Investiciona Banka Titograd (IBT) in the Socialist Republic of Montenegro. The loans were approved in June 1974 and were disbursed in December 1981, three years behind schedule, although the bulk of the loans (96%) had been disbursed at their original closing dates. The Bank has made six additional loans to the four institutions for a total of US$405 million.

The PPAR consists of the Project Performance Audit Memorandum (PPAM) prepared by the Operations Evaluation Department (OED) and the Project Completion Report (PCR) prepared by the Europe, Middle East and North Africa Regional Office of the Bank. The PPAM is based on the attached PCR, the Staff Appraisal and the President's Reports, sector and economic reports, the loan documents, the transcript of the Board discussion, study of the project files and discussions with Bank staff. An OED mission visited Yugoslavia in February 1983 and discussed the effectiveness of the Bank's assistance with the four banks, Government officials at the Republic and Province level, the Social Accounting Service (SDK) and a small sample of recipients of the Bank's funds. Their kind cooperation and valuable assistance in the preparation of this report is gratefully acknowledged.

The PCR adequately describes the project experience and the results achieved in the area of institution building, including requirements for further improvement, operational and financial performance and the utilization of the Bank's funds. The PPAM examines the design of the project, elaborates on specific institutional and operational aspects of the financial institutions involved, reviews the development of the external auditing facilities in the country, comments on the justification for Bank support of the four banks and draws the lessons from the project experience. Comments received from the borrower banks have been taken into account in finalizing the report and are reproduced as Attachment B.

PROJECT PERFORMANCE AUDIT REPORT

YUGOSLAVIA - FIRST INDUSTRIAL CREDIT PROJECT (LOANS 1012/1013-YU)

BASIC DATA SHEET
Amounts (US$M)

	Original	Disbursed	Cancelled	As of 03/31/84 Repaid	Outstanding
Loan 1012-YU	28.0	27.92	.08	21.49	6.43
Loan 1013-YU	22.0	21.92	.08	12.20	9.72

CUMULATIVE LOANS DISBURSEMENT

		FY74	FY75	FY76	FY77	FY78	FY79	FY80	FY81
Loan 1012-YU									
(i)	Planned	.4	6.2	18.2	26.4	28.0	28.0	28.0	28.0
(ii)	Actual	0	2.6	15.6	23.0	27.2	27.7	27.7	27.9
(iii)	(ii) as % of (i)	0	41	85	86	97	99	99	99
Loan 1013-YU									
(i)	Planned	.28	4.8	14.3	20.8	22.0	22.0	22.0	22.0
(ii)	Actual	0	1.9	8.4	17.6	21.0	21.6	21.9	21.9
(iii)	(ii) as% of (i)	0	39	59	84	95	98	99	99

PROGRAM DATA

	Original	Actual
	Loans 1012/1013-TU	
Board Approval	6/06/74	5/28/74
Credit Agreement	6/21/74	6/21/74
Effectiveness	10/19/74	10/19/74
Credit Closing	12/31/78	12/31/81

MISSION DATA

Loans 1012/1013-YU	Month, Year	No. of Weeks	No. of Persons	Manweeks	Date of Report
Appraisal	6/73	3	4	12	5/09/74
Supervision I	6/75	2	3	6	6/13/75
Supervision II	11/76	3	1	3	11/16/76
Supervision III	7/77	3	4	12	7/14/77
Supervision IV	10/78	3	3	9	10/20/78
Supervision V	7/79	2	3	6	7/16/79

FOLLOW-ON PROJECTS

Loans 1012/1013-YU

Loans	Amount	Approval
Industrial Credit		
II - 1277-YU	50 million	5/28/76
III - 1611-YU	40 million	7/11/78
IV - 1612-YU	20 "	"
1613-YU	20 "	"
1614-YU	20 "	"
V - 1909-YU	50 million	10/28/80
1910-YU	30 "	"
1911-YU	20 "	"
1912-YU	10 "	"
VI - 2132-YU	33 million	4/27/82
- 2133-YU	33 "	"
VII - 2339-YU	45 million	7/26/83
2340-YU	25 "	"

OTHER DATA

	Original and Actual
Loan 1012-YU	
Borrower	Stopanska Banka Skopje
Executing Agency	Stopansak Banka Skopje
Fiscal Year of Borrower	1/1 - 12/31
Loan 1013-YU	
Borrower	Priveidna Banka Sarajevo
Exercuting Agency	Priviedna Banka Sarajevo
Fiscal Year of Borrower	1/1 - 12/31

PROJECT PERFORMANCE AUDIT REPORT

YUGOSLAVIA - FIRST INDUSTRIAL CREDIT PROJECT (LOANS 1012/1013-YU)

HIGHLIGHTS

The project under review was the Bank's first DFC operation in Yugoslavia. It supported four banks (SBS, PBS, KBP and IBT) located in the country's Less Developed Regions, whose organizational structure, operating policies and procedures differ fundamentally from those in other countries. Understandably, the Bank's knowledge about the modus operandi of the system and the strengths and weaknesses of the regional banks at appraisal was limited. The scope of the project was ambitious and progress in achieving the stated objectives of the project has been modest. But, on the whole, the utilization of the Bank's funds has been satisfactory.

Improvement in institution building, which was the thrust of the Bank's effort, has been below expectations. In retrospect, as conceived, designed and set up, the original Unit arrangement (one for each pair of banks) was not the most appropriate vehicle in the Yugoslav circumstances to advance the Bank's objectives of promoting institution building and alleviating the Bank's workload. As a result, the Units have not been able to discharge effectively their advisory, follow-up and reporting functions. Their serviceability remains limited even after subsequent changes in concept and functions (paras. 9-13).

The quality of appraisal work has shown improvement over time, but remains uneven in important respects. An array of factors account for the slow build-up of the banks' appraisal capability, including insufficient staff strength and training, tepid commitment by the financial intermediaries involved, inadequate supervision and insufficient technical inputs by the Bank, skepticism on the part of the banks' management and staff as to the validity and practicality of the Bank's project appraisal techniques and, possibly, the Bank's minuscule share in the four institutions' total resources. Project supervision remains weak and it is an area where the Bank's institution building effort has so far had the least success. However, project supervision programs under implementation and recent organizational changes in the banks are expected to lead to improvements (paras. 14-18). The banks' managements have been appreciative of the need for institutional improvements, but their ability to implement changes has been constrained to some extent by the ownership structure of the banking system and by the decision-making procedures under the Yugoslav system of enterprise management.

Substantial progress has been made with respect to the Bank's objective of developing appropriate external auditing capabilities in Yugoslavia. The Social Accounting Service (SDK) has made commendable efforts in developing the necessary skills and organizational arrangements to establish auditing facilities and procedures. However, the Bank's ultimate goal

to have the portfolio of the borrower associated banks audited by independent auditors is not fully met as long as consolidated financial statements are produced for both associated and basic banks and SDK's auditors do not state explicitly their opinion on the adequacy of provisions and write-offs and on the overall quality of the bank's portfolio (paras. 22, 24). For the same reason, the financial performance and operating efficiency of the associated banks, the Bank's immediate borrowers, also cannot be assessed (para. 27).

Even though the objective of institution building has met with modest success, the Bank's decision to support the four institutions in the Less Developed Regions was conceptually correct and justified under the circumstances prevailing in Yugoslavia. And although there is room for improvement, which incidentally can be speeded up through greater receptivity and a higher degree of commitment by the banks, the fact remains that an indigenous institutional capacity for term financing is developing, albeit slowly, catering to the needs of the Regions and the Province. Moreover, the association with the Bank has enhanced the credit standing of the banks and has facilitated their resource mobilization effort abroad.

The project experience is instructive in many respects. It suggests that (a) skepticism as to the validity and practicality of the Bank's project appraisal/supervision techniques, leading to guarded receptivity by management and staff of the financial institutions, tends to attenuate their commitment to institutional development, with the result that progress is impeded; (b) effective supervision/collection necessitates the development and implementation of appropriate mechanisms (e.g., comprehensive action plans); (c) although time and cost overruns can be ascribed to a degree to factors beyond the control of the lending institutions, there is need for greater effort during sub-project appraisals to review more carefully technical designs, to assess more realistically project costs, to allow for adequate price and physical contingencies and to develop more realistic financing plans and implementation schedules; (d) calculation of economic rates of return at a very early stage of project appraisal can more meaningfully serve as a management tool for improving project design and decision-making; (e) studies of earlier project experiences on a subsector-by-subsector basis can provide valuable feedback and can strengthen considerably appraisal work; (f) greater supervision effort is required by the Bank, particularly during the early years of its association with new DFCs, and allocation of more resources for this purpose; (g) the Bank could take a more critical stance on key issues in the course of its appraisals and supervision, possibly linking repeater operations to borrower commitment to undertake specific actions; and (h) structural adjustment lending appears to have opened up more promising opportunities for instituting policy reforms when compared with the heretofore less productive macro-economic, sector and project dialogue. Finally, the Bank could review the incidence of lingering small undisbursed balances long after the original closing date of loans, particularly in repeater operations, as it inter alia delays unnecessarily the project completion and evaluation process.

PROJECT PERFORMANCE AUDIT MEMORANDUM

YUGOSLAVIA FIRST INDUSTRIAL CREDIT PROJECT (LOANS 1012/1013-YU)

I. THE YUGOSLAV ECONOMIC, INDUSTRIAL ENTERPRISE AND FINANCIAL SETTING

Basic Aspects of the Yugoslav Economic and Industrial System

1. The Yugoslav economic system, which has been continuously evolving, is characterized by social ownership and control of the means of production, decentralization of political and economic decision-making, and the principle of workers' self-management.1/ The development of a participatory system has led to a gradual reduction of centralized planning and control; as a result, the role of the Federal Government in investment decisions and financing diminished in favor of republic and local governments, enterprises and the banking system. The new Constitution, promulgated in 1974, provided for further delegation of power and decision-making to the regions and the workers. The "Basic Organization of Associated Labor" (BOAL), the smallest decision-making unit,2/ participates directly in decisions relating to the election of management, production, pricing, investment, distribution of generated income, etc., of their enterprise in accordance with the workers' "self-management agreement." The rights of the BOALs, as well as those of higher organizational forms of associated labor (Working Organizations, kombinats), were codified in the Associated Labor Act of 1976. The enterprises in turn own the banks and influence, through the banks' assemblies which are composed exclusively of the delegates of the member enterprises, their budgets, operations, lending rates and distribution of income. Investment decisions are initiated by enterprises and their proposals play a significant role in the planning process at the various political levels and in the banking sector.

2. Planning in Yugoslavia starts at the level of enterprises (and other communities of interest), within an initial regional and federal macro-economic framework worked out by the planning institutes. The 1974 Constitution instituted more rigorous procedures to render planning more realistic and implementation more effective. Plans are now more elaborate,

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1/ For details see Yugoslavia: Self-Management Socialism and the Challenges of Development, Report No. 1615-YU, March 21, 1978 (six Volumes).

2/ The BOAL may, occasionally, have the characteristics of a full-fledged "enterprise" (in the coventional terminology) or, more typically, represent an economic unit of a "Working Organization" (WO) into which it joined ("associated" via self-management agreements) with other BOALs; the term WO is commonly equated and translated as "enterprise."

obligatory and subject to revision by an institutionalized process of renegotiation; they also integrate physical and financial aspects of the investment programs. Coordination of the investment plans of the enterprises, as well as reconciliation of differences among enterprises at the republic and federal levels, is achieved through the Chambers of Economy which represent all enterprises and whose intermediation is mandatory. The Federal Planning Committee resolves deadlocks that may occur in the process of self-management planning. At the end, consensus is reached among all concerned on an integrated program of action. These agreements (self-management agreements) are legally binding for the entire plan period unless renegotiated. Projects cannot be initiated unless the sponsors have secured the requisite funds. Banks are directed to satisfy themselves about the sectoral priority, location and economic and financial viability of the projects, and undertake a commitment for the funds pledged. In the absence of alternative allocation mechanisms (e.g. interest rates) in this set-up, the allocative role of banks becomes essential.

3. Interest rates perform no major allocative function in the Yugoslav system. The function is effectively discharged by the planning mechanism through a process of specifying priority activities, the projects to be included in the regional plans (which comprise the bulk of the intended investment outlays) and the attendant financial arrangements through the banking system (para. 2). The major part of the banks' resources in the Less Developed Regions (LDRs) are provided from federal and regional funds at concessionary terms and from borrowings at commercial terms. At the time the loans were made, interest rates on bank deposits and loans were determined by their founders/members (i.e. by the banks' own borrowers), who saw to it that lending rates were kept at low levels allowing for a spread on the banks' various resources just adequate to cover their costs and statutory obligations and to leave a small surplus, as banks are not viewed as profit maximizing entities. Deposit and lending rates have been negative in real terms. The issue of negative interest rates has been the focus of the macro-economic and project dialogue between Yugoslavia and the Bank for many years.

4. Yugoslavia's position has been that, if interest rates were to become a binding constraint on investment planning, this would preempt the dominant role of social planning and group consensus in determining investment allocation. However, views that interest rates could have an allocative function even in a system of social planning are gaining increasing acceptance in Yugoslavia. Increases in deposit and lending rates have been implemented, but they continue to remain negative in real terms for the bulk of the banks' lending. Under the recent structural adjustment loan (Report No. P-3606-YU, June 2, 1983, paras. 28, 29 and p. 28), the Federal Government has undertaken to reach positive lending rates by the beginning of 1989. This will be achieved through gradual adjustment of the rates for loans supporting priority investments included in the five-year plan as well as for the special funds allocated to LDRs. Under these circumstances, efficient allocation of investible funds continues to depend on the consistent application of appropriate project selection criteria by the banks.

5. The actual impact of the banks, however, in improving the quality of investment decisions remains limited. While there are differences among banks, their project evaluations in general are not very searching as they border on the descriptive. Although the coverage of the technical aspects is generally good, the economic analysis is confined to the computation of a number of specific ratios, such as labor and capital efficiency indicators, but without reference to a broader framework. Financial analysis is usually limited to an assessment of the loan repayment capability of the project, based on the long-term financial projections of the sponsoring enterprise. Market analyses tend to be rather scanty and often do not consider existing and forthcoming capacities in other regions. Price competitiveness also is not fully assessed. Apparently, the structural organization of the banking system (paras. 1, 6, 14) has weakened the ability of the banks to make independent investment decisions and to monitor the efficiency of investment projects.[3/] The adoption and wider application of sound methods for project selection, initially limited to Bank supported projects but eventually to be extended to all lending operations, has been one of the Bank's objectives for continued lending to the four banks in the LDRs. To strengthen the institutional mechanism for project evaluation, the recent structural adjustment loan (Report No. P-3606-YU, para. 26 and p. 27) provides for a Social Compact, to be agreed upon by the banks and other signatory agencies concerned, which will establish uniform investment criteria for projects in the economic sectors, including minimum economic rates of return calculated according to the Bank's methodology. Implementation of these investment review procedures is expected to begin by December 1984.

The Financial Setting

6. In 1974, at the time the loans were made, multipurpose and investment banks were the dominant forms of financial intermediaries.[4/] The share capital of these banks was owned by their founder/member enterprises. The banks were organized in a head office and a number of branch offices, with the power concentrated at the head offices. The branches were legally independent entities and financially autonomous, but the scope of their operations was limited by their statutes and their resources (mainly deposits of their members). By law, the members of a bank bore the unlimited subsidiary risk for its liabilities. The new Federal Banking Law of 1977 established a three-tier system consisting of (a) internal banks, serving the internal banking needs of large enterprises and kombinats; (b) basic banks (the former branch offices of the multipurpose banks), handling mostly commercial banking business and increasingly long-term lending; and (c) associated banks (the former head offices of the multipurpose banks), involved primarily in medium and long term investment and permanent working capital

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3/ For details see Yugoslavia, Adjustment Policies and Development Perspectives, A World Bank Country Study, 1983, paras. 6.87-6.89. The borrower banks claim (Attachment B, paras. 1 and 10) that the quality of their project appraisals are continually improving and that the ownership structure does not influence the banks' independence in decision-making or impact on project selection.

4/ The Bank's borrowers PBS, SBS, IBT and KBP dominated investment and commercial banking in their respective regions.

loans.[5] The ownership of the banks' capital was also changed: the enterprises which used to own the multipurpose banks now own the capital of "their" basic banks; the basic banks, in turn, became the owners of "their" associated banks in their respective regions. An enterprise can be member of only one internal or basic bank and a basic bank is usually a member of only one associated bank. Of the nine associated banks in operation in Yugoslavia, there is one in each republic and the autonomous province, with the exception of Serbia where there are two. The four banks supported by this project are all associated banks and their shareholders comprise 24 basic banks in the case of SBS, 22 of PBS, 13 of IBT and 7 of KBP.

II. RATIONALE FOR A LINE OF CREDIT APPROACH

7. The line of credit under review marked a change in the Bank's approach to lending in the industrial sector of Yugoslavia. Until the late 1960s, the Bank did not lend to publicly owned DFCs and, as a result, a normal DFC operation was not possible. Nonetheless, the Bank had concluded that the Yugoslav Investment Bank (YIB) could operate as a conduit for lending to industrial enterprises for projects directly appraised and supervised by the Bank. Under this arrangement, YIB's function was to submit a list of projects for Bank selection, to assist the Bank in project appraisal and to assume the main responsibility for project supervision. The experience with this mix of direct project lending and DFC line of credit has not been felicitous.[6] In addition, the projects were complex and required extensive involvement of Bank staff.[7] It was in part against this background that a new approach was taken with the first DFC line of credit. Additional factors leading to the adoption of the DFC approach were the intervening change in the Bank's policy which made possible lending to state-owned DFCs; the Bank's decision to concentrate its efforts and development assistance in the LDRs; and the eagerness of the Federal Government and the Bank to support medium and small projects in light industries in order to create greater employment opportunities, which could be assisted more effectively through DFC lending. The confluence of these factors prompted the Bank to commence lending to the regional banks in the four LDRs and to provide institution building assistance.

5/ Long-term funds made available to the associated banks from Federal and Republic/Province sources must be channeled on to the basic banks for direct lending to enterprises. Associated banks can make only foreign currency loans directly to enterprises, and extension of such loans is an important function.

6/ PPAR: Yugoslavia, Fourth, Fifth and Sixth Industrial Loans (504, 554 and 654-YU), SecM76-256, March 11, 1976, pp. iii-v.

7/ Appraisal of an Industrial Credit Project - Yugoslavia, Report No. 364-YU, May 9, 1974, para. 1.01.

III. PROJECT OBJECTIVES

8. The objectives of the project under review were: (a) to support medium and small industrial projects (up to US$5 million in total investment costs and subloans not exceeding US$2 million) in light manufacturing industries, preferably export-oriented and fostering the creation of new employment; 8/ (b) to promote institution building in the four banks, with particular emphasis on improving project evaluation and processing techniques and procedures (identification, appraisal and supervision) and the decision-making process; (c) to transfer foreign currency resources, given the limited success of the four banks to mobilize foreign loans; and (d) to develop auditing services and procedures in Yugoslavia in accordance with internationally accepted auditing principles and practices and, by extension, to make possible an assessment of the quality of the banks' portfolio and financial soundness in accordance with Bank guidelines (SAR, paras. 1.06, 1.10, 3.50-3.52, and 5.02; Annex 15, para. 6 (a, b, c)).

IV. PROJECT DESIGN

9. The Bank was reluctant to extend separate loans to each of the four banks involved in the project for administrative and operational reasons. As a compromise, two loans were made to two banks, PBS and SBS, which were chosen because they were the largest institutions and "the most suitable first time borrowers." PBS and SBS in turn extended part of the proceeds of the Bank loan to IBT and KBP, respectively, paired in accordance with geographic proximity and preference. Each pair formed a Unit to which the direct borrower and the associated bank each appointed three senior level representatives. The two Units were physically located at the headquarters of the borrower banks and chaired by them (SAR, paras. 1.08, 5.08-5.10). The main functions of the Units were: (a) to help each bank's appraisal department apply appropriate appraisal criteria and to review project appraisals prepared by them before they were submitted to the Bank; (b) to serve as the contact point between the Bank and the four banks on all matters related to submission, approval and follow-up of sub-projects financed with Bank funds; and (c) to compile and transmit information concerning the processing of the Bank loans and the operational and financial performance of the banks, in compliance with agreed upon reporting requirements (SAR, para. 5.11 and Annex 15).

8/ Neither the SAR nor the Loan Agreement made a distinction between small/medium "projects" and small/medium "enterprises." As a result, a small expansion by a large industrial enterprise or kombinat was in terms of the project a "small" project and therefore eligible for financing.

10. With respect to the advisory function of the Units, their inputs and accomplishments have not been substantial. In particular, their contribution in reviewing the banks' final sub-loan applications before submission to the Bank has not been significant. This is understandable, as the members of the Unit assigned by one bank were reluctant to insist on changes in the final sub-project applications prepared by the other bank. Thus, the "right" of the direct borrower banks "to reject" subloan applications of their associated banks based on the review and recommendations of the Units, which is mentioned in the appraisal report (para. 4.03), remained academic and of no consequence, as it was impractical and legally not binding since such a right was not stipulated in the Loan Agreement. It is therefore doubtful that the Bank's workload in reviewing and processing sub-loan applications was reduced by the Unit arrangement, since the workload is dependent not so much on the number of Bank loans, as it was thought at the time, but more so on the number of the financial intermediaries involved, the degree of their maturity, the number of sub-projects and the quality of appraisals. The major benefit appears to have been the training the assignees to the Units received at that time (para. 17, footnote 10) and the forum the Unit provided for discussion of project related matters.

11. The follow-up function of the Units has been even less satisfactory, as proposals on time schedules and procedures for sub-project supervision to the banks, assistance in supervision work and review of the supervision reports prepared by the banks, to a large extent, were not initiated. Also, their role as communication channels may have been regressive in certain respects, as the very presence of the Units tended to lengthen the lines of communication and reduce further the already limited personal contacts between Bank staff and key personnel (e.g., in the Investment Departments) of the banks. Similarly, compliance of the Units with the Bank's reporting requirements has been below expectations, and delays in submission persist even to date. For the earlier years, this may be attributed in part to the fact that the Units were outside the organizational structure of the banks and that they had not been provided with the requisite supporting staff as stipulated in the Loan Agreement (Schedule 2, para. 3); but the continued poor record of compliance seems to reflect, inter alia, inadequate development of management information systems (para. 20).

12. The direct borrower banks, furthermore, undertook full responsibility vis-a-vis the Bank for the repayment of the entire loan and for "implementing the project in a manner satisfactory to IBRD both in its region and in the region of the associated bank... To enable the borrower to protect himself in order to meet such obligations as regards sub-projects of the associated bank, the borrower will have the right to approve or reject these projects on the basis of the appraisal report prepared by the Unit... only the projects approved by the borrower will be sent to IBRD for authorization and/or approval" (SAR, para. 5.14). This approach was not in keeping with good organization and management principles, was impractical, aroused political sensitivities and ultimately proved unworkable. In the first place, the managerial independence and regional autonomy of the two associated banks was de facto compromised and, inadvertedly, the impression was

given that they were not on an equal footing with the borrower banks. It is not surprising therefore that the arrangement had to overcome the resistance of the managements of KBP and IBT and of the Secretaries of Finance of the Republic of Montenegro and Province of Kosovo. This was rectified under the Second Industrial Credit Project when the Bank lent directly to each of the four banks and project related administrative matters were handled by a new Joint-Unit, consisting of four Sub-Units one in each bank (SAR, para. 8.09 and Annex 19). Second, because the two Units were vested with diffused authority and responsibility vis-a-vis the management and other senior staff of the banks, if there were differences of opinion between a bank's management and the Unit, it is difficult to see how they could be resolved without tainting either the management or the Unit and without embarrassing the one or the other. Finally, from a practical point of view, it would hardly be desirable to add to the already complex decision-making process and procedures of the banks another body, which was meant to be independent but which in fact was not.

13. In retrospect, as conceived, designed and set up, the original Unit arrangement was not the most appropriate vehicle to serve the Bank's objectives, i.e., to promote institution building and to alleviate the Bank's workload; as it turned out, the impact it has had has been very limited. The very composition of the Sub-Units and the existence of Project Investment Departments left little room for substantive inputs into project work. The functions of the Joint-Unit (basically to serve as a "communication link") were reduced subsequently and eventually it faded out. Contacts among the banks now remain informal and loose. With the sixth and seventh Bank loans, the Sub-Units were renamed Units and their functions have been limited to helping process the Bank's sub-project work. Specifically, they serve as points of contact with the Bank (liaison centers); review appraisal reports prepared by the banks prior to their submission to the Bank for approval to ascertain that they meet the Bank's requirements; and collect information, prepare required reports and submit them to the Bank.

V. PROGRESS IN INSTITUTION BUILDING

Organization

14. The structural organization of the four banks within the banking sector before and after the Federal Banking Law of 1977 was outlined in para. 6. With respect to their internal organization, the highest governing body in all banks prior to the new Banking Act was the founder/member assembly, composed of the delegates of the member enterprises. The assembly appointed the executive boards and the credit committees from their members, as well as the chief executive (general manager) and his deputy. Directly under the general manager were the directors of the various departments and the branch offices. The departments were organized on functional lines, although they differed among the four banks in number and composition. The basic concept of this organizational structure was retained under the new Banking Act, except for the changes introduced in the composition of the

ssemblies of the newly created associated and basic banks referred to in para. 5. A further change consisted in the institutionalization of a management board, referred to as "collegium" under the earlier system, usually composed of the chief executive (now called president), the vice president(s) and the heads of the departments. An important improvement in the organizational set-up of the banks stemming from the Bank's institution building effort has been the establishment recently of separate supervision departments by IBT and KBP. On the other hand, PBS and SBS, following the recent decrease in their lending as a result of the stabilization measures and in order to better utilize their appraisal staff, decided to combine appraisal and supervision work in their Long Term Credit Divisions.9/ This may have been a retrogression.

Management and Staff

15. In all banks, changes in the management team are infrequent. This is commendable as it ensures continuity of management. The banks' managements have been receptive to the Bank's suggestions on the need for institutional improvements, but their ability to implement changes has been constrained to a large extent by the ownership structure of the banking system and the decision-making procedures under the Yugoslav system of enterprise management. Progress has been made in building up the second tier of management. KPB's middle management, however, needs to be strengthened further. By and large, the professional staff of the banks is effective. Despite the frequent recourse to outside consultants for appraisals of large and/or complex projects, the staff of the Long Term Credit Division in the four banks is insufficient for the volume of work at hand. The number of staff allocated for supervision is also inadequate. In all banks, the growth of project staff during the last decade has not been commensurate with the increase of appraisal/supervision work. In connection with the sixth and seventh Bank loans, the banks undertook to increase their project staff so as to meet minimum requirements of strength.10/ It is noteworthy in this regard that staff training so far has been approached on an ad hoc basis by the banks. A more systematic approach in this area, as has already been initiated by KBP and IBT, would yield high returns.

Project Appraisal Work

16. The quality of the appraisals prepared by the four banks for Bank financed projects has shown improvement over time; nevertheless, quality remains uneven in such critical areas as market and economic analysis, contingency provisions and implementation schedules. Appraisals are weaker in the case of IBT and KBP. Improvement in the quality of project appraisal work continues to be stated as an important objective even in the most recent

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9/ Details in Attachment B, para. 3.

10/ The borrower banks feel that, with the new organizational set-up (see para. 14 above), they have alleviated their staffing problems (Attachment B, para. 4).

Bank loans to the four banks,[11] suggesting that the results achieved so far with respect to this facet of institution building have been modest and the pace of progress slow. The Bank's impact on the appraisal work for non-Bank financed projects, which constitute the bulk of the banks' lending operations, has been particularly limited.

17. The reasons for the sluggish build-up of the banks' appraisal capability stem from a number of factors: (a) at appraisal, practically none of the banks' project staff had any experience with the type of financial, economic and market analysis employed by the Bank in project appraisals; (b) staff strength (in numbers) has been inadequate for the task at hand, while the high turnover of seasoned project officers has exacerbated the situation; (c) because the Bank's appraisal techniques are applied only to Bank supported projects, staff replacing transferring project officers are not conversant with such technical methods and, as a result, quality suffers and becomes uneven; (d) because of constraints, the Bank did not have the capacity to provide technical assistance, particularly training, commensurate with the heavy requirements;[12] (e) the banks themselves have not been very active in seeking training elsewhere; (f) the frequency (once a year) and stay (a few days with each bank) of the Bank's supervision missions were not sufficient to provide guidance and assistance to the banks' staff, particularly in view of the language and translation problems; (g) often, the Bank's comments on subloan applications offered limited guidance to the institutions, while the Units could not discharge effectively their advisory function as their assignees often were not themselves sufficiently conversant with project appraisal techniques and procedures; (h) skepticism as to the validity and practicality of the Bank's project appraisal techniques, particularly the need for deeper market and economic analysis including calculation of economic rates of return, resulted in their guarded receptivity by the banks' management and staff; and, finally, (i) misgiving was probably reinforced by the fact that the Bank's share in the four institutions' total resources has been minuscule (3% to 5%).[13]

11/ See SAR, Sixth Industrial Credit Project, April 1, 1982, para. 4.12; SAR, Seventh Industrial Credit Project, May 23, 1983, paras. 4.01 and 4.03.

12/ The Bank conducted a seminar on appraisal of industrial projects in Yugoslavia in 1974 but apparently with modest success. The lack of prior exposure to the subject matter of many participants made it very difficult for them to appreciate the underlying theoretical concepts and benefit fully from the seminar. The Bank held another seminar on supervision, administration, disbursements and repayments, also in Yugoslavia, in 1976.

13/ The borrower banks question the wisdom of applying the Bank's project appraisal techniques to all subprojects; in their view, such considerations as experience of the project sponsor, project characteristics (e.g., new or expansion), size of investment, are important factors that should determine the approach to project appraisal. Moreover, the banks claim that the Bank's methodology requires a data base which is not readily available. Finally, financing priority development projects, rather than enhancing the borrower banks' appraisal/supervision capability, appears to them to be a more important goal (Attachment B, paras. 1 and 5).

Project Supervision

18. Project supervision has been one of the weakest aspects of the banks' performance and an area in which the Bank's institution building efforts have had the least success. Until very recently, IBT and KBP did not have separate supervision departments and, in all banks, insufficient staff has been allocated for this function. In 1982, the appraisal report on the Sixth Industrial Credit Project (para. 4.13) pointed out in respect of PBS and SBS that "it is essential that the banks should introduce a better organized and more intensive supervision system covering management, technical, financial and marketing aspects." Similarly, in 1983, the appraisal report on the Seventh Industrial Credit (paras. 4.01, 4.03) found that project follow-up in KBP and IBT was weak, and it was agreed that the banks would strengthen their supervision system.[14/] This suggests that progress in improving project supervision has been substantially below expectations throughout, and that the Bank's judgement at appraisal (SAR, para. 3.29) that "overall, the supervision techniques of each bank appear to be adequate," was based on insufficient evidence. Inadequate appreciation by the banks of the importance of follow-up not only during project implementation but also after completion, failure to heed the Bank's advice on this matter, the shifting division of responsibilities between head offices and branches (associated and basic banks after the reform of the banking system), including the interposition of the Units, and the Bank's complacency with the banks' existing supervision procedures,[15/] seem to have contributed to the existing situation.[16/]

Resource Mobilization

19. A considerable part of the banks' resources comes from Federal and Republic/Province funds on whose inflow the banks have little influence, if any. Similarly, the banks can do little to increase savings and other

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14/ An outline of a project supervision program, including plant visits, standard reporting formats and reporting by sub-borrowers, was agreed with all banks during negotiations of the sixth and seventh Bank loans and is under implementation.

15/ "There is little or no regular supervision of projects once they are operational, but regular supervision of the clients is normally assured since the banks' branches also serve as commercial banks and as sources of short-term financing for their clients. As most of the clients generally apply again to the banks within a couple of years for new financing, appraisal and supervision often blend together." SAR, Second Industrial Credit Project, May 11, 1976, para. 4.15. "Supervision work in general is satisfactory." SARs, Third, Fourth and Fifth Industrial Credit Projects, June 23, 1978 and September 5, 1980, paras. 3.13.

16/ The borrower banks indicate that, although no regular supervision is undertaken, as a result of "the specific character of business contacts of the investors and the banks," investment implementation is monitored and issues are resolved. Details in Attachment B, para. 6.

deposits from enterprises. The National Bank, citizen's deposits and foreign official and commercial sources provide the major possibilities for resource mobilization. Although detailed information is not available, the four banks seem to have been able to mobilize considerable resources from such sources over the period 1973/80. Cumulative borrowings from foreign sources, excluding the Bank, amounted to about US$1.5 billion by the end of 1980, equal to about 20% of the banks' total long-term borrowings. Loans from domestic banks accounted for about 10% of total long-term borrowing. Co-financing arrangements with foreign lenders and guarantees of foreign suppliers' credits also have enhanced the banks' resource mobilization effort. Finally, another significant source of foreign exchange has been the savings of Yugoslavs working abroad. By the end of 1981, these deposits amounted to about US$2.3 billion. The association with the Bank has improved the credit standing of the banks abroad and apparently has facilitated their resource mobilization effort.

Management Information Systems

20. The need for improvement on management information systems was not dealt with at appraisal, but it became one of the focal points of the Bank's institution building effort in the Second Industrial Credit Project (SAR, paras. v and 4.17). But despite the fact that computerized data processing systems had been introduced since 1976, all four banks are not yet fully acquainted with the principles and functioning of a management information system, particularly with respect to financial planning, management control and monitoring of project appraisal and supervision work, feedback from operational project work, portfolio developments and staff activities. There is also room for further improvement and streamlining project processing workflow.[17/] Furthermore, under the existing law, banks prepare financing plans in constant prices which leads to unrealistic planning. However, under the structural adjustment loan (para. 30 and p. 28), starting in 1984, banks will be making their financial and operational projections in current prices.

Internal Audit

21. All banks have an office of the Internal Controller. But the functions of the internal control office in the Yugoslav context are limited in scope and relate more to accountancy aspects and the legality of transactions. On the other hand, internal controllers play an important role in respect of loans in arrears: they review the arrears of outstanding loans, convey their assessment to management and participate in the special committees which make proposals on provisions and write-offs for bad debts. Arrangements on scope and procedures, as well as the efficiency in discharging the function, vary from bank to bank but appear to be satisfactory.

External Audit

22. At appraisal, Yugoslavia had no auditing facilities. The Social Accounting Service (SDK), an autonomous entity, "inspected" the financial

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17/ KBT and IBT are taking steps to simplify workflow procedures.

statements of the banks, certified inter alia their legality and correctness, and "reviewed" certain performance indicators. These inspections and certifications did not amount to audits and could not provide a basis for assessing the banks' financial position and creditworthiness. The Bank therefore insisted that appropriate auditing facilities and procedures should be developed in Yugoslavia and that the four banks should have their accounts properly audited. To this end, a new Auditing Department was created in SDK and arrangements were concluded with internationally well-established auditing companies on a long-term training program for SDK's auditing staff. Actual training started in 1974. It was further agreed that (a) the banks would cooperate with SDK and take all necessary actions as required by SDK for the preparation of its audit reports, in accordance with the Bank's guidelines for auditing DFCs; (b) SDK would prepare special guidelines, in consultation with the Bank, to advise the banks on the required adjustments in their accounting system and on the preparation of their inputs for SDK; and (c) audits would be carried out for PBS and SBS beginning with their 1974 accounts, and for IBT and KBP beginning with their 1975 accounts (SAR, paras. 3.50-3.52).

23. The implementation of the auditing program was delayed because of the inability of the banks to provide SDK with the necessary data and information, in part due to the design of their accounting system and inadequacies in their information system; the slow progress in the preparation of guidelines for the banks; and the reluctance of the banks to release information on their borrowers which they viewed as confidential. Also, the complexity of the task had not been fully appreciated at appraisal. As a result, it was not until 1979 that comprehensive audit reports were prepared by SDK on all four banks (1978 for PBS and SBS).

24. SDK's audits, pertaining to the consolidated accounts of the associated and basic banks,[18/] contain a breakdown of the banks' loan portfolio by short and long-term loans and by main categories of borrowers; provide summary information on the banks' reschedulings, arrears and doubtful loans; indicate the provisions and write-offs made against bad debts; and review past experience with loan losses, including collectibility on a sample basis of loans in arrears. However, SDK's auditors do not express in their reports their own opinion on the quality of the overdue loans, the adequacy

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18/ The consolidation of the financial accounts has been justified by the fact that the operations of the associated banks are closely interlinked with those of the basic banks (para. 6), and that the basic banks have unlimited liability for the obligations of the associated banks. Even so, production of consolidated financial statements for a group of banks in a region does not shed much light on the performance and operating efficiency of the associated banks which, after all, are separate entities and are the Bank's immediate borrowers. Moreover, the associated banks have been the focus of the Bank's institution building effort, and progress in this area is reflected in operational results (para. 27).

of the provisions and write-offs,[19] and the quality of the banks' loan portfolio. The auditors, based on a sample review of the banks' portfolio, certify that the banks' statements present in a fair manner their financial position with the qualification "...subject to ultimate collection of any loans that are overdue..."

25. Under existing regulations at appraisal, banks were allowed but not required to make provisions for doubtful debts. However, under the Credit and Banking Law of 1978, banks must maintain a Joint Liability Fund (JLF) of not less than 3% of their total investments at the end of the preceding year. This Fund can be used for general business purposes, to write off uncollectable loans and to cover other losses arising from a bank's operations. The same law also requires that banks should create a Reserve Fund (RF) for liquidity purposes. The Fund should be increased to 3% of total investments, by allocating out of the banks' annual net income a sum equivalent to a minimum of 0.3% of their total investments. The four banks under review have yet to comply with both these requirements. In connection with the Seventh Industrial Credit Project, KBP and IBT have agreed to comply with respect to JLF by 1987 and with the RF over several years (SAR, paras. 4.16-4.18). Under the structural adjustment loan (para. 30 and p. 28), it has been agreed that steps will be taken by all banks, which includes SBS and PBS, to comply with the JLF requirement within six years and with the RF over a number of years.

26. In light of the above remarks, it can be said that, with respect to the Bank's objective to help design appropriate auditing facilities in Yugoslavia, SDK has made commendable progress in developing the necessary skills for carrying out this task. However, the Bank's ultimate aim to have the portfolio of the borrower banks audited by independent auditors, whether separately for the associated banks (preferably) or as group, i.e., including the basic banks,[20] is not fully fulfilled as long as SDK's auditors do not state explicitly their own opinion on the adequacy of provisions and write-offs and on the overall quality of the banks' portfolio.

19/ A typical statement by SDK's auditors is as follows: "the bank believes that all known losses have been identified and adequate provisions made. Based on the bank's past loan loss experience and the likelihood that overdue loans will either be rescheduled or enterprises which experience losses or financial difficulties will be rehabilitated with no loss to the bank, and based on the security provided by the mutual unlimited responsibility of the members, the bank management does not anticipate any significant amount of possible future losses" (SDK Audit of SBS for 1981 and 1982, pp. 11, 16). Emphasis added.

20/ Beginning with the Sixth Industrial Credit Project, Bank loans are made to the associated banks both on its own behalf and on behalf of its basic banks. This, however, should not detract from the expediency of having a separate audit for the associated banks, for the reasons advanced in para. 24, footnote 14. See also para. 27.

VI. OPERATIONAL AND FINANCIAL PERFORMANCE

27. As already alluded, the financial statements of the banks reflect the combined operations of the associated and basic banks, although all banks are autonomous entities.[21] The share of the associated banks in the total combined assets ranges between 11% and 22% (1982). In the absence of unconsolidated financial statements, the operational performance patterns of the associated banks, i.e., the Bank's immediate borrowers and focus of attention, cannot be established. The fact that the basic banks bear unlimited liability for the obligations of the associated banks and that their operations are closely linked are not convincing reasons for not supplying the Bank with separate financial statements for the associated banks, particularly since they are readily available. Since the Bank's institution building effort is concentrated in the associated and not in the basic banks, the financial performance and operating efficiency of the former should be of concern. It is noteworthy, that associated banks in other regions have already started including in their published annual reports both unconsolidated and consolidated financial statements.

28. The operational and financial performance of the four bank groups is discussed in the PCR, paras. 30-32 and 36, and a set of basic financial indicators is shown in Annex 17. Loan commitments by all bank groups have increased measurably in real terms during 1973-80, and all banks showed a small net income every year. Financial ratios are within acceptable limits. The arrears position of the four bank groups during 1973-82 is shown in Attachment A (see also PCR, paras. 37-39). Although the percentage of arrears in total outstanding loans in 1982, with the exception of IBT, is still within acceptable limits (PBS = 4.0%; SBS = 4.1%; IBT = 8.4%; KBP = 4.6%), it has been steadily increasing since 1973, when it hovered around 1% in all banks, despite reschedulings and the rapid growth of the loan portfolio in nominal terms. However, the percentage of portfolio affected by arrears (PBS = 50%; SBS = 38%; IBT = 38%; KBP = 32%) remains high and invites concern. The main reasons for the deterioration of the arrears situation include adverse economic developments in the country and worldwide, credit controls, unavailability of foreign exchange to enterprises to enable them to discharge obligations in foreign currencies and inadequate project supervision. A law, promulgated in March 1982, prohibits new investment loans and guarantees to borrowers in default and raised the penalty interest on loans in default to 25%. These measures, as well as the increased awareness of the banks for the need to take action to recover overdues, could help improve the arrears situation.

21/ I.e., 26 Banks in Bosnia-Herzegovina, 23 in Macedonia, 14 in Montenegro and 8 in Kosovo.

VII. UTILIZATION OF BANK FUNDS 22/

29. The Bank's funds were disbursed with a delay of three years, although about 96% of the loans had been disbursed on schedule. On the whole, the utilization of the Bank's funds was satisfactory. In total, 78 sub-projects were financed under the two Bank loans and all were in light, processing industries. The sectoral distribution of the sub-projects was satisfactory and in line with the Plans of the respective Regions/Province. Cost overruns of more than 30% occurred only in 5 out of the 78 sub-projects supported, while cost overruns of over 10% occurred in 12 sub-projects. On the other hand, 26 sub-projects experienced cost underruns. One-half of the sub-projects had time overruns exceeding six months, while 24 sub-projects exceeded 12 months. Major reasons for overruns were changes in project scope and design, delays in finalizing contracts with builders and suppliers of machinery, and optimistic implementation schedules. Some 40% of the sub-projects were export-oriented which is creditable. Production, sales and export figures indicate that most of the sub-projects met or exceeded original estimates. But given the high rates of inflation during the intervening years between appraisal and recalculation, figures in real terms would be less than the nominal. By the end of 1981, 32 of the 78 sub-loans were in arrears but, by the end of 1982, arrears had been fully recovered in the case of SBS and KBP, while small amounts still existed in the case of PBS and IBT. The latter see no problem in the full repayment of these loans. Recalculated financial and economic rates of return appear satisfactory. It is estimated that the sub-projects have created some 11,000 new jobs at an average cost of US$18,900.23/

22/ For details see, PCR, paras. 14-25 and Annexes 2-12.

23/ There have been significant discrepancies between data supplied to the Bank by the PBS-IBT Unit for the preparation of the PCR and the data supplied to the OED mission by plant managers in four out of the five enterprises visited. For instance, in PBS sub-loan A-5 (PCR, Annex 5, p. 1), actual project cost was reported at Din 276.5 million (a cost overrun of 102%), while the figure supplied to the OED mission was Din 123.4 million (a cost underrun of 11%). Sales for the same sub-project (PCR, Annex 7) were reported as Din 445.2 million for 1980, whereas the correct figure is Din 216 million. These differences affect estimates of the investment cost per job created and the calculations of the financial and economic rates of return. In PBS sub-loan A-4 (PCR, Annex 9, p. 1), new employment is reported as 202 whereas actually there has been none. In PBS sub-loan A-7, again creation of 80 new jobs is reported while actually none has been generated. In IBT sub-loan B-2 (PCR, Annex 9, p. 2), the incremental employment is stated as 255 jobs against the actual of only 70. Data should be doublechecked by the Units prior to their submission to ensure their accuracy.

VIII. CONCLUSIONS

30. The project under review was the Bank's first DFC operation in Yugoslavia, a country whose banking system is part of a unique economic environment and whose organizational structure, operating policies and procedures differ fundamentally from those in other countries. The Bank's knowledge about the modus operandi of the system and the strengths and weaknesses of the regional banks was limited at appraisal--understandably so. The proposed loans were therefore to serve "as a basis for identifying ways to achieve a closer relation between IBRD and the banks," alluding to the inherent difficulties of the project, the more so since four banks were involved and all of them at once.

31. The scope of the project in the face of the task at hand was ambitious, while the non-financial inputs to go along with the Bank's financial assistance were not commensurate with actual needs, particularly those of IBT and KBP. In retrospect, as conceived, designed and set up, the original Unit arrangement was not the most appropriate vehicle to further the Bank's objectives of promoting institution building and alleviating the Bank's workload. As it turned out, the impact of the Units has been very limited, as their input with respect to their advisory, follow-up and reporting functions has been below expectations. The serviceability of the Units, even after subsequent changes in their concept, still remains limited and is confined to helping in the processing of sub-project work related to the Bank's lending (paras. 9-13). Conceivably, a more staggered approach by the Bank, e.g., lending to one or two banks at a time, might have been a more effective way to deal directly with the institutional needs of each bank; but, even in that instance, the end result would still have depended on the sway of many factors, including the degree of commitment to institution building at the receiving end--which apparently has not been very strong (para. 17).

32. Progress in achieving the institution building objective of the loans, which was the thrust of the Bank's effort, has been modest. Although the quality of appraisal work has improved over time, it remains uneven in important respects. Appraisals continue to be weaker in the case of IBT and KBP. An array of factors account for the slow build-up of the banks' appraisal capability, including insufficient staff strength and training, passive attitude by both the financial intermediaries and the Bank, inadequate supervision and insufficient technical inputs by the Bank, skepticism on the part of banks' management and staff as to the validity and usefulness of the Bank's project appraisal techniques and, possibly, the Bank's minuscule share in the four institutions' total resources. The Bank's impact on the application of sound methods for project selection and appraisal on non-Bank supported projects, which constitute the bulk of the banks' lending operations, has been particularly limited (paras. 16, 17). Project supervision remains weak and it is an area where the Bank's institution building effort has so far had the least success. However, project supervision programs under implementation and recent organizational changes are expected to alleviate the situation (para. 18). It is conceivable that the rather passive role of the Yugoslav banking system in the investment nexus and the

potential influence of project sponsors through the ownership structure (para. 5), also have weakened the ability of the banks to apply rigorously high appraisal/supervision/collection standards.

33. Substantial progress has been made with respect to the Bank's objective of developing appropriate external auditing capabilities in Yugoslavia. SDK has made commendable efforts in developing the necessary skills and organizational arrangements to establish auditing facilities and procedures. However, the Bank's ultimate goal to have the portfolio of the borrower associated banks audited by independent auditors is not fully met as long as consolidated financial statements are produced and SDK's auditors do not state explicitly their opinion on the adequacy of provisions and write-offs and on the overall quality of the banks' portfolio (paras. 24, 26).

34. Even though the objective of institution building has met with modest success, the Bank's decision to support the four institutions in the LDRs was conceptually correct and justified under the circumstances prevailing in Yugoslavia. And although there is room for improvement, which incidentally can be speeded up through greater receptivity and a higher degree of commitment by the banks, the fact remains that an indigenous institutional capacity for term financing is developing, albeit slowly, catering to the needs of the Regions and the Province. Moreover, the association with the Bank has enhanced the credit standing of the banks and has facilitated their resource mobilization effort abroad.

35. The project experience is instructive in many respects. It suggests that (a) skepticism as to the validity and practicality of the Bank's project appraisal/supervision techniques, leading to guarded receptivity by management and staff of the financial institutions, tends to attenuate their commitment to institutional development, with the result that progress is impeded; (b) staff training needs to be approached more systematically by the financial institutions concerned; (c) effective supervision/collection necessitates the development and implementation of appropriate mechanisms (e.g., comprehensive action plans); (d) although time and cost overruns can be ascribed to a degree to factors beyond the control of the lending institutions, there is need for greater effort during sub-project appraisals to review more carefully technical designs, to assess more realistically project costs, to allow for adequate price and physical contingencies and to develop more realistic financing plans and implementation schedules; (e) calculation of economic rates of return at a very early stage of project appraisal can more meaningfully serve as a management tool for improving project design and decision-making; (f) studies of earlier project experiences on a subsector-by-subsector basis can provide valuable feedback and can strengthen considerably appraisal work; (g) greater supervision effort is required by the Bank, particularly during the early years of its association with new DFCs, as well as allocation of more resources for this purpose; (h) the Bank could take a more critical stance on key issues in the course of its appraisals and supervision, possibly linking repeater operations to borrower commitment to undertake specific actions; and (i) structural adjustment lending appears to have opened up more promising opportunities for instituting policy reforms when compared with the heretofore less productive macro-economic, sector and project dialogue. Finally, the Bank could review the incidence of lingering

small undisbursed balances long after the original closing date of loans, particularly in repeater operations, as it inter alia delays unnecessarily the project completion and evaluation process.

PROJECT PERFORMANCE AUDIT REPORT

YUGOSLAVIA FIRST INDUSTRIAL CREDIT PROJECT
(LOANS 1012/1013-YU)

Development of the Arrear Situation of PBS, SBS, IBT, and KBP (1973-82) /a
(End of Year; Percent)

	PBS					SBS					IBT					KBP				
	73	76	79	80	82	73	76	79	80	82	73	76	79	80	82	73	76	79	80	82
Total arrears as percentage of total long-term loans/b	1.1	0.6	1.3	2.3	4.0	1.7	3.2	3.9	4.1	4.1	0.6	0.3	5.9	6.4	8.4	0.9	1.0	2.9	3.8	4.6
Long-term loans affected by arrears as percentage of total long-term loans/b	n.a.	36.0	21.8	32.7	50.0	35.1	35.1	48.2	49.9	37.8	15.4	5.5	55.1	51.6	37.0	n.a.	38.6	50.5	37.8	32.1

/a The 1973 figures may not be quite comparable with those of the other years, particularly after the banking reform in 1977.

/b For 1973: total arrears of principal and interest; for 1976, 1980 and 1982: only arrears above 3 months and only principal.

Sources: For 1973: SAR IC-I, Annex 11; For 1976: SAR IC-II & III, page 24; For 1979 and 1980: PCR, page 11.

Attachment B

STOPANSKA BANKA ZDRUŽENA BANKA — SKOPJE
„11 OKTOMVRI" No 7, P. O. BOX 582, 91000 SKOPJE, YUGOSLAVIA

Our ref. LjP/NP-176
Your ref.

Skopje, April 24, 1984

THE WORLD BANK
1818 H Street N.W.
WASHINGTON DC 20433
U.S.A.

COMMENTS RECEIVED FROM THE BORROWER

Att.: Mr Shiv S. Kapur, Manager
Operations Evaluation Department

Dear Sir,

Please be advised that the four borrowing banks held a meeting on March 29, 1984 in connection with the Draft of the First Industrial Credit Project Performance Audit and Completion Reports under Loan Agreement 1012-YU, and on that occasion formed the enclosed opinion.

Kindest regards.

Yours truly,

SBS Unit
Head
Ljubomir Popovski

Enc.

Tel. 235-111; Telex: 51140 Yu Sbank; Cables: STOPBANKA
51226 Yu Sbank

From:
PRIVREDNA BANKA - UDRUŽENA BANKA, SARAJEVO
STOPANSKA BANKA - ZDRUŽENA BANKA, SKOPJE
INVESTICIONA BANKA - UDRUŽENA BANKA, TITOGRAD
UDRUŽENA KOSOVSKA BANKA, PRIŠTINA
- World Bank Industrial Credits Units-

To:
Mr Shiv S. Kapur, Manager
Operations Evaluation Department
The World Bank
Washington DC 20433
1818 H Street N.W.
U.S.A.

Re: Opinion on the Draft of the First Industrial Credit Project Performance Audit Report

Dear Sir,

With reference to your letter dated February 9, 1984, seeing the importance of the Project Performance Audit Report, the Units analysed in detail the Draft Report and find that it has been prepared well, keeping in mind all objective difficulties attending the Project performance as well as the banks' insufficient experience in the application of methodology of work under World Bank loans. A basic opinion with respect to the material provided, this being also present in the practical work in the utilization of World Bank loans, is to insist on a strict application of the determined methodology, irrespective of the justification thereof, i.e. regardless of the specific character of individual subprojects. The appraisal approach in the case of subprojects involving new facilities and new products and the approach with respect to subprojects involving modernization or expansion of facilities are quite different. The approach is not the same when

minor investments relative to large investments are concerned. The approach differs when it is a question of an investor who has acquired a long experience and tradition on the domestic and foreign markets with respect to a new manufacturer, and the like. The World Bank finds it necessary to apply the same methodology for all subprojects, which in our opinion has some features of formalist approach,and which is neither justifiable nor characteristic in the business world work. The World Bank's representatives have in the past work on the industrial credits performance raised some objectively unecessary requirements. This is probably due to the Yugoslav commercial banks' different characteristics and organization as to the world development financial institutions through which the World Bank implements lines of credit as a specific kind of resource application.

Reflected in PPAM para. 17, footnote 13.

The Draft Report leaves the impression that the most important goal of this kind of credit is to make the borrowers capable for a quality appraisal and/or quality supervision work on subprojects, and not vice versa, a financing of priority development projects. These priorities are emphasized in the loan agreements, which we consider to be the main target of investments (exports, employment, production finalization). The Draft Report states that positive results have been achieved in respect of the number of jobs, larger export orientation, coverage of a larger number of subprojects, which is very positive, but these positive features are belittled by pointing out the insufficient results in respect of making the borrowers more capable for a better quality appraisal and supervision work on the projects.

Our specific comments on the presented material are as follows:

A. Project Performance Audit Memorandum

Reflected in PPAM para. 5, footnote 3.

1. Your conclusion that the actual impact of the banks in improving the quality of investment decisions remains limited (Section 4) does not reflect the actual state, as it is an exceptionally important task of the commercial banks and, in practical terms, it has no limitation. All commercial banks are con-

tinually improving the project appraisal quality,given that, as stated in the introduction, not the same methodology and analytics are applied to all subprojects. We agree that there are failures in the market analysis, especially in consideration of forthcoming capacities in other regions, but this is exceptionally difficult, if possible at all, in view of the problem of providing relevant data. The domestic market analysis is a minor problem relative to the foreign one, taking into account the limited availability of data, especially the assessment of the forthcoming world production, as we do not always have available indispensable data. Market economy always entails a great risk even when long-term contracts between manufacturers and buyers ara available, and it is always extremely insisted that market analysis be as realistic as possible. We are uncrear about your conclusion that the structural organization of the banks is the reason for the weakened ability of the banks to make independent decisions. We would ask to ensure that this item be stated clearer in the material, taking especially into account the fact that the commercial banks make independent decisions on approving credits for individual investment programs.

Text in PPAM para. 6 and footnote 5 amended.

2. The associated banks' operations (Section 5) are determined by self-management agreements and statutes. provided that the basic banks, as the founders, transfer specified operations to the respective associated bank. It is true that the associated banks in the less developed regions (LDR) engage mostly in long-term credit operations owing to the fact that it is through them that the development funds resources are channelled. However, international operations are a very important function of the associated banks in Yugoslavia. Regarding enterprises membership to basic banks there is no limitation except when international operations are involved. As regards the number of associated banks, there are 9 of them now, given that in SR of Serbia there are two such banks, not three,as indicated in the Draft.

Changes incorporated in PPAM para. 14.

3. In PBS and SBS organizational changes have occurred in respect of supervision (Section 12). Namely, under the earlier organizational set-up within the framework of the Long-Term Credit Division there was a separate department which was involved in project supervision. However, in view of the policy of continual decrease in investments in Yugoslavia in line with the long-term economic stabilization measures, a conclusion was reached that better and more efficient results could be achieved, even a more intensive utilization of the staff which have so far worked on project appraisal only, if appraisal and supervision work would be concentrated on one spot. Thus, the PBS and SBS Long-Term Credit Divisions are organized according to economy sectors. The short period of operation of this new organizational set-up gave positive results.

In IBT and KBP a change has been introduced in the organizational set-up in the Long-Term Credit Divisions by establishing separate project supervision and monitoring departments.

Reflected in text of para. 15 and footnote 10 of the PPAM.

4. Change in the management team in our system is mandatory and it occurs every 4th year (Section 13), and there are cases when the term of office for specified managers is extended for further 4 years. This can be infrequent, but nevertheless we think that the results would be weaker if this would be more frequent. In respect of insufficient staff in the Long-Term Credit Division we think that with this new organizational set-up we have solved this problem successfully. Normally, the turnover of staff is present in the banks and it has an adverse impact on the project appraisal and supervision work, but the banks strive to solve it by applying an appropriate policy and permanent staff training.

5. The stated reasons for the sluggish build-up of the banks' project capability are true in part only (Section 15). For your information, the Association of Yugoslav Banks and the Institute of Economy in Zagreb have published a Handbook of Planning and Investment Projects, and the investment project prepared on the basis of this Handbook makes possible a quality project appraisal

according to the methodology applied by the World Bank. The World Bank experts' contribution to the training of the professional staff in the banks is neglected, as it is to be pointed out that these contacts as well as their comments on the subproject appraisal has had a favourable impact on the continued improvement of the project appraisal. PBS and SBS faced in that respect specific difficulties with the 6th Industrial Credit Line in the foreign market analysis. Similar problems will surely be faced by IBT and KBP in the commitment of the 7th Industrial Credit Line. In the case of individual subprojects cooperation was asked for from particular specialized foreign trade relations institutes, but the limited statistical documentation made difficult the successful foreign market analysis under the methodology employed by the World Bank. In the introduction we have also expressed our opinion on the justification of applying the same methodology to all subprojects and, therefore, it is not a question of scepticism as to the validity and usefulness of the Bank's techniques, but of a definite practicability, experience, long-term character of the business relations, specific features of the projects, and the like.

Reflected in modified para. 17 and footnote 13 of PPAM.

Reflected in PPAM para 18, footnote 16.

6. The problem of insufficiently developed supervision is present at the commercial banks (Section 16), but in this respect the specific character of business contacts of the investors and the banks should also be kept in mind as they develop under the long-term credits as well as under short-term credits and under international operations especially through the basic banks. Therefore, although regular supervision of each project is not made on the spot with the continuous contacts between investors and banks at various levels , the investment implementation is being monitored and issues solved. With the new organizational set-up of the Long-Term Credit Divisions the commercial banks expect to improve this important task in the operations, especially by improving further the ability of the basic banks which assume an increasingly greater liability.

Text in PPAM para. 19 amended.

7. We are of the opinion that in the case of resource mobilization it would be necessary to change the conclusion that the major part of the banks' resources comes from the development funds, except for the KBP (Section 17),by using the term "considerable" and the like, and the banks have no influence on the resources inflow. A considerable source of resources are citizens' savings in dinars and almost insignificant are the resources coming from more developed regions, and definite changes should be made in this respect.

Text in PPAM para. 28 modified.

8. We find inaccurate the conclusion that ineffective collection policies and procedures is a sequel of the deterioration of the arrears situation (Section 26), considering that the commercial banks' policies stress in particular the need for the collection of claims due to them and make their best efforts to recover them. There are justified cases when this problem is also settled by rescheduling, then by suspension of lending under other operations,and the like. At the level of Yugoslavia special measures are being taken to intensify financial discipline covering also a more regular payment of maturities. A collection procedure by judicial means can last longer, especially in the case of borrowers facing financial difficulties.

Text in PPAM para. 29 amended.

9. We think that in the case of utilization of Bank funds (Section 27) it should be emphasized that all, and not almost all, subprojects were in light processing industries, except that food processing is considered to belong not to this category. PBS had a greater number of such projects, and in the utilization of the 2nd Industrial Credit Line a rather long correspondence was conducted with the World Bank pointing out that the exclusion of such subprojects was not justifiable. One can hardly accept the view that due to the World Bank's organizational set-up (a separate agriculture division) the food industry subprojects were not included in the industrial lines. More so that,in the case of agriculture development,credits were mostly primary agricultural production-oriented and mostly directed to the individual sector. Should this analogy be applied, wood working would also be excluded from the industrial lines,

forestry development being covered by that division.

The statements concerning the results of the financed subprojects (Section 27) certify that the banks have made a correct subproject selection, which means that the project appraisal, even supervision work, has been performed successfully, although not always under a strictly determined procedure. This prompts us again to the opinions stated in the introduction of this letter, as we find it far more important to pay more attention to subprojects facing problems in investment implementation than adhere to the obligation of regular supervision work on all subprojects.

Reflected in PPAM para. 5, footnote 3.

10. We repeat that, not the borrowers' institutional building, but the financial contribution to the economic development, is the main objective of the industrial lines, and this part of the text should be amended (Section 30). We particularly find it necessary to amend the text relating to the ownership structure as the factor that has weakened the banks'ability to apply vigourously high project appraisal standards. The ownership structure has no impact on the project appraisal, and the results achieved show a quality project selection.

The text does not suggest total lack of receptivity or commitment.

11. One can hardly accept the conclusion that the banks show no receptivity and commitment toward institutional improvement (Section 32). Maybe, not enough has been done in that respect, and possibilities of further improvement always exist.

12. Our opinion regarding the conclusions in Section 33 has been given in Sections 5 and 8 of this letter as well as in the introduction of this letter.

B. Project Completion Report

1. The associated banks' role in the LDRs is particularly important in the implementation of the policy of channelling the development funds representing an important source of the banks' resources (Section 9). Practically, there is no major project to

development funds resources have not been committed, and thanks thereto the policy of a more successful overall economic development can be pursued more efficiently.

Reference is made in PCR, para. 8.

2. The associated bank plays an increasing role in the resource mobilisation in respect of association of resources for the development of specified priority sectors of economy (energy, agriculture, exports). In such cases the associated bank plays the role of consortium institutions engaged in providing resources.

Text in PCR amended.

3. In Section 35, the statement that the Federal Fund resources are received on a yearly basis should be amended, as such resources are received on a monthly basis, even more often.

We hope that these comments may be helpful in your making appropriate amendments to the Draft Report, which will contribute to the further development of our successful cooperation so far, which cooperation has not sufficiently been highlighted in the Reports, as, in our opinion, the World Bank experts' contribution to the banks' work promotion has not sufficiently been stressed, although some difficulties have been faced.

It should be stated that the implementation of not only the First Industrial Credit Line, but also of the other ones, was more efficient in comparison to the other World Bank-financed projects.

Kindest regards.

PROJECT COMPLETION REPORT

YUGOSLAVIA -FIRST INDUSTRIAL CREDIT PROJECT (LOANS 1012/1013-YU)

I. INTRODUCTION

1. Yugoslavia is a federation of six republics and two autonomous provinces presenting wide disparities in levels of income and social development. The four less developed regions (LDR) (which include the republics of Bosnia - Herzegovina, Macedonia and Montenegro and the Autonomous Province of Kosovo) have varying degrees of lower per capita income, high unemployment, and unbalanced growth, as compared to the more developed regions (MDR). Consequently, the Bank's industrial credits (IC) have been directed towards the LDR.

2. Each LDR has its own bank, owned by founder members, i.e. organizations of associated labor, self management communities of interest and other social organizations. The banks, besides catering to commercial and investment banking needs of their individual region, participate actively in the preparation of regional development plans and their implementation, function as a conduit for the official development assistance, and manage special government funds.

3. The first industrial credit (IC I) approved in June 1974 was preceded by a prolonged dialogue, starting from as far back as 1966, between the Bank and the Federal Government over finding an appropriate mechanism to finance medium and small industrial projects. The final agreement, as reflected in IC I, included two loans: Loan No. 1012-YU of $28 million to Stopanska Banka Skopje (SBS) of Macedonia and Loan No. 1013-YU of $22 million to Privredna Banka Sarajevo (PBS) of Bosnia-Herzegovina. PBS and SBS, in turn, had to extend $6 million and $16.6 million respectively out of their loans to Investiciona Banka Titograd (IBT) of Montenegro and Kosovska Banka Pristina (KBP) of Kosovo. As PBS and SBS were largest among the four banks and appeared suitable to meet the Bank standards, they were selected as borrowers. Because of regional proximity, IBT was associated with PBS and KBP with SBS. The above approach was considered a starting base and was expected to bring forth other alternatives for channeling Bank funds under future industrial credits.

4. In subsequent years, the Bank has approved five more operations divided into six industrial credits and thirteen loans as follows: IC II of $50 million in June 1976 (Loan No. 1277-YU), IC III and IV totalling $100 million in July 1978 (Loan No. 1611-1614-YU), IC V of $110 million in October 1980 (Loan No. 1909-1912-YU), IC VI of $66 million in April 1982 (Loan No. 2132-2133-YU), and IC VII of $70 million in July 1983 (Loan No. 2339-2340-YU).

II. THE ENVIRONMENT

Industrial Sector

5. In 1980, industry 1/ accounted for 36 percent of Yugoslavia's GMP 2/ (27 percent in 1960), employed one fifth of total labor force (13 percent in

1/ Including manufacturing and mining, and excluding electrical power generation and construction.

2/ Gross Material Product.

1960) and accounted for 95 percent of merchandise exports (75 percent in 1960). Yugoslavia possesses sizeable energy and mineral resources and has established a number of basic processing and extractive industries such as coal, iron and steel, non-ferrous metals, non-metallic minerals, and chemicals. In addition, the country has developed a diversified manufacturing industry which produces a wide range of capital, intermediate and consumer goods. Industry has absorbed a substantial proportion of the country's investment, rising from 28 percent of gross fixed capital formation in 1960 to 34 percent in 1979 (or 8 percent and 9 percent of GMP, respectively). During 1971-80, industrial output increased by an average of 7.4 percent in real terms, which was one point higher than the average growth of the whole economy for the same period.

6. Performance of industry in the second half of the 1970's has been characterized by:

(i) relatively rapid growth, particularly in the capital goods sector, generated by a buoyant domestic demand;

(ii) good overall investment performance, with, however, distortions in sub-sectoral allocations, leading to lagging development of the energy and intermediate goods sector;

(iii) significant reduction in the growth of industrial imports, due to both successful import-substitution and import protection, but staggering industrial exports growth;

(iv) increased capital intensity of industrial investment and, possibly, a decline in efficiency; and

(v) large contribution to employment creation, but low labor productivity.

Industry in the LDR

7. Over the past 30 years, the share of industry in GMP in the four LDR grew faster than in other regions. Although the LDR started with a considerably lower level of industrial development after Second World War, by 1980, industry's share in the GMP of the LDR (38 percent) exceeded that of the more developed regions (MDR) (37 percent). However, the value added in industry in the MDR is twice that in the LDR on a per capita basis. Because of the LDRs' substantial wealth of mineral and energy resources, basic industries have played a very important role in their economies, implying a more capital intensive industrial structure than for the MDR. Basic industries made up more than 33 percent of industrial value added in the LDR in 1980 compared with 19 percent in the MDR. Over 56 percent of the LDR capital stock is invested in Yugoslavia's 13 most capital intensive industrial branches. Among the LDR, Montenegro and Kosovo continue to have the most capital intensive industrial structure, with basic industries making up nearly 40 percent of industrial value added. The late start of industrial development and priority given to basic industries, mining, and power, at the expense of more labor-intensive light and processing industries, have resulted in high unemployment and unbalanced growth in the LDR.

Financial Sector

8. At the time of approval of IC I, the banks in each region operated with a head office and several branches. Decision-making, particularly for long-term loans, was substantially centralized. However, the Federal Credit and Banking Law of 1977 changed the banks into a three-tier organizational commercial banking structure consisting of internal, basic and associated banks 1/. An internal bank is essentially a service organization established by Basic Organizations of Associated Labor (BOALs) within a Kombinat. A basic bank may carry out all kinds of credit and banking operations in Yugoslavia, and, as such, forms the core of the restructured banking system. It can be founded by any social legal entity. An associated bank is established as a legal entity through a self-management agreement of two or more basic banks. Its main function is to concentrate resources for financing major investments and to carry on foreign business transactions on behalf of its member basic banks. It also administers the Federal Fund allocations and is the borrower of the Bank's industrial and agricultural credits for its region. Essentially, the Law has further integrated the banks with their founder members, thus, making them more aware of the needs of the enterprises they serve and economic objectives and priorities of their regions.

9. In the case of banks in LDR, non-intermediated funds, such as Federal and regional funds, are a major source of long-term local currency funds. The banks' efforts in mobilizing foreign resources have been directed at guaranteeing suppliers' and buyers' credits obtained by enterprises, attracting deposits of Yugoslav workers abroad and obtaining foreign loans. The current policy of the banks is to limit considerably foreign borrowings in the form of financial credits from commercial banks because of their high cost. Since mid-1980, the National Bank of Yugoslavia has replaced banks as the principal borrower of financial credits to facilitate negotiations with foreign sources and to ensure better coordination in approaching international markets.

10. The negative structure of real interest rates in Yugoslavia has been an issue for many years. This issue was recognized at the time of processing of IC I and it was concluded that discussions thereon should take place with Yugoslavs in the context of economic policies as a whole. As a condition of the Second Agricultural Credit Project (FY78), the Yugoslav Government prepared (through the National Bank) and presented to the Bank, in early 1980, a study of the role of interest rates in Yugoslav economy. The study concluded that non-interest factors arising out of the uniqueness of the Yugoslav system and its planning mechanism predominate in resource mobilization and allocation decisions. It, however, recommended that future policy should move interest rates to higher levels on non-priority investments and on selected savings of individuals and institutions. The Bank's position has been that interest rates should be used as a policy instrument for mobilization and allocation of resources generated from savings. This view has now gained acceptance in Yugoslavia and the Federal Social Plan (1981-85)

1/ This reform has been discussed in detail in the Bank's Report entitled Yugoslavia-Recent Economic Developments (No. 2623-YU).

does recognize the policy role of interest rates. As a result, it was agreed in May 1983 under IC VII that the banks will charge a minimum interest rate of 18% (7% in IC III and IV, 10% in IC V, and 15% in IC VI) on local currency loans made available to sub-projects from their own resources. It was also agreed that the actual minimum interest rate charged on sub-projects approved after January 1, 1984 would increase in accordance with the understandings reached under the Structural Adjustment Loan to Yugoslavia. Thus, a floor lending rate was introduced on local currency resources of 18% plus one third of the difference between 18% and the rate of inflation in 1983 (as measured by the producer price index). Further adjustments would be made with the intention of achieving positive real rates by 1986 (as measured by the higher of producer price or retail price inflation). Certain high priority industrial sector investments to be defined in the revised 1981-85 plan or the annual economic policy would be subject to a lower floor rate, initially, with the intention of moving to positive real rates by 1989.

III. PROJECT OBJECTIVES

11. At the time of processing of IC I, it was recognized that, given the unique role the four banks were expected to play in the special Yugoslav economic environment, their ownership structure and their mixed nature, the Bank's relations with them, at least initially, could not reach the depth and the objective of traditional Bank financing to development finance companies. It was therefore anticipated that the Bank's impact on the total operations of the banks (their resource mobilization, general lending policies, and resource allocation) would, to start with, be limited and would focus on sub-projects to be financed under Bank loans.

12. A basic objective of IC I was to promote a large number of small and medium scale industries and, thus, help to correct the imbalanced industrial structure and to alleviate the unemployment problem in the LDR (para 7). The project also aimed to assist the banks in several aspects of their institution building, mainly through improving their project appraisal and supervision work in the industrial sector. It provided for criteria of project appraisal, for a better assessment of the market, financial and economic returns and viability of projects. Also, the banks were required to improve their project supervision techniques.

13. A major drawback at the time of processing of IC I was that the banks' accounts were not audited by independent and reputable auditors in accordance with generally accepted procedures. Besides, their accounting system itself was different from the Bank's experience in other countries. As a result, it was not possible to have a clear view of the of banks' loan portfolio and an independent opinion on its quality. The banks were, therefore, required, as a condition of IC I, to have their accounts audited annually and to produce a detailed report, following the Bank-agreed guidelines, by SDK (Social Accounting Service) whose staff was then being trained under a Bank supported technical assistance program. These audited accounts were to become an essential part of the information system available to the banks' management and founders and to the Government.

IV. UTILIZATION OF BANK FUNDS

Funds Allocation

14. General Features: The project's objective of assisting a large number of labor-intensive light and processing industries has been fully met. As will be seen from the detailed allocation of funds by the borrowing banks (para 19), the subloans have been given to a wide-array of processing industry subsectors, including textiles, food and tobacco processing, construction material, metal products, chemicals, and printing and publishing. Against the original estimate of assisting 40-60 sub-projects in the four less-developed regions, the actual disbursement of about $49,840,000 under the two loans has helped to finance 78 sub-projects. Further details of the utilization of the loans in each of the four banks are discussed below and data on individual sub-projects is provided in Annexes 1-11.

15. Loan 1012-YU was allocated to SBS and KBP respectively in the amounts of $11.4 million and $16.6 million. The loan was used by SBS to finance a total of 19 sub-projects, consisting of 5 sub-projects above the free limit of $200,000 ('A' sub-projects) and 14 sub-projects below the free limit ('B' sub-projects). Four of the 'A' sub-projects were for expansion, the remaining one for a new facililty. Almost all of the 'B' sub-projects (with 2 exceptions) were for expansion and modernization. KBP financed a total of 30 sub-projects, consisting of 8 'A' sub-projects and 22 'B' sub-projects. About 60% of KBP's sub-loans were for expansion, and the remainder for the construction of new projects. The average sub-loan amount was $567,385 for SBS, and $552,441 for KBP. Actual disbursements to free limit sub-projects were 22% for SBS and 23% for KBP, indicating that each was below the aggregate free limit of 25% set in IC I.

16. Loan 1013-YU was allocated to PBS and IBT in the amounts of $16 million and $6 million respectively. PBS financed a total of 19 sub-projects, consisting of 12 'A' sub-projects and 7 'B' sub-projects. About 60% of these were for expansion and the rest for construction of new sub-projects. IBT financed 10 sub-projects with equal numbers of 'A' and 'B' type sub-projects. Except for 1 new sub-project, all of IBT's financing was for expansion. The average sub-loan amount was $837, 773 for PBS and $600,000 for IBT. Disbursements for 'B' sub-projects were 5% for PBS and 13% for IBT, well below the aggregate free limit of 25% set in IC I.

17. Commitments and Disbursements: Since the loan amounts were expected to cover part of the banks' foreign exchange needs for about 2 years, the SAR estimated that they would be fully committed by December 31, 1976 and fully disbursed by December 31, 1978. With the exception of 3 (2 under Loan 1012-YU and 1 under Loan 1013-YU), all sub-loans (75) were committed within the estimated period.

18. With regard to the disbursements, as indicated in Annex 1, 97.3% of Loan 1012-YU and 95.8% of Loan 1013-YU were disbursed by December 31, 1978. The remainder, involving about $1.43 million, continued to be disbursed in small amounts during the next 2 years, but by March 1981, the two loans were fully disbursed.

Sub-Project Characteristics and Performance 1/

19. Industrial Sub-Sectors: The use of the two loans has been well dispersed among various industrial sub-sectors. With regard to the 19 sub-projects financed by SBS, 4 were for textiles, another 4 were for paper and printing, and the remainder spread widely among other sub-sectors, including construction (steel structures, cables, tiles, gypsum), automotives (buses) and a variety of consumer durables (shoes, lamps, grindstone, etc.). KBP's 30 sub-projects also covered a wide array of sub-sectors including textiles, intermediate goods (yarn and polyester fiber), automotive parts (shock absorbers), as well as food products (wine, edible oil, toilet soap, etc.). With regard to 19 sub-projects financed by PBS, 12 were for food, 3 for word processing, 3 for metal products and 1 for textiles. The sub-projects financed by IBT were more varied and consisted of 2 wood processing, 2 textiles, 1 chemical, 1 electrical, 1 tobacco processing and 1 for construction material. All of the sub-projects served the priorities of the Regional Development Plans. Details are given in Annexes 8 and 9.

20. Capital Cost: A comparison of estimated and actual investment costs for sub-projects financed by the banks (Annexes 4 and 5) shows that the estimates were generally realistic and there were savings in many cases. Overruns of more than 10% were in 3 out of 30 sub-projects of KBP, 6 out of 19 of PBS and 1 out of 10 of IBT. Major overruns of more than 30% were only in 5 out of the total 78 sub-projects. SBS has not reported any overruns but this could possibly be the result of inadequate record-keeping by sub-borrowers. The main reasons for major overruns were delays in completion and/or significant changes in the design and scope of the project during implementation. In the case of PBS, overruns were financed from internal sources of enterprises while in the case of IBT and KBP, loans from Federal and regional funds were also provided.

21. Project Completion Schedules: A majority of sub-projects (2 for SBS, 20 for KBP, 18 for PBS and 2 for IBT) experienced delays of more than six months in their completion (Annexes 4 and 5). This was mainly the result of optimistic estimates, delays in finalizing contracts with builders and machinery suppliers and changes in project design.

22. Operating Performance: The information on estimated and actual production, sales, and net income of sub-projects is given in Annexes 4-7. A large majority of sub-projects substantially met their targets. The main reasons for some sub-projects lagging behind their targets are reported to be problems faced by workers in learning new technology, shortage and/or higher cost of raw materials, consumer credit restrictions, reduced demand, and damage to plants (2 cases) from fire and earthquake. While the banks have been concerned with the debt servicing of these sub-projects, they have not provided active advice and guidance to improve their performance. This indicates the need for better project supervision (para 27).

1/ Operational data on some of the sub-projects generally belonging to 'B' category, is not available. The more intensive project supervision, agreed with the banks, should help solve this problem in the future.

23. Employment: The available data show that overall employment targets were reached by almost all sub-projects (Annexes 8 and 9) and a total of more than 11,000 jobs were created. 'A' sub-projects, for which more complete data is available, had an actual average cost per job of Din. 345,000 ($18,900) against the original estimate of Din. 290,000 ($16,700). This average cost per job was very low in the Yugoslav context despite the increase in actuals over the estimates.

24. ERR and FRR: The banks had calculated ERR for 12 and FRR for 18 'A' sub-projects at the time of their approval and these were estimated to vary between 13.5% to 42.0% and 15.7% to 46.0% respectively. ERR and FRR calculations of these sub-projects done by the banks upon their completion show them to be between 15.1% - 36.2% and 13.5% - 43.0% respectively. Differences in ERR and FRR prepared at the time of appraisal and upon completion of sub-projects are not significant in the majority of cases (Annex 12).

25. Debt-Servicing: The debt-servicing performance of sub-borrowers of SBS, PBS and IBT has been generally satisfactory (Annexes 10 and 11). There has been no rescheduling of sub-loans and the arrears are relatively small and all for a period of less than six months. However, KBP's experience is quite different. All sub-loans were rescheduled allowing for the postponement of maturities from 6 to 30 months. This was mainly the result of delays in completion, and operational and financial difficulties of sub-projects. Also, a large number of sub-loans is in arrears. Many of these sub-borrowers (7 out of 19) were not able to earn or buy foreign exchange to repay their loans (as required under present Yugoslav regulations). Although they have deposited Dinar equivalent with KBP, they will be treated in default until the repayment is made in foreign exchange. KPB has taken this approach because the sub-borrowers' obligation for repayment is in foreign currency and, though KBP has used its other foreign borrowings to repay to the Bank, it needs foreign currency from sub-borrowers to discharge its own liability. Also, the Dinar equivalent deposited by sub-borrowers will not be sufficient to cover ultimate repayment in foreign currency due to its devaluation. A Yugoslav regulation of March 1982 which prohibits new investment loans and guarantees by banks to delinquent borrowers and likely changes in the foreign exchange system would help to alleviate the above problem.

V. INSTITUTIONAL IMPROVEMENTS

26. The project aimed at (i) improvements in the appraisal and supervision of Bank-financed sub-projects and (ii) the introduction of a proper audit. At the time of processing of IC I, the banks' appraisal was based normally on feasibility reports prepared by independent institutes and/or specialized units (basic organizations) within larger Kombinats. The banks' appraisal reports were generally satisfactory with respect to engineering and technical aspects of sub-projects. However, financial appraisal methods focused basically on the debt-servicing capacity of the borrower. The economic and marketing evaluation of projects was generally weak and economic cost-benefit analysis was not performed. The criteria of project appraisal agreed with the banks, under IC I sought to remove the above weaknesses. The Bank staff provided advice to the banks on the application of criteria during missions and review of 'A' sub-projects. The overall quality of project appraisal by the banks has shown notable improvement under the project. The more developed and stronger banks (PBS and SBS) have shown more rapid and significant improvements than the other two banks assisted under IC I, resulting in variations in the quality of appraisal among banks. On

certain occasions, major changes in staff have brought relapses in the quality of appraisal in individual banks.

27. The project supervision work, however, has not shown significant improvements. Like project appraisal, its quality differs from bank to bank. The main emphasis in project supervision continues to be placed generally on the financial situation and debt-servicing performance of the sub-borrower though the Bank insisted on several occasions (and also organized in 1974 and 1976 seminars in Yugoslavia for all the banks) on the introduction of a better organized and more intensive project supervision system covering management, technical, financial and marketing aspects. An agreement was reached recently with the banks on the detailed outline of a project supervision program, which would include periodic reporting by sub-borrowers, planned visits by bank staff to project sites and use of standard reporting formats. This project supervision program has been introduced by the banks in 1983.

28. SDK's audit for the borrowing banks has made satisfactory progress. The scope of audit work has been gradually broadened and generally accepted accounting and auditing standards are now applied. Since 1979, the audit also includes a review of the banks' loan portfolio on a sample basis and provides analytical information on the arrears situation. This was an important objective of IC I which has, thus, been achieved.

29. As mentioned in para 11, IC I was only the beginning of a long relationship between the four Yugoslav banks and the Bank. The Bank's subsequent loans to borrowing banks had certain new features; e.g., direct loans to each bank, earmarking of 20% of IC III and IV and 25% of IC V for labor-intensive projects, development of IC VI as a basically export-oriented project for PBS and SBS, development of IC VII as a basically labor-intensive project for KBP and IBT, and an increase in local currency interest rates to improve resource allocation. In addition, as a condition of IC V, the borrowing banks prepared studies of export-oriented industries in their respective regions to identify export-oriented projects and to develop realistic criteria of their financing. Under IC VI, borrowing banks (PBS and SBS) have agreed to undertake a program of studies for the identification and development of energy saving projects in industry. Under IC VII, borrowing banks (KBP and IBT) are committed to undertake comprehensive studies for the promotion of labor-intensive and export-oriented industries in their respective regions. The Bank is, thus, gradually inducing the banks to become more conscious of and active in promotional work. The Bank has also started recently a dialogue with the banks to improve their operational and financial planning mechanism.

VI. OPERATIONS AND FINANCIAL SITUATION OF BORROWING BANKS 1/

Operations

30. Long-term Loans: At the time of processing of IC I, projections were prepared for long-term loan operations (total and industrial sector

1/ This section covers PBS, SBS, IBT and KBP.

separately) for the 1974-76 period. A comparison of estimated and actual total long-term loan operations is given in Annex 13 and similar figures for the industrial sector are given in Annex 14. Although there were year-to-year fluctuations, total long-term loan commitments and disbursements for 1974-76 in current prices were much higher than estimates. During 1974-76, PBS committed Din. 24.6 billion (Din. 11.0 billion for industry), SBS Din. 22.2 billion (Din. 16.4 billion for industry), IBT Din. 12.1 billion (Din. 7.9 billion for industry), and KBP Din. 12.6 billion (Din. 9.1 billion for industry). The actual commitments were higher than estimates by 94% for PBS, 65% for SBS and 34% for KBP. IBT's commitments were about four times of the estimates mainly due to conversion of a large amount of short-term loans into long-term loans in 1976 to alleviate liquidity problem of borrowers. In real terms, total long-term commitments in 1974-76 were higher by 26% for PBS, 15% for SBS and 174% for IBT and lower by 9% for KBP.

31. As the borrowing banks also lend to large capital intensive infrastructural projects in their regions, their annual loan commitments are influenced by such individual projects and do not present a set pattern. Overall, the long-term loan commitments have increased between 1973 and 1980 from Din. 3.7 billion ($228.6 million) to Din. 15.7 billion ($630.2 million) for PBS, from Din. 5.2 billion ($321.2 million) to Din. 19.1 billion ($766.7 million) for SBS, from Din. 0.9 billion ($55.6 million) to Din. 13.1 billion ($525.8 million) for IBT and from Din. 1.8 billion ($111.2 million) to Din. 7.3 billion ($293.0 million) for KBP. However, the increase in real terms during 1973-80 was 21.6% for PBS, 5.8% for SBS, 322.2% for IBT and 16.6% for KBP. The exceptionally high increase in long-term loan commitments of IBT was due to relatively low commitments in 1973 and a sudden increase in its lending to finance rehabilitation operations in Montenegro after the April 1979 earthquake. 1/

32. Guarantees: The borrowing banks provide guarantees to their clients both in local and foreign currencies. In 1973, the guarantee commitments were Din. 842 million ($52.0 million) for KBP, Din. 994 million ($61.4 million) for IBT, Din. 1,293 million ($79.9 million) for SBS and Din. 9,938 million ($613.9 million) for PBS. The guarantees have also continued to increase and, in 1980, ranged from Din. 2,483 million ($99.7 million) for KBP (of which 32% in foreign currency) to Din. 31.0 billion ($1,244 million) for PBS (of which 11% in foreign currency).

1/ If 1972 is used as a base year, the increase in real terms in long-term loan commitments of IBT up to 1980 would work out to 94%.

Financial Situation

33. Resource Position: The comparative long-term resource position of the banks at the end of 1973 1/ and 1980 is given below:

Table 2: YUGOSLAVIA - Long-Term Resource Position of Banks as of December 31, 1973 and 1980

(Dinars in billion)

RESOURCES	PBS 1973	PBS 1980	SBS 1973	SBS 1980	IBT 1973	IBT 1980	KBP 1972	KBP 1980
Equity	2.06	5.63	1.89	4.67	0.32	2.19	0.45	2.22
Federal & Regional Funds	10.16	38.72	9.53	25.28	2.62	11.24	6.50	39.29
Local Borrowings	5.65	3.89	4.51	6.09	1.43	10.97	0.51	2.82
Foreign Borrowings		21.50		13.26		11.59		6.74
Long-term Deposits	2.68	27.25	2.73	20.81	0.51	4.29	0.30	8.37
Total	20.55	96.99	18.66	70.11	4.88	40.28	7.76	59.44
Investment Portfolio	21.31	112.58	17.09	77.53	4.40	42.14	7.55	59.10
Undisbursed long-term Resources (shortfall)	(0.76)	(15.59)	1.57	(7.42)	0.48	(1.86)	0.21	0.34
Undisbursed Commitments	6.19	11.62	4.88	28.76	2.11	9.13	2.63	2.43
Uncommitted long-term Resources (shortfall)	(6.95)	(27.21)	(3.31)	(36.18)	(1.63)	(10.99)	(2.42)	(2.09)

34. The total long-term resources of the banks have increased significantly over the 1973-80 period, ranging from 275% for SBS to 725% for IBT. However, the increase in real terms for the two banks would be 8.0% and 137.1% respectively. The main source of funds for the banks continues to be Federal and regional funds although their share in total resources has decreased over time. On the other hand, the banks' borrowing and long-term deposits have increased substantially reflecting enhanced resource mobilization efforts of the banks. The foreign currency loans were estimated at less than 5% of the banks' total resources in 1973 but increased to about 20% by 1980. The loans include borrowings from the World Bank, bilateral sources and international commercial banks. The current policy of the banks, however, is to limit considerably foreign commercial loans because of their high cost (see para 9). The main support of the banks in mobilizing foreign currency resources continues to be in the form of guarantees in foreign currency for suppliers' and buyers' credits (para. 32).

35. The banks meet the short-fall in their long-term resources by using a relatively small amount of their short-term deposits, which is permissable under the National Bank regulations. The resource gap of the banks (on a commitment basis) is covered largely by Federal Fund resources received in accordance with the medium-term plan.

1/ SAR for IC I provides KBP figures as of December 31, 1972 because data for end-1973 was not available.

36. Financial Performance: The banks in Yugoslavia are not profit maximizers; they are expected to earn an income that is adequate to cover their expenses and to make required allocations to various reserves. The financial position of the banks is linked to the financial soundness of their founder members who have unlimited liability to their banks. Consequently, the conventional measures of financial soundness of DFCs are not applied to Yugoslav banks. Nevertheless, they are required to follow the provisions of the Federal Credit and Banking Law and the regulations of the National Bank with respect to various reserves which aim to preserve the overall financial viability and liquidity position of the banks. Against this background, the profitability and financial position of the banks has been satisfactory. (See Annexes 15 and 16). The leading financial indicators of the banks during 1974-80 are given in Annex 17. Administrative expenses have been generally between 0.5-0.8% of total assets. The interest spread has varied between 1.3% (for KBP in 1977) to 2.8% (for PBS in 1977) and was sufficient to cover operating expenses and various reserves of the banks. The debt/equity ratios of the banks are on the high side and have increased more rapidly for PBS (from 5.8:1 at end-1974 to 15.5:1 at end-1980) and SBS (from 7.7:1 at end-1974 to 14.1:1 at end-1980) due to enhanced borrowings. However, if the Federal and republic funds, which have a character of managed funds, are excluded from the debt/equity calculations, the ratios would decline (8.6:1 for PBS and 8.7:1 for SBS at end-1980). The current ratio of the banks has been generally at about 1:1 though it went down to 0.7:1 for PBS in 1977. It is considered acceptable in view of the overall regulations 1/ of the National Bank for maintaining the liquidity position of the banks.

37. Arrears: SDK has started presenting an analysis of the arrears situation of all the borrowing banks in its audit report since 1979. The position is summarized below:

Table 2: YUGOSLAVIA - Long-Term Loans in Arrears of Banks as of December 31, 1979 and 1980
(Dinars in billion)

	PBS		SBS		IBT		KBP	
	1979	1980	1979	1980	1979	1980	1979	1980
A. Long-term loans portfolio	88.48	112.58	56.14	77.54	27.12	41.77	40.07	58.72
B. Long-term loans affected by arrears	19.33	36.84	27.06	38.69	14.93	21.54	20.22	22.21
C. B as percentage of A	21.8	32.7	48.2	49.9	55.1	51.6	50.5	37.8
D. Principal in Arrears of								
- over 3 months	1.16	2.65	2.20	3.16	1.61	2.69	1.15	2.24
- 3-6 months	0.43	1.22	1.39	1.77	0.63	0.92	0.68	0.94
- 6-12 months	0.55	0.66	0.37	0.57	0.92	0.36	0.41	0.55
- over 12 months	0.18	0.77	0.44	0.82	0.06	1.41	0.06	0.75
E. D a/ as percentage of A	1.3	2.3	3.9	4.1	5.9	6.4	2.9	3.8

a/ Principal in arrears of over 3 months.

1/ These regulations place ceilings on the use of short-term resources for long-term loans/investments and fix the amounts of short-term resources to be kept in liquid form and to be deposited with the National Bank.

38. The arrears of SBS and IBT are relatively on the higher side. However, a major portion of SBS's arrears is for a period of less than six months and is largely related to delay in completion of certain large projects. In the case of IBT, the earthquake of April 1979 caused damage to a large number of its borrowers affecting their debt-servicing performance. Loan recovery should improve after the completion of delayed projects (SBS) and rehabilitation of damaged projects (IBT).

39. Under the Yugoslav Credit and Banking Law, the banks were required to increase their Joint Liability Fund, a reserve which can be used to write off bad debts, to 3% of total portfolio by January 15, 1982. At the end of 1980, this Fund amounted to Din. 1.50 billion ($51.1 million) with PBS, Din. 1.59 billion ($54.1 million) with SBS, Din. 0.47 billion ($16.0 million) with IBT and Din. 0.86 billion ($29.4 million) with KBP. None of the banks have written off, so far, any amounts against the Fund.

Prospects

40. The borrowing banks will continue to be the main source of financing in their respective regions and this role will expand with the need for larger funds to implement the new developmental plans of republic/provincial governments. The banks should, however, endeavor to put more emphasis on their developmental function which includes more extensive promotional work and further improvements in their overall project appraisal and supervision work.

VII. CONCLUSIONS

41. The somewhat limited objectives of IC I have been largely achieved. The loans were used to finance light and processing industries which are more labor intensive. The number of sub-projects assisted under the loans was much larger than the original estimate showing greater spread of project benefits. The banks have shown overall improvement in appraisal work related to Bank-financed sub-projects although the quality has varied in individual banks. Within the Yugoslav legal framework, the banks have now a satisfactory audit following generally accepted accounting and auditing standards.

42. Against these achievements, there was a shortfall in our objectives concerning the banks' supervision work which remains basically confined to the financial aspects of projects. However, efforts are now underway to make supervision more systematic and comprehensive covering all aspects of project implementation and operation.

43. The Bank, building on the experience gained of the regions and financial institutions as a result of the various loans granted (para 4), is now seeking to broaden its impact on industrial sector operations of the borrowing banks in general. In order to achieve the above objective, and in view of significant differences in the institutional capability of the banks and the stage of development of their respective regions, development of projects concentrating on specific sub-sectors and institution-building needs of individual banks should be considered where appropriate. This would require a more focused appraisal and supervision of the concerned bank(s), particularly in relation to sectoral priorities and needs. We plan to move in this direction in future Industrial Credit operations in Yugoslavia.

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

Annex 1

Schedule of Estimated and Actual Disbursements of Loan 1012-YU and Loan 1013-YU

(US$ million)

	Loan 1012-YU				Loan 1013-YU			
	Estimated per quarter	Actual Amount per qtr.a/	Actual Cumulativea/	Actual % of total loans	Estimated per quarter	Actual Amount per qtr.a/	Actual Cumulativea/	Actual % of total loans
1974								
4th Qtr.	.35				.28			
1975								
1st Qtr.	.79				.62			
2nd Qtr.	1.22	1.26	1.26	4.5	.96	.14	.14	.6
3rd Qtr.	1.65	.53	1.79	6.4	1.31	.97	1.11	5.0
4th Qtr.	2.14	.75	2.54	9.1	1.65	.77	1.88	8.6
1976								
1st Qtr.	2.54	3.27	5.82	20.9	1.99	1.57	3.45	15.7
2nd Qtr.	2.97	2.15	7.97	28.6	2.33	2.05	5.50	25.1
3rd Qtr.	3.41	4.87	12.84	46.0	2.68	1.82	7.32	33.4
4th Qtr.	3.14	2.71	15.55	55.7	2.48	1.08	8.40	38.3
1977								
1st Qtr.	2.71	1.35	16.90	60.5	2.13	2.89	11.29	51.5
2nd Qtr.	2.27	1.61	18.51	66.3	1.79	2.24	13.53	61.7
3rd Qtr.	1.84	3.71	22.22	79.6	1.44	2.74	16.26	74.2
4th Qtr.	1.40	.75	22.97	82.3	1.10	1.23	17.50	79.8
1978								
1st Qtr.	.96	1.93	24.91	89.2	.76	.79	18.28	83.4
2nd Qtr.	.52	.30	25.20	90.3	.41	1.15	19.43	88.6
3rd Qtr.	.09	.76	25.97	93.0	.07	.41	19.84	90.1
4th Qtr.		1.20	27.17	97.3		1.15	20.99	95.8
1979								
1st Qtr.		.23	27.40	98.1		.35	21.35	97.4
2nd Qtr.		.02	27.42	98.2		.04	21.38	98.2
3rd Qtr.		.24	27.66	99.1		.15	21.53	98.2
4th Qtr.			27.66	99.1		.05	21.58	98.4
1980								
1st Qtr.			27.66	99.1		.16	21.74	99.2
2nd Qtr.		.04	27.66	99.1		.11	21.85	99.7
3rd Qtr.		.04	27.70	99.2		.05	21.90	99.9
4th Qtr.			27.73	99.3				
1981								
1st Qtr.		.19	27.92	100.0		.02	21.92	100.0

a/ Amounts per quarter may not add to the cumulative amounts because of rounding.

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

List of Subprojects, Commitment Dates and Disbursements
Under Loan 1012-YU

No. & Name of Subproject		Commitment Date	Disbursement (US$)
SBS			
A-1	Jugotutun	12/20/74	$ 1,738,238.96
A-2	B.Kidric	04/23/75	2,071,021.50
A-3	"Dekortex"	06/30/75	2,292,157.03
A-4	Paper mill	07/01/75	979,084.92
A-5	"Novost"	10/30/75	1,728,409.97
Subtotal			8,808,912.38
B-1	FEM	03/11/75	131,994.68
B-2	"Iskra"	05/30/75	200,000.00
B-3	CIK	05/30/75	200,000.00
B-4	"Nasa Kniga"	05/30/75	211,123.48
B-5	"Nova Makedonija"	06/05/75	190,730.93
B-6	"Idnina"	06/12/75	190,829.60
B-7	"Biljana"	06/12/75	200,479.87
B-8	"Frotirka"	06/12/75	105,584.83
B-9	"Visok Pecat"	07/31/75	191,613.37
B-10	"Karpos"	09/17/75	195,205.68
B-11	"11 Oktomvri"	01/20/76	92,052.08
B-12	"Kiro Fetak"	01/20/76	165,709.40
B-13	"Elektromontaza"	09/07/76	320,713.90 a/
B-14	"Radika"	09/17/76	142,755.01
Sub-total			2,538,792.83
Total disbursed			$11,347,705.21
KBP			
A-1	'Fazita' Prishtina	12/24/74	$ 2,227,955.46
A-2	'Metalic' Janjevo	03/26/75	2,113,313.94
A-3	'Shveps' Suva Reka	07/25/75	988,472.61
A-4	'Kosovka',Prishtina	11/17/75	1,692,361.90
A-5	Tekstilni kombinat,Gnjilane	05/17/76	2,309,686.33
A-6	ISV 'Progres', Prizren	10/05/76	2,329,603.29
A-7	Metalna stolarija S.Reka	07/14/77	770,030.06
A-8	'Kosovo vino',M. Krusa	02/08/78	365,797.44
Subtotal			$12,797,221.03

a/ The amount disbursed against the original sub-loan was $198,764.46. Subsequently, $121,949.44 was transferred from a sub-loan approved under Loan 1613-YU for the same enterprise.

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

List of Subprojects, Commitment Dates and Disbursements
Under Loan 1012-YU

No. & Name of Subproject	Commitment Date	Disbursement (US$)
KBP (continued)		
B-1 'Printek' Prizren	11/19/75	200,635.83
B-2 Textile combine Gnjilane	11/19/75	155,915.50
B-3 'Tefik anga' Urosevac	11/19/75	164,646.49
B-4 'Napredak', Pristina	11/19/75	200,000.00
B-5 'Famipa',Prizren	11/19/75	216,365.90
B-6	cancelled	-
B-7 Brewezu plant, Pec	11/19/75	114,488.20
B-8 Kosovo vino M. Krusa	11/19/75	150,667.70
B-9 'Tenner combine' Pec	11/19/75	86,301.93
B-10 Flatiran plant	11/19/75	196,472.54
B-11 'Farmakos', Prizren	11/19/75	57,579.20
B-12 "18. Novembar Orahovac	11/26/75	169,754.90
B-13 'Rekord' Djakovica	11/26/75	199,156.55
B-14 Shockabsarbers, Pristina	11/26/75	211,594.39
B-15 Shockobsorbers, Pristina	11/26/75	206,977.70
B-16 'Kosovodrvo' Pec	11/26/75	180,392.83
B-17 'Kosovodrvo' Istog	02/10/76	140,979.11
B-18 'Komuna', Prizren	02/10/76	155,049.58
B-19 ISV 'Progres' Prizren	02/10/76	155,818.14
B-20 Fabrika ulja "M.Zecar"	02/10/76	200,000.00
B-21 PIK'Karaevo',K.Kamenica	02/10/76	159,584.78
B-22	cancelled	-
B-23 Wood combine,Urosevac	02/06/76	176,960.07
B-24 'Farmakos',Prizren	12/06/76	276,655.00
Sub-total for B-Project		$ 3,775,996.34
Total Disbursed		$16,573,217.37

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

List of Subprojects, Commitment Dates and Disbursements
Under Loan 1013-YU

No. & Name of Subproject		Commitment Date	Disbursement (US$)
PBS			
A-1	Sipad, Neretva Konjic	12/24/74	$ 772,178.84
A-2	M.Cikota, Prijedor	04/02/75	1,494,135.57
A-3	Unis, Zitomislici	07/07/75	1,948,663.69
A-4	UPI, Industr.mlinarstva	07/31/75	1,423,015.35
A-5	Unis, UTL Vogosca	09/11/75	3,023,703.05
A-6	UPI, Bosnaplod Breko	12/29/75	362,268.67
A-7	UPI, Industr.tjestenine, Sarajevo	12/29/75	267,720.00
A-8	Pobjeda, Tesanj	01/17/76	2,391,712.40
A-9	Sipad,Zeljeznica,Trnovo	03/24/76	813,669.28
A-10	Vuteks, Odzak	05/17/76	757,306.42
A-11	UPI,Ind.mesa,Sarajevo	06/09/76	691,046.76
A-12	UPI, Proizv.susenog povrca	01/27/78	1,172,485.69
Subtotal			$15,117,905.72
B-1		cancelled	-
B-2		cancelled	-
B-3		cancelled	-
B-4	Hepok,Vinarija Citluk	04/21/76	95,807.96
B-5	Hepok,Vinarija Stolac	04/21/76	120,488.14
B-6	AIPK Bos. Krajina, Bosanka, B. Luka	04/21/76	111,511.01
B-7	AIPK Bos. Krajina, Poljoprivreda Draksenic	04/21/76	86,848.90
B-8	AIPK Bos. Krahina, Zitoprodukt B. Luka	04/21/76	54,448.07
B-9	PTK, Industrija vrenja	04/21/76	140,257.38
B-10	Sipad,Drinjaca Kladanj	04/21/76	190,425.36
Subtotal			$ 799,786.82
Total Disbursed			$15,917,692.54
IBT			
A-1	Polimka Ivangrad	03/13/75	US$ 350,613.90
A-2	Fabrika celuloze, Tvornica tapeta Ivangrad	05/09/75	1,066,261.80
A-3	Vunarski Kombinat, Bijelo Polje	06/17/75	1,711,307.51
A-4	SIK "G.Ibar",Rozaj	10/24/75	1,192,702.42
A-5	Solana Ulcinj	12/23/75	880,463.06
Subtotal			$ 5,201,348.69

List of Subprojects, Commitment Dates and Disbursements
Under Loan 1013-YU

No. & Name of Subproject	Commitment Date	Disbursement (US$)
IBT (continued)		
B-1 Ukras, Danilovgrad	02/05/75	$ 133,449.03
B-2 Bokeljka Kotor	04/21/75	136,154.57
B-3 Jedinstvo, B.Polje	04/21/75	221,907.87
B-4 Tvornica radijatora Danilovgrad	09/18/75	153,643.20
B-5 Duvanski kombinat Titograd	05/24/76	153,496.64
Subtotal		$ 798,651.31
Total Disbursed		$ 6,000,000.00

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

Characteristics of Sub-Projects Financed under Loan 1012-YU

	Sub-Borrower	Sub-Project No.	Nature of Sub-Project a/	Project Cost Est. (Din. Million)	Project Cost Actual (Din. Million)	Project Cost Overrun %	IBRD Sub-loan Est. ($'000)	IBRD Sub-loan Actual c/ ($'000)	Project Completion Date Est.	Project Completion Date Actual	Difference (Months)
SBS											
	Jugotutun	A-1	N	82.6	82.6	-	1738.2	1738.2	12/76	12/76	-
	B.Kidric	A-2	E	95.0	95.0	-	2063.2	2071.0	12/76	04/77	4
	"Dekortex"	A-3	E	84.2	84.2	-	2292.1	2292.1	06/77	10/77	4
	Paper mill	A-4	E	35.5	35.5	-	979.1	979.1	01/79	01/79	-
	"Novost"	A-5	E	88.8	88.8	-	1878.2	1,728.4	06/77	07/79	25
	Subtotal			386.1	386.1	-	8,950.8	8,808.9			
	FEM	B-1	M	4.4	3.0	-33	192.5	132.0	12/75	05/76	5
	"Iskra"	B-2	E	20.2	20.2	-	200.0	200.0	03/76	03/76	-
	CIK	B-3	N	9.8	9.8	-	200.0	200.0	12/75	12/75	-
	"Nasa Kniga"	B-4	M	5.8	6.0	3	200.0	211.0	06/75	12/75	6
	"Nova Makedonija"	B-5	M	4.7	4.6	-3	200.0	190.7	12/75	12/75	-
	"Idnina"	B-6	M	13.8	13.7	1	200.0	190.8	12/75	03/76	3
	"Biljana"	B-7	M	4.7	4.7	-5	200.0	200.5	12/75	12/75	-
	"Frotirka"	B-8	M	2.9	2.4	-18	116.4	105.6	11/75	11/75	-
	"Visok Pecat"	B-9	M	4.3	4.2	-3	200.0	191.6	12/75	12/75	-
	"Karpos"	B-10	M	4.9	4.4	-11	200.0	195.2	03/76	03/75	-12
	"11 Oktomvri"	B-11	E	25.1	24.3	-3	140.8	92.1	07/76	10/76	3
	"Kiro Fetak"	B-12	M	7.1	6.5	-8	200.0	165.7	09/76	09/76	-
	"Elektromontaza"	B-13	M	4.5	4.5	-	200.0	320.79 b/	03/77	03/77	-
	"Radika"	B-14	M	3.4	3.2	-4	150.0	142.8	12/76	03/77	3
	Subtotal			115.6	111.3		2,599.7	2,538.8			
	Total			501.7	497.4	-1	11,550.5	11,347.7			
KBP											
	'Fazita' Pristina	A-1	E	78.7	77.3	-2	2223.0	2228.0	03/76	03/76	-
	'Metalac', Janjevo	A-2	E	76.6	176.5	130	2092.0	2113.3	11/76	11/78	24
	'Shveps' Suva Reka	A-3	N	76.2	84.7	11	1508.0	988.5	12/78	01/79	1
	'Kosovka' Pristina	A-4	E	75.6	71.1	-6	2227.0	1692.4	12/77	12/76	-2
	Tekstilni kombinat, Gnjilane	A-5	E	104.8	104.5	-	2103.6	2309.7	12/77	02/78	2
	ISV 'Progres'	A-6	N	61.4	59.1	-4	1770.0	2329.6	12/77	05/78	5
	Metalna stolarija S.Reka	A-7	N	94.5	95.3	1	809.7	770.0	01/79	01/80	12
	'Kosovo vino'	A-8	N	60.4	59.8	-1	373.2	365.8	01/76	01/76	-
	Subtotal			628.2	728.3	16	13,106.5	12,797.2			

a/ E=expansion, N=new, M=modernization
b/ See footnote in Annex 2.
c/ Individual subloans may not add to the subtotals/totals because of rounding.

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

Characteristics of Sub-Projects Financed under Loan 1012-YU

Sub-Borrower	Sub-Project No.	Nature of Sub-Project a/	Project Cost Est. (Din. Million)	Project Cost Actual (Din. Million)	Project Cost Overrun %	IBRD Sub-loan Est. ($'000)	IBRD Sub-loan Actual b/ ($'000)	Project Completion Date Est.	Project Completion Date Actual	Difference (Months)
KBP										
'Printek'Prizren	B-1	E	6.8	6.8	-	200.0	200.6	12/75	12/76	12
Textile combine	B-2	E	9.7	10.2	5	200.0	155.9	12/75	08/76	8
Tefik anga Urosevac	B-3	E	4.7	4.1	-13	200.0	164.6	12/75	08/76	8
'Napredak'Pristina	B-4	E	4.7	4.1	-13	200.0	200.0	12/75	08/76	8
'Famipa' Prizren	B-5	E	5.1	5.4	6	200.0	216.4	12/75	07/78	31
'Bistrica' Pec (cancelled)	B-6	-	-	-	-	-	-	-	-	-
Brewezu plant,Pec	B-7	N	3.1	3.1	-	110.9	114.5	12/75	09/79	45
Kosovo vino M.Krusa	B-8	E	3.3	2.6	-21	191.6	150.7	12/75	01/79	36
Tenner combine Pec	B-9	E	3.0	2.8	-7	98.2	86.3	06/75	07/76	13
Flatiran plant	B-10	N	3.6	3.7	3	190.0	196.5	12/75	05/76	5
Farmakos,Prizren	B-11	E	6.4	5.0	-22	149.3	57.6	12/75	01/76	1
18.Novembar Orahovac	B-12	N	5.0	4.5	-10	200.0	169.8	12/75	11/78	35
Rekord Djakovica	B-13	E	4.7	4.7	-	200.0	199.2	12/75	06/76	6
Shockabsarbers	B-14	N	5.0	5.2	4	200.0	211.6	09/75	11/76	14
Shockabsorbers	B-15	N	5.0	5.1	2	200.0	207.0	12/75	12/77	24
Kosovodrvo Pec	B-16	E	4.2	4.2	-	181.1	180.4	12/75	08/76	8
Kosovodrvo Istog	B-17	E	3.2	3.3	3	132.7	141.0	12/75	08/76	8
Komuna,Prizren	B-18	E	20.0	19.2	-4	200.0	155.1	01/76	03/76	2
ISV Progres Prizren	B-19	E	6.7	6.0	-10	200.0	155.8	12/75	02/78	26
	B-20	E	3.4	3.6	1	200.0	200.0	12/76	01/79	25
PIK Karaevo	B-21	E	6.1	5.4	-11	200.0	159.6	12/75	08/76	8
Nepredak Djakovica (cancelled)	B-22	-	-	-	-	-	-	-	-	-
Wood combine	B-23	E	9.0	9.0	-	175.0	177.0	06/77	08/76	-10
Farmakos,Prizren	B-24	E	10.8	12.2	13	200.0	276.7	06/77	10/80	16
Subtotal			134.5	126.2	-5	4028.8	3776.0			
Total			758.3	850.9	12	16935.3	16573.2			

a/ E=expansion, N=new, M=modernization
b/ Individual subloans may not add to the subtotals/totals because of rounding.

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

Characteristics of Sub-Projects Financed under Loan 1013-YU

	Sub-Borrower	Sub-Project No.	Nature of Sub-Project a/	Project Cost Est.	Project Cost Actual (Din. Million)	Project Cost Overrun %	IBRD Sub-loan Est. ($'000)	IBRD Sub-loan Actual b/	Project Completion Date Est.	Project Completion Date Actual	Difference (Months)
PBS											
	Sipad,Neretva	A-1	N	58.2	76.3	31	783.4	772.2	06/77	07/78	13
	M.Cikota Prijedor	A-2	N	33.6	33.6	-	1490.0	1494.1	09/76	09/77	12
	Unis,Zitomislici	A-3	N	136.1	153.2	13	2008.0	1948.7	10/77	06/78	8
	UPI,Industr.	A-4	N	68.9	93.5	36	1380.0	1423.0	12/76	06/78	18
	Unis,UTL Vogosca	A-5	E	136.9	276.5	102	3030.0	3023.7	12/76	10/78	22
	UPI,Bosnaplod	A-6	N	90.0	111.3	24	362.3	362.3	07/76	06/78	24
	UPI,Industr. tjestenine	A-7	E	7.5	7.5	-	267.7	267.7	11/77	06/78	7
	Pobjeda,Tesanj	A-8	E	85.8	94.1	10	2387.0	2391.7	12/76	12/78	24
	Sipad,Zeljeznica	A-9	N	71.1	107.9	52	832.0	813.7	06/77	04/79	22
	Vuteks,Odzak	A-10	N	27.7	29.4	6	767.7	757.3	04/77	07/78	15
	UPI,Ind.mesa	A-11	E	36.4	41.3	13	690.0	691.0	12/76	06/79	30
	UPI,Proizv.sušenog	A-12	N	91.1	91.1	-	1164.0	1172.5	11/78	08/79	9
	Subtotal			843.3	1115.7	32	15162.1	15117.9			
	Hepok,Vinarija	B-4	E	3.0	2.9	-3	96.0	95.8	12/76	03/78	15
	Hepok,Vinarija Stolac	B-5	E	4.1	4.0	-2	121.7	120.5	12/76	03/78	15
	AIPK Bos.Krajina Bosanka,B.Luka	B-6	E	3.2	3.2	-	111.5	111.5	09/76	06/77	9
	AIPK Bos.Krajina Poljoprivreda Dr.	B-7	E	2.0	2.0	-	90.0	86.8	12/76	06/77	6
	AIPK Bos.Krahina, Zitoprodukt B.Luka	B-8	E	1.3	1.3	-	54.4	54.4	10/76	05/77	7
	PTK,Industrija	B-9	E	3.7	3.7	-	140.3	140.3	12/76	08/77	8
	Sipad,Drinjaca	B-10	E	5.7	5.9	4	194.0	190.4	10/76	07/77	9
	Subtotal			23.0	23.0	-	807.9	99.8			
	Total			866.3	1138.7	31	15970.0	15917.7			
IBT											
	Polimka Ivangrad	A-1	E	9.8	12.3	26	291.9	350.6	12/75	07/79	31
	Fabrika celuloze, Tvornica tapeta	A-2	N	38.6	39.8	3	1670.0	1066.3	12/76	02/77	2
	Vunarski Kombinat Bijelo Polje	A-3	E	55.1	56.2	2	1670.0	1711.3	12/76	02/77	2
	SIK G.Ibar,Rozaj	A-4	E	30.2	32.1	6	1240.0	1192.7	06/77	12/80	42
	Solana Ulcinj	A-5	E	32.2	32.2	-	891.0	880.5	06/79	12/78	-6
	Subtotal			165.9	172.6	4	5762.9	5201.3			

a/ E= expansion, N=new, M=modernization

b/ Individual subloans may not add to the subtotals/totals because of rounding.

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

Characteristics of Sub-Projects Financed under Loan 1013-YU

	Sub-Borrower	Sub-Project No.	Nature of Sub-Project a/	Project Cost Est. (Din.Million)	Project Cost Actual (Din.Million)	Project Cost Overrun %	IBRD Sub-loan Est. ($'000)	IBRD Sub-loan Actual b/ ($'000)	Project Completion Date Est.	Project Completion Date Actual	Difference (Months)
IBT											
	Ukras,Danilov-grad	B-1	E	4.8	5.2	8	134.0	133.4	12/75	12/75	-
	Bokeljka Kotor	B-2	E	4.1	4.3	5	141.2	136.2	12/75	06/76	6
	Jedinstvo,BPolje	B-3	E	3.5	3.5	-	222.0	221.9	12/79	12/79	-
	Tvornica radija-tora Danilovgrad	B-4	E	8.2	8.5	4	200.0	156.6	12/75	12/76	12
	Duvanski kombinat Titograd	B-5	E	4.3	4.5	5	175.5	153.5	12/76	12/76	-
	Subtotal			24.9	26.0	4	872.7	798.7			
	Total			190.8	198.6	4	6635.6	6000.0			

a/ E= expansion, N=new, M=modernization

b/ Individual subloans may not add to the subtotals/totals because of rounding.

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

Performance of Sub-Projects Financed under Loan 1012-YU

(in millions of Dinar)

	Name of Sub-borrowers	Sub-project No.	Total Sales Estimate 1979	Total Sales Actual 1979	Total Sales Actual 1980	Net Income Estimate 1979	Net Income Actual 1979	Net Income Actual 1980
SBS								
	Jugotutun	A-1	63.6	81.8	95.5	24.2	33.7	37.3
	B.Kidric	A-2	87.6	137.7	168.9	43.7	46.1	55.8
	"Dekortex"	A-3	76.1	116.1	131.5	18.2	44.0	74.2
	Paper mill	A-4	243.1	380.8	467.1	74.8	68.8	188.1
	"Novost"	A-5	152.0	68.5	119.1	37.3	33.2	51.2
	Subtotal		622.4	784.9	982.1	198.2	225.8	406.6
	FEM	B-1	42.7	54.7	60.1	9.2	11.8	12.9
	"Iskra"	B-2	77.0	87.2	94.9	28.6	32.0	35.2
	CIK	B-3	36.3	52.4	57.1	10.2	17.8	19.1
	"Nasa Kniga"	B-4	10.6	13.5	18.6	5.3	6.8	9.3
	"Nova Makedonija"	B-5	2.9	3.7	5.1	1.7	2.2	3.0
	"Idnina"	B-6	21.0	26.9	37.0	9.1	11.7	16.0
	"Biljana"	B-7	2.7	4.1	4.5	1.2	1.9	2.1
	"Frotirka"	B-8	38.3	49.0	53.9	18.8	24.0	26.4
	"Visok Pecat"	B-9	5.7	7.3	10.0	3.7	4.8	6.6
	"Karpos"	B-10	73.0	93.4	102.8	22.9	29.2	32.2
	"11 Oktomvri"	B-11	197.7	253.1	348.0	30.4	38.9	53.5
	"Kiro Fetak"	B-12	14.5	18.6	20.5	7.2	9.2	10.2
	"Elektromontaza"	B-13	87.9	112.5	123.8	29.9	38.3	42.2
	"Radika"	B-14	1.5	1.9	2.6	0.7	0.9	1.3
	Subtotal		611.8	778.3	938.9	178.9	229.5	270.0
	Total		1234.2	1563.2	1921.0	377.1	455.3	676.6
KBP								
	"Fazita"Pristina	A-1	141.6	138.7	215.0	28.4	27.7	43.1
	'Metalac',Janjevo	A-2	87.0	37.9	76.6	34.8	--	-
	'Shveps'Suva Reka	A-3	49.8	56.2	63.3	20.7	22.4	25.5
	'Kosovka'Prishtina	A-4	60.8	61.2	132.1	5.2	13.0	30.4
	Tekstilni Kombinat	A-5	140.8	234.0	264.0	34.1	61.3	65.6
	ISV Progres,Prizren	A-6	116.2	46.3	50.8	15.4	-	-
	Metalna stolarija	A-7	87.2	-	5.0	23.2	-	-
	Kosovo vino,M.Krusa	A-8	215.1	129.9	175.5	35.5	20.8	34.1
	Subtotal		898.5	704.2	982.3	197.3	145.2	198.7
	'Printek'Prizren	B-1	6.4	10.2	12.2	1.2	2.0	2.4
	Textile combine	B-2	39.6	63.4	76.0	6.1	9.8	11.8
	Tefik anga Urosevac	B-3	20.0	22.2	27.3	1.2	1.3	1.6
	'Napredak',Pristina	B-4	11.0	17.6	21.1	1.0	1.6	1.9
	'Famipa',Prizren	B-5	86.9	130.1	156.1	4.2	6.5	7.8

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

Performance of Sub-projects Financed under Loan 1012-YU

(in millions of Dinar)

KBP

Name of Sub-borrowers	Sub-project No.	Total Sales Estimate 1979	Total Sales Actual 1979	Total Sales Actual 1980	Net Income Estimate 1979	Net Income Actual 1979	Net Income Actual 1980
'Bistrica' Pec	B-6	-	-	-	-	-	-
Brewezu plant,Pec	B-7	12.8	36.7	40.4	3.1	8.8	9.7
Kosovo vino M.Krusa	B-8	3.9	6.3	7.5	3.4	5.4	6.4
Tenner combine Pec	B-9	40.6	65.0	78.0	1.0	2.8	3.4
Flatiran plant	B-10	52.5	84.0	100.1	18.0	28.1	34.0
Farmakos,Prizren	B-11	38.0	60.8	73.0	.5	.9	1.0
18.Novembar Orahovac	B-12	10.5	14.1	17.6	3.3	4.4	5.4
Rekord Djakovica (cancelled)	B-13	-	-	-	-	-	-
Shockabsarbers Pris.	B-14	80.0	116.4	155.7	17.2	18.8	24.9
Shockobsorbers,Pris.	B-15	144.2	63.3	80.2	4.5	7.2	8.6
'Kosovodrvo' Pec	B-16	91.9	147.1	175.2	1.8	2.8	3.4
'Kosovodrvo' Istog	B-17	35.0	56.0	67.2	1.8	2.8	3.4
'Komuna',Prizren	B-18	32.1	37.1	41.1	7.7	8.8	9.5
ISV Progres Prizren	B-19	181.6	281.0	330.7	6.6	10.5	12.6
Fabrica ULJA"M.Zecar"	B-20	61.3	62.5	70.0	3.7	3.8	4.1
PIK Karaevo	B-21	83.4	133.4	160.1	11.9	19.0	22.0
Nepredak Djakovica (cancelled)	B-22	-	-	-	-	-	-
Wood combine	B-23	183.0	200.5	240.8	12.6	20.1	24.1
'Farmakos',Prizren	B-24	25.0	45.9	55.1	1.7	2.8	3.3
Subtotal		1268.1	1653.6	1985.4	114.7	168.2	201.3
Total		2166.6	2357.8	2967.7	312.0	313.4	400.0
Total 1012-YU		3400.8	3921.0	4888.7	491.1	768.7	1076.6

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

Performance of Sub-projects Fipanced under Loan 1013-YU

(in millions of Dinar)

	Name of Sub-borrowers	Sub-project No.	Total Sales Estimate 1979	Total Sales Actual 1979	Total Sales Actual 1980	Net Income Estimate 1979	Net Income Actual 1979	Net Income Actual 1980
PBS								
	Sipad,Neretva	A-1	58.1	16.2	40.1	7.1	.6	-.3
	M.Cikota,Prijedor	A-2	171.2	397.4	497.1	11.6	91.3	114.8
	Unis,Zitomislici	A-3	89.6	104.9	137.4	19.1	19.1	31.9
	UPI,Industr.mlinarstva	A-4	404.5	479.1	717.5	29.3	14.8	21.5
	Unis,UTL Vogosca	A-5	125.3	350.1	445.2	37.3	79.7	110.6
	UPI, Bosnaplod Breko	A-6	169.8	201.1	243.2	18.5	17.1	23.1
	UPI,Industr.tjestenine	A-7	10.4	57.1	75.1	1.0	1.4	-
	Pobjeda,Tesanj	A-8	105.9	300.0	448.0	14.8	15.1	53.8
	Sipad,Zeljeznica	A-9	65.0	7.7	45.0	11.0	-	-
	Vuteks, Odzak	A-10	109.3	95.1	128.1	17.9	6.3	12.2
	UPI, Ind.mesa,Sarajevo	A-11	88.1	18.1	31.7	8.4	1.7	3.0
	UPI,Proizv.susenog	A-12	83.1	-	20.5	1.0	-	-.5
	Subtotal		1480.3	2026.8	2828.9	177.0	247.1	370.1
	Hepok,Vinarija Citluk	B-4	36.2	68.1	86.3	1.7	2.1	2.5
	Hepok,Vinarija Stolac	B-5	44.4	71.1	93.6	5.3	6.6	7.2
	AIPK Bos.Krajina	B-6	137.6	194.1	233.1	6.5	7.6	10.4
	AIPK Bos.Krajina,Polj.	B-7	54.3	76.1	95.9	2.0	3.1	4.0
	AIPK Bos.Krahina Zito.	B-8	148.1	183.9	214.5	9.3	8.3	9.3
	PTK,Industrija vrenja	B-9	15.4	22.8	18.6	1.1	-.1	-.4
	Sipad,Drinjaca Kladanj	B-10	120.8	211.9	251.1	28.5	34.4	38.2
	Subtotal		556.8	828.0	993.1	54.4	62.0	71.2
	Total		2037.1	2854.8	3822.0	231.4	309.1	441.3
IBT								
	Polimka Ivangrad	A-1	78.0	135.8	165.4	2.8	8.1	2.4
	Fabrika celuloze	A-2	66.5	52.2	108.6	29.6	.8	15.9
	Vunarski Kombinat	A-3	300.0	318.9	503.1	10.0	11.2	19.0
	SIK G.Ibar Rozaj	A-4	125.0	-	-	17.7	-	-
	Solana Ulcinj	A-5	78.0	100.5	147.7	11.0	3.4	11.5
	Subtotal		647.5	607.4	924.8	71.1	23.5	48.8
	Ukras,Danilovgrad	B-1	20.0	53.7	54.6	1.9	-5.4	-16.1
	Bokeljka Kotor	B-2	17.8	54.2	64.3	1.0	5.1	8.5
	Jedinstvo,B.Polje	B-3	27.0	73.6	95.9	4.0	3.8	4.4
	Tvornica radijatora	B-4	56.2	41.2	60.8	3.6	1.1	1.7
	Duvanski kombinat	B-5	288.2	129.4	163.1	2.5	4.5	5.6
	Subtotal		409.2	352.1	438.7	13.0	9.1	4.1
	Total		1056.7	959.5	1363.5	84.1	22.6	52.9
	Total 1013-YU		3093.8	3814.3	5185.5	315.5	331.7	494.2

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

Economic Indicators of Sub-projects Financed under Loan No. 1012-YU

(in millions of Dinar)

Sub-project No.	Type of Industry	Actual Production As A Percentage of Planned Production (%) 1979	1980	Export Estimate 1979	Actual 1979	Actual 1980	Employment (No.) Estimate	Actual	Investment cost per job Estimate	Actual
SBS										
A-1	Electrical Equipment	85	95	-	-	457	180	176	.459	.470
A-2	Construction Material	86	93	-	8.420	23.000	132	198	.719	.480
A-3	Textiles	97		-	3.448	45.629	110	110	.766	.766
A-4	Pulp and Paper	102	134	-	-	10.000	5[illegible]	600	.068	.059
A-5	Other	n.a.	n.a.	45.600	-	-	180	61	.493	1.607
B-1	Electrical Equipment	80	88	16.200	24.300	28.400	35	35	.127	.085
B-2	Construction Material	70	80	-	-	-	60	60	.337	.337
B-3	Leather & Leather Products	80	93	-	-	-	27	27	.363	.363
B-4	Printing and Publishing	86	89	-	-	-	10	10	.585	.604
B-5	Printing and Publishing	89	91	-	-	-	n.a.	n.a.	n.a.	n.a.
B-6	Other	88	n.a.	-	-	-	24	24	.574	.574
B-7	Textiles	80	90	-	-	-	16	16	.296	.281
B-8	Textiles	82	95	-	-	-	45	45	.064	.053
B-9	Printing and Publishing	77	98	-	-	-	n.a.	n.a.	n.a.	n.a.
B-10	Textiles	80	90	-	-	-	96	96	.051	.046
B-11	Other	82	96	-	-	-	n.a.	n.a.	n.a.	n.a.
B-12	Textiles	80	88	-	-	-	50	50	.141	.130
B-13	Electrical Appliances	90	100	-	-	-	15	15	.300	.300
B-14	Other	72	78	-	-	-	n.a.	n.a.	n.a.	n.a.
				61.800	36.168	107.486	1,495	1,523		
KBP										
A-1	Construction Material	61	78	-	-	4.618	200	221	.393	.350
A-2	Metal Products	39	47	-	-	11.400	199	312	.400	.566
A-3	Food Processing & Tobacco	66	66	-	-	-	119	105	.640	.607
A-4	Textiles	100	100	27.978	33.643	36.500	n.a.	n.a.	n.a.	n.a.
A-5	Other	137	136	-	-	-	105	96	.999	1.088
A-6	Textiles	38	38	-	-	-	70	37	.899	1.596
A-7	Metal Products	-	3	-	-	-	178	39	.531	2.443
A-8	Food Processing & Tobacco	100	100	215.132	129.886	175.490	30	35	2.013	1.707
B-1	Textiles	100	99	-	-	-	23	23	.297	.298
B-2	Other	100	100	-	-	-	96	106	.101	.096
B-3	Wood Products	-	-	20.000	15.120	13.120	n.a.	n.a.	n.a.	n.a.

Sub-project No.	Type of Industry	Actual Production As A Percentage of Planned Production (%)		Export			Employment (No.)		Investment cost per job	
				Estimate	Actual					
		1979	1980	1979	1979	1980	Estimate	Actual	Estimate	Actual
B-4	Wood Products	100	100	-	-	-	17	17	.276	.240
B-5	Construction Material	100	100	-	-	-	26	26	.196	.206
B-6	Cancelled	-	-	-	-	-	-	-	-	-
B-7	Food Processing & Tobacco	100	100	-	-	-	n.a.	n.a.	n.a.	n.a.
B-8	Chemicals	100	100	-	-	-	6	6	.511	.521
B-9	Leather & Leather Products	-	-	25.600	n.a.	n.a.	80	n.a.	.038	n.a.
B-10	Metal Products	100	100	-	-	-	n.a.	n.a.	n.a.	n.a.
B-11	Chemicals	100	100	-	-	-	13	13	.276	.284
B-12	Pulp & Paper	100	100	-	-	-	n.a.	n.a.	n.a.	n.a.
B-13	Rubber	-	-	-	-	-	34	n.a.	.139	n.a.
B-14	Metal Products	46	52	-	1.304	1.975	n.a.	100	n.a.	.052
B-15	Metal Products	34	35	-	5.666	7.089	n.a.	80	n.a.	.064
B-16	Wood Products	100	100	-	-	-	16	16	.262	.261
B-17	Wood Products	100	100	-	-	-	n.a.	n.a.	n.a.	n.a.
B-18	Leather & Leather Products	145	145	224.723	30.000	35.000	124	124	.161	.155
B-19	Textiles	97	97	-	-	-	16	16	.420	.338
B-20	Food Processing & Tobacco	100	100	-	-	-	n.a.	n.a.	n.a.	n.a.
B-21	Construction Material	100	100	-	-	-	n.a.	n.a.	n.a.	n.a.
B-22	Cancelled	-	-	-	-	-	-	-	-	-
B-23	Wood Products	-	100	-	-	-	36	36	.249	.250
B-24	Other	98	100	-	-	-	10	10	1.800	1.220
				515,433	215,619	285,192	1,398	1,418		

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

Economic Indicators of Sub-projects Financed under Loan No. 1013-YU

(in millions of Dinar)

Sub-project No.	Type of Industry	Actual Production As A Percentage of Planned Production (%) 1979	1980	Export Estimate 1979	Export Actual 1979	Export Actual 1980	Employment (No.) Estimate	Employment (No.) Actual	Investment cost per job Estimate	Investment cost per job Actual
PBS										
A-1	Wood Products	31	73	17.400	-	13.289	258	205	.226	.372
A-2	Food Processing & Tobacco	81	87	-	5.674	16.380	770	906	.044	.037
A-3	Metal Products	28	39	34.725	37.970	47.536	149	215	.913	.713
A-4	Food Processing & Tobacco	116	104	-	-	-	471	202	.146	.463
A-5	Metal Products	96	107	113.995	44.853	83.554	144	150	.951	1.844
A-6	Food Processing & Tobacco	85	103	-	-	-	232	219	.388	.508
A-7	Food Processing & Textiles	72	66	-	-	7.500	100	80	.075	.094
A-8	Other	161	188	41.183	87.590	190.380	262	348	.327	.270
A-9	Wood Products	15	31	17.950	6.750	13.300	253	180	.281	.599
A-10	Textiles	65	86	15.230	8.168	18.432	242	223	.115	.132
A-11	Food Processing & Tobacco	21	36	14.000	-	13.721	544	732	.067	.056
A-12	Food Processing & Tobacco	19	54	-	-	-	68	61	1.340	1.493
B-4 a/	Food Processing & Tobacco	97	101	-	1.415	2.003	71	69	.042	.041
B-5	Food Processing & Tobacco	96	97	-	-	1.417	189	178	.022	.023
B-6	Food Processing & Tobacco	102	113	-	-	-	226	234	.014	.014
B-7	Food Processing & Tobacco	91	92	-	-	-	365	365	.006	.005
B-8	Food Processing & Tobacco	106	107	-	-	-	424	426	.003	.003
B-9	Food Processing & Tobacco	114	92	-	-	-	66	78	.055	.047
B-10	Food Processing & Tobacco	101	100	10.182	18.163	20.441	557	548	.010	.011
				264.665	210.563	427.953	5,391	5,419		
IBT										
A-1	Other	102	99	-	4.852	3.018	150	177	.065	.070
A-2	Construction Material	30	54	2.000	2.845	4.099	114	65	.339	.612
A-3	Textiles	102	115	30.000	29.000	40.000	1,200	1,200	.046	.047

a/ B-1 to 3 were cancelled

Sub-project No.	Type of Industry	Actual Production As A Percentage of Planned Production (%)		Export			Employment (No.)		Investment cost per job	
				Estimate	Actual					
		1979	1980	1979	1979	1980	Estimate	Actual	Estimate	Actual
A-4	Construction Material	10	-	5.000	-	-	220	221	.137	.145
A-5	Food Processing & Tobacco	97	113	-	-	-	90	89	.358	.361
B-1	Construction Material	168	194	-	-	-	220	255	.022	.020
B-2	Rubber	106	107	-	-	-	200	255	.021	.017
B-3	Textiles	90	94	1.000	.900	1.200	216	216	.016	.016
B-4	Metal Products	85	87	2.000	1.040	2.075	191	211	.043	.040
B-5	Food Processing & Tobacco	57	53	10.000	8.000	11.400	198	200	.022	.023
				50,000	46,639	61,792	2,579	2,668		

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

Status of Sub-loans Financed under 1012-YU
(as of December 31, 1981)

Subproject No.	Amount of Subloan outstanding ($'000)	Rescheduling		Present Arrears ($'000)			
		Date	Period	Less than 3 months	3-6 months	Over 6 months	Total
SBS							
A-1	1,100	-	-	-	-	-	-
A-2	1,310	-	-	-	-	-	-
A-3	1,400	-	-	-	-	-	-
A-4	600	-	-	54	36	-	90
A-5	1,400	-	-	45	45	-	90
B-1	25	-	-	-	-	-	-
B-2	73	-	-	-	-	-	-
B-3	73	-	-	-	-	-	-
B-4	137	-	-	16	24	-	40
B-5	64	-	-	-	-	-	-
B-6	84	-	-	10	10	-	20
B-7	86	-	-	-	-	-	-
B-8	39	-	-	-	-	-	-
B-9	65	-	-	-	-	-	-
B-10	68	-	-	-	-	-	-
B-11	-	-	-	-	-	-	-
B-12	52	-	-	-	-	-	-
B-13	200	-	-	-	-	-	-
B-14	62	-	-	-	-	-	-

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

Status of Sub-loans Financed under 1012-YU
(as of December 31, 1982)

Subproject No.	Amount of Subloan outstanding ($'000)	Rescheduling		Arrears ($'000)1/			
		Date	Period	Less than 3 months	3-6 months	Over 6 months	Total
KBP							
A-1	1,717	12/15/77	12 Months	-	-	-	-
A-2	2,005	12/15/79	12 "	-	363	112	475 2/
A-3	789	12/15/77	12 "	-	143	44	187
A-4	1,475	12/15/77	8 "	-	-	-	-
A-5	2,243	12/15/79	11 "	-	220	-	220 2/
A-6	2,267	12/15/79	18 "	-	-	-	-
A-7	770	06/15/80	12 "	-	66	21	87 2/
A-8	326	-		-	-	-	-
B-1	138	06/15/77	12 "	-	-	-	-
B-2	103	06/15/77	12 "	-	32	10	42
B-3	113	06/15/77	12 "	-	31	10	41
B-4	[illegible]	06/15/77	12 "	-	38	11	49
B-5	[illegible]	12/15/78	12 "	-	44	14	58 2/
B-6	-	-		-	-	-	-
B-7	84	06/15/78	24 "	-	26	8	34
B-8	59	06/15/77	12 "	-	-	-	-
B-9	57	06/15/77	18 "	-	12	-	12 2/
B-10	136	06/15/77	18 "	-	37	11	48
B-11	47	12/15/78	30 "	-	-	-	-
B-12	137	12/15/78	30 "	-	-	-	-
B-13	137	06/15/77	12 "	-	37	12	49
B-14	156	06/15/78	27 "	-	32	-	32 2/
B-15	158	06/15/78	24 "	-	29	-	29 2/
B-16	124	06/15/77	12 "	-	34	11	45
B-17	97	06/15/77	12 "	-	27	8	35
B-18	107	06/15/77	6 "	-	-	-	-
B-19	126	12/15/78	30 "	-	-	-	-
B-20	168	12/15/78	30 "	-	37	11	48
B-21	88	06/15/77	12 "	-	43	-	43
B-22	-	-	- -	-	-	-	-
B-23	130	12/15/77	18 "	-	27	9	36
B-24	233	-		-	-	-	-

1/ As of April 30, 1982
2/ Repayment made in local currency.

Annex 11

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

Status of Sub-loans Financed under 1013-YU
(as of December 31, 1982)

Subproject No.	Amount of Subloan outstanding ($'000)	Rescheduling		Present Arrears ($'000)			
		Date	Period	Less than 3 months	3-6 months	Over 6 months	Total
PBS							
A-1	480	-	-	57	45	-	102
A-2	685	-	-	-	-	-	-
A-3	1,133	-	-	-	-	-	-
A-4	777	-	-	-	-	-	-
A-5	1,976	-	-	-	-	-	-
A-6	214	-	-	-	-	-	-
A-7	185	-	-	-	-	-	-
A-8	1,579	-	-	-	-	-	-
A-9	551	-	-	47	37	-	84
A-10	549	-	-	-	-	-	-
A-11	516	-	-	32	49	-	80
A-12	1,056	-	-	27	27	-	54
B-4	55	-	-	-	-	-	-
B-5	68	-	-	6	4	-	11
B-6	64	-	-	-	-	-	-
B-7	51	-	-	-	-	-	-
B-8	32	-	-	-	-	-	-
B-9	81	-	-	6	6	-	12
B-10	107	-	-	-	-	-	-
IBT							
A-1	252	-	-	-	11	-	11
A-2	787	-	-	-	34	-	34
A-3	1,289	-	-	-	-	-	-
A-4	860	-	-	-	-	-	-
A-5	698	-	-	-	-	-	-
B-1	93	-	-	-	4	-	4
B-2	96	-	-	-	-	-	-
B-3	175	-	-	-	-	-	-
B-4	115	-	-	-	-	-	-
B-5	101	-	-	-	6	-	6

YUGOSLAVIA
Industrial Credit Project I
Project Completion Report
Estimated and Actual ERR and FRR of
Selected Sub-Projects

Bank	Loan No.	Sub-Loan No.	ERR Estimate (%)	ERR Actual	FRR Estimate (%)	FRR Actual
SBS	1012-YU	A-1	-	-	18.8	18.2
		A-2	-	-	35.7	22.1
		A-3	40.0 1/	36.2	15.7	24.1
		A-4	13.5	15.1	30.2	15.1
		A-5	33.0	18.3	31.7	34.3
KBP		A-1	24.2	26.1	32.6	33.8
		A-4	16.2	29.2	18.7	33.4
		A-5	24.1	25.4	19.5	43.0
PBS	1013-YU	A-1	-	14.0	17.0	13.0
		A-2	-	27.0	18.0	29.0
		A-3	22.5	20.0	23.0	17.0
		A-5	42.0 1/	31.0	23.0	27.0
		A-8	23.0	22.0	19.0	20.0
		A-9	17.0	15.0	15.0	12.0
IBT		A-1	-	20.1	26.5	15.0
		A-2	-	23.1	45.0 1/	16.4
		A-3	17.3	18.2	17.0	14.0
		A-4	20.0	15.9	46.0 1/	13.5

1/ The original estimates were on the high side due to errors in calculations.

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

Projected and Actual Long-Term Loans: 1974-80

(in millions of Dinar)

	1974		1975		1976		Total 1974-76		1977	1978	1979	1980
	Est.	Actual	Est.	Actual	Est.	Actual	Est.	Actual	.....	.....	Actual	.....
PBS												
Commitments	3,200	3,592	4.500	7,467	5,000	13,547	12,700 1/	24,606	18,957	10,885	15,829	15,732
Disbursements	4,500	4,668	5,100	6,123	5,700	8,683	15,300	19,474	10,750	14,786	18,516	14,577
SBS												
Commitments	4,200	6,918	4,500	10,077	4,800	5,245	13,500	22,240	13,675	12,455	11,103	19,126
Disbursements	4,000	3,592	4,400	4,586	4,900	6,269	13,300	14,447	8,616	7,868	6,932	14,978
IBT												
Commitments	600	1,421	1,000	2,124	1,200	8,523	2,800 1/	12,068	6,082	2,860	8,630	13,055
Disbursements	750	1,350	1,150	1,996	1,400	2,644	3,300	5,990	4,670	3,461	4,957	7,597
KBP												
Commitments	2,900	3,454	3,100	3,871	3,400	5,280	9,400	12,605	9,780	9,735	18,530	7,343
Disbursements	2,750	2,468	3,200	3,529	3,600	4,892	9,550	10,889	6,429	6,684	9,476	13,279

1/ For PBS and IBT, the forecast of new commitments was lower than disbursements because of a large number and amount of undisbursed commitments from previous periods.

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

Projected and Actual Long-Term Loans - Industry Sector: 1974-80

(in millions of Dinar)

	1974		1975		1976		Total 1974-76		1977	1978	1979	1980
	Est.	Actual	Est.	Actual	Est.	Actual	Est.	Actual	.....	.....	Actual	.....
PBS												
Commitments	2,100	2,169	2,900	5,450	3,400	11,015	8,400	18,634	14,148	6,374	10,036	11,675
Disbursements	2,700	2,513	3,200	3,719	3,800	5,631	9,700	11,863	7,036	9,843	10,051	9,545
SBS												
Commitments	2,100	5,265	2,200	8,554	2,500	2,592	6,800	16,411	8,823	6,826	6,555	15,333
Disbursements	2,000	2,256	2,200	3,330	2,400	3,436	6,600	9,022	4,186	4,778	4,683	10,053
IBT												
Commitments	350	611	600	859	700	6,478	1,650	7,948	4,729	2,370	5,652	8,797
Disbursements	450	833	700	1,212	800	2,115	1,950	4,160	3,736	1,950	4,775	4,059
KBP												
Commitments	1,900	2,421	2,000	3,095	2,100	3,543	6,000	9,059	4,175	5,481	14,732	4,711
Disbursements	1,900	1,364	2,050	1,721	2,200	2,677	6,150	5,762	3,758	3,877	5,579	8,508

K B P

INDUSTRIAL CREDIT PROJECTS

STATEMENTS OF INCOME AND EXPENSES, 1974 - 1980
(in millions of dinars)

	1974	1975	1976	1977	1978	1979	1980
INCOME							
Interest on loans	405	280	940	1,241	2,032	2,804	3,540
Interest on bank deposits	30	12	37	49	90	154	71
Fees, commissions & charges	27	15	46	29	47	44	41
Other	62	20	80	171	259	472	118
Gross Income	524	327	1,103	1,490	2,428	3,474	3,770
EXPENSES							
Financial							
Interest on individuals' deposits	36	36	65	97	300	394	576
Interest on other deposits & borrowings	257	161	606	771	863	1,033	1,059
Debts written off	-	-	-	12	1	8	12
Other	59	27	41	162	311	707	417
Total Financial Expenses	352	224	712	1,042	1,475	2,142	2,064
Administrative							
Salaries and personnel	30	17	51	66	108	135	166
Other	21	12	40	27	44	70	86
Total Administrative Expenses	51	29	91	93	152	205	252
Total Expenses	403	253	803	1,125	1,627	2,347	2,316
Income before statutory obligations	121	74	300	355	801	1,127	1,454
Statutory obligations (taxes)	17	9	6	8	13	16	17
NET INCOME	104	65	294	347	788	1,111	1,437
APPROPRIATIONS							
Property and equipment fund	-	-	11	150	-	-	-
Reserve fund	31	-	91	72	-	-	-
Joint liability fund	73	-	111	119	-	-	-
Fund of the bank's working communities	-	-	81	6	22	24	28
Total funds allocated	104	-	294	347	22	24	28
Distribution to members	-	-	-	-	126	214	298
Unappropriated, income not collected	-	-	-	-	640	873	1,111

YUGOSLAVIA

P B S

INDUSTRIAL CREDIT PROJECTS

STATEMENTS OF INCOME AND EXPENSES, 1974 - 1980
(in millions of dinars)

	1974	1975	1976	1977	1978	1979	1980
INCOME							
Interest on loans	1,435	1,990	2,674	3,725	4,682	6,634	8,533
Interest on bank deposits	222	150	27	55	251	571	446
Fees, commissions & charges	146	184	232	227	241	326	499
Other	355	223	218	381	392	501	485
Gross Income	2,158	2,547	3,151	4,388	5,566	8,032	9,963
EXPENSES							
Financial							
Interest on individuals' deposits	385	522	757	1.055	1,494	2,251	3,104
Interest on other deposits & borrowings	754	865	884	1,148	1,328	2,135	2,812
Debts written off	1	1	1	45	20	5	276
Other	306	212	149	456	417	736	872
Total Financial Expenses	1,446	1,600	1,797	2,704	3,259	5,127	7,064
Administrative							
Salaries and personnel	149	213	293	388	489	618	832
Other	107	137	182	346	315	406	558
Total Administrative Expenses	256	350	475	734	804	1,024	1,390
Total Expenses	1,702	1,950	2,272	3,438	4,063	6,151	8,454
Income before statutory obligations	456	597	879	950	1,503	1,881	1,509
Statutory obligations (taxes)	65	94	118	321	347	457	475
NET INCOME	391	503	761	629	1,156	1,424	1,034
APPROPRIATIONS							
Property and equipment fund	-	-	-	171	-	-	-
Reserve fund	124	163	223	195	-	-	-
Joint liability fund	112	89	114	178	-	-	-
Fund of the bank's working communities	155	58	424	85	137	174	164
Total funds allocated	391	503	761	629	137	174	164
Distribution to members	-	-	-	-	251	551	198
Unappropriated, income not collected	-	-	-	-	768	699	672

S B S

INDUSTRIAL CREDIT PROJECTS

STATEMENTS OF INCOME AND EXPENSES, 1974 - 1980
(in millions of dinnars)

	1974	1975	1976	1977	1978	1979	1980
INCOME							
Interest on loans	1,434	887	2,344	2,704	3,603	4,994	7,087
Interest on bank deposits	185	101	150	144	150	104	168
Fees, commissions & charges	40	22	64	79	101	124	115
Other	134	62	167	236	75	80	260
Gross Income	1,793	1,062	2,725	3,163	3,939	5,302	7,630
EXPENSES							
Financial							
Interest on individuals' deposits	379	229	631	862	1,115	1,477	1,993
Interest on other deposits & borrowings	748	407	1,119	1,119	1,453	2,100	3,121
Debts written off	14	2	55	30	7	19	15
Other	115	51	128	276	166	186	707
Total Financial Expenses	1,256	689	1,933	2,287	2,741	3,782	5,836
Administrative							
Salaries and personnel	74	44	134	171	235	293	352
Other	69	3	73	78	91	118	184
Total Administrative Expenses	143	21	207	249	326	411	536
Total Expenses	1,399	68	2,140	2,536	3,067	4,193	
Income before statutory obligations	424	305	585	627	862	1,109	1,258
Statutory obligations (taxes)	50	26	60	100	100	102	122
NET INCOME	374	279	525	527	762	1,007	1,136
APPROPRIATIONS							
Property and equipment fund	-	-	27	130	26	57	63
Reserve fund	121	-	132	164	-	-	-
Joint liability fund	135	-	188	191	-	-	-
Fund of the bank's working communities	118	-	178	35	50	57	63
Total funds allocated	374	-	525	520	76	114	126
Distribution to members	-	-	-	-	-	-	-
Unappropriated, income not collected	-	-	-	-	-	-	-

YUGOSLAVIA

I B T

INDUSTRIAL CREDIT PROJECTS

STATEMENTS OF INCOME AND EXPENSES, 1974 - 1980
(in millions of dinnars)

	1974	1975	1976	1977	1978	1979	1980
INCOME							
Interest on loans	465	278	761	1,014	1,402	1,981	2,419
Interest on bank deposits	19	8	26	64	127	205	434
Fees, commissions & charges	17	6	25	27	20	28	50
Other	108	12	79	118	159	193	133
Gross Income	609	304	899	1,223	1,708	2,407	3,770
EXPENSES							
Financial							
Interest on individuals' deposits	28	19	52	91	179	248	350
Interest on other deposits & borrowings	327	167	480	639	678	1,233	1,700
Debts written off	2	-	-	7	7	2	70
Other	127	21	97	191	204	307	204
Total Financial Expenses	484	207	629	928	1,068	1,790	2,324
Administrative							
Salaries and personnel	25	16	42	55	92	122	143
Other	13	8	26	37	38	50	67
Total Administrative Expenses	38	24	68	82	130	172	210
Total Expenses	522	231	697	1,010	1,198	1,962	2,534
Income before statutory obligations	87	73	202	213	510	445	502
Statutory obligations (taxes)	10	22	15	18	17	11	17
NET INCOME	77	51	187	195	493	434	485
APPROPRIATIONS							
Property and equipment fund	-	-	64	60	-	-	-
Reserve fund	37	-	65	54	-	-	-
Joint liability fund	40	-	45	62	-	-	-
Fund of the bank's working communities	-	-	13	19	36	38	47
Total funds allocated	77	-	187	195	36	38	47
Distribution to members	-	-	-	-	151	155	334
Unappropriated, income not collected	-	-	-	-	306	241	104

YUGOSLAVIA

K B P

INDUSTRIAL CREDIT PROJECTS

BALANCE SHEETS: 1974 - 1980

(Amounts in million of Dinars)

	1974	1975	1976	1977	1978	1979	1980
ASSETS							
Cash and due from banks	536	577	971	893	1,341	1,394	1,691
Deposits with national bank	306	424	687	885	1,193	1,111	1,240
Short-term loans and current maturities of long-term loans	2,090	4,564	6,085	5,896	9,955	13,632	16,608
*Securities and discounted bills	-	-	-	533	1,200	1,425	1,430
Long-term loans & investments over 1 year less current maturities	7,765	9,542	13,425	18,437	25,517	36,058	53,635
Property and equipment	64	104	150	229	423	470	620
Other assets	356	544	694	971	2,095	3,155	5,948
Total Assets	11,117	15,755	22,012	27,844	41,724	57,245	81,172
Managed Funds	3,773	4,232	4,314	4,003	4,189	4,538	7,636
LIABILITIES							
Demand deposits	918	1,432	2,292	4,443	6,234	8,455	11,681
Savings & short-term deposits up to 1 year	657	914	1,365	756	2,251	2,988	4,911
Savings & long-term deposits over 1 year	397	979	1,302	1,614	3,507	6,084	8,373
*Short-term borrowings & current maturities	-	-	-	1,414	2,328	3,033	4,370
Long-term borrowings less current maturities	7,733	10,672	15,329	28,023	24,159	32,228	45,757
Other liabilities	651	803	427	413	810	961	1,240
Total Liabilities	10,356	14,800	20,715	26,390	39,289	53,749	76,332
FUNDS EMPLOYED							
Joint liability fund	463	521	682	590	711	801	863
Reserve fund	232	156	239	423	484	489	537
Property and equipment fund	-	258	348	405	541	618	725
Funds of the bank's working communities	66	50	28	36	59	75	91
Total Funds employed	761	955	1,297	1,454	1,795	1,983	2,216
*Unappropriated, income not collected	-	-	-	-	640	1,513	2,624
Total liabilities & funds employed	11,117	15,755	22,012	27,844	41,724	57,245	81,172
Managed funds	3,773	4,232	4,314	4,003	4,189	4,538	7,636
Guaranteed outstanding	-	5,081	6,509	9,226	15,845	21,300	27,492

*Separate figures not available.

YUGOSLAVIA

P B S

INDUSTRIAL CREDIT PROJECTS

BALANCE SHEETS: 1974 - 1980

(Amounts in million of Dinars)

	1974	1975	1976	1977	1978	1979	1980
ASSETS							
Cash and due from banks	1,292	1,609	2,800	2,867	3,899	5,892	9,796
Deposits with national bank	2,263	2,632	3,645	5,597	5,705	5,285	5,297
Short-term loans and current maturities of long-term loans	9,892	15,641	18,851	17,815	24,091	34,086	49,553
*Securities and discounted bills	-	-	-	2,235	4,749	5,822	8,705
Long-term loans & investments over 1 year less current maturities	18,173	19,556	30,937	43,632	58,656	77,435	100,893
Property and equipment	274	450	563	910	1,226	1,860	2,526
Other assets	1,583	1,725	2,846	4,483	6,244	9,341	19,632
Total Assets	33,477	41,586	59,642	77,539	104,570	139,721	196,402
Managed Funds	8,974	12,201	13,789	16,881	19,650	21,205	23,494
LIABILITIES							
Demand deposits	8,159	10,345	16,522	26,949	29,562	35,750	49,260
Savings & short-term deposits up to 1 year	4,654	7,628	10,527	9,723	13,313	17,747	24,933
Savings & long-term deposits over 1 year	3,718	4,955	6,880	9,326	12,984	20,829	27,254
*Short-term borrowings & current maturities	-	-	-	3,506	7,204	11,887	23,683
Long-term borrowings less current maturities	12,764	14,269	21,328	22,822	34,366	44,189	60,099
Other liabilities	1,024	907	789	1,297	2,267	3,111	3,408
Total Liabilities	30,319	38,104	56,046	73,623	99,696	133,513	188,637
FUNDS EMPLOYED							
Joint liability fund	2,175	1,955	1,479	1,207	1,257	1,426	1,496
Reserve fund	528	686	913	1,139	1,090	1,198	1,438
Property and equipment fund	-	673	1,013	1,280	1,366	1,601	2,063
Funds of the bank's working communities	455	128	191	290	393	516	629
Total Funds employed	3,158	3,482	3,596	3,916	4,106	4,741	5,626
*Unappropriated, income not collected	-	-	-	-	768	1,467	2,139
Total liabilities & funds employed	33,477	41,586	59,642	77,539	104,570	139,721	196,402
Managed funds	8,974	12,201	13,789	16,881	19,650	21,205	23,494
Guaranteed outstanding	28,000	42,923	61,960	71,056	96,279	105,503	130,867

*Separate figures not available.

YUGOSLAVIA

S B S

INDUSTRIAL CREDIT PROJECTS

BALANCE SHEETS: 1974 - 1980

(Amounts in million of Dinars)

	1974	1975	1976	1977	1978	1979	1980
ASSETS							
Cash and due from banks	893	1,058	1,562	993	1,268	1,578	2,814
Deposits with national bank	1,017	1,040	1,447	1,859	2,137	2,069	2,002
Short-term loans and current maturities of long-term loans	7,183	11,329	13,035	12,807	18,775	20,670	26,634
*Securities and discounted bills	-	-	-	1,432	2,903	3,943	7,707
Long-term loans & investments over 1 year less current maturities	18,061	16,944	23,797	31,273	37,914	51,876	73,544
Property and equipment	91	194	254	539	693	986	1,215
Other assets	948	906	1,117	1,712	1,962	2,285	7,463
Total Assets	28,193	31,471	41,212	50,846	65,402	83,407	121,379
Managed Funds	9,540	9,449	7,368	8,466	7,930	8,598	8,173
LIABILITIES							
Demand deposits	3,033	3,935	6,239	9,320	10,789	13,254	18,099
Savings & short-term deposits up to 1 year	3,637	4,925	6,409	5,845	8,006	10,233	13,589
Savings & long-term deposits over 1 year	3,662	5,415	6,880	8,123	10,996	14,760	20,813
*Short-term borrowings & current maturities	-	-	-	3,139	5,250	7,154	12,146
Long-term borrowings less current maturities	14,694	13,339	17,497	20,113	24,887	31,152	45,054
Other liabilities	357	549	528	919	1,552	2,224	5,709
Total Liabilities	25,383	28,163	37,553	47,459	61,480	78,777	115,410
FUNDS EMPLOYED							
Joint liability fund	1,858	1,961	1,991	1,415	1,420	1,434	1,586
Reserve fund	541	687	790	954	997	1,009	1,239
Property and equipment fund	-	590	789	945	1,019	1,292	1,627
Funds of the bank's working communities	411	70	89	92	122	151	213
Total Funds employed	2,810	3,308	3,659	3,406	3,558	3,886	4,665
*Unappropriated, income not collected	-	-	-	-	364	774	1,304
Total liabilities & funds employed	28,193	31,471	41,212	50,865	65,402	83,407	121,379
Managed funds	9,540	9,449	7,863	8,466	7,930	8,598	8,173
Guaranteed outstanding	4,689	10,225	19,201	28,954	22,428	26,062	28,000

*Separate figures not available.

YUGOSLAVIA

I B T

INDUSTRIAL CREDIT PROJECTS

BALANCE SHEETS: 1974 - 1980

(Amounts in million of Dinars)

	1974	1975	1976	1977	1978	1979	1980
ASSETS							
Cash and due from banks	348	464	803	555	682	1,883	2,336
Deposits with national bank	234	315	507	673	980	967	1,282
Short-term loans and current maturities of long-term loans	1,563	2,746	3,355	4,328	8,233	14,710	19,534
*Securities and discounted bills	-	-	-	396	794	1,338	1,430
Long-term loans & investments over 1 year less current maturities	6,208	6,617	9,660	11,895	16,974	23,445	1,271
Property and equipment	32	70	80	150	237	284	361
Other assets	187	200	271	648	1,203	1,084	4,483
Total Assets	8,572	10,412	14,676	18,645	29,103	43,711	66,303
Managed Funds	1,825	3,005	3,201	4,632	5,478	5,483	11,437
LIABILITIES							
Demand deposits	916	1,311	2,109	3,464	4,713	8,830	12,627
Savings & short-term deposits up to 1 year	387	587	775	654	1,466	2,285	3,025
Savings & long-term deposits over 1 year	689	1,193	1,771	1,295	2,675	3,281	4,289
*Short-term borrowings & current maturities	-	-	-	1,819	3,730	6,604	8,733
Long-term borrowings less current maturities	5,680	6,304	8,824	10,182	14,189	19,586	14,189
Other liabilities	321	304	280	252	786	19,586	32,904
Total Liabilities	7,993	9,699	13,759	17,[illegible]	27,559	41,829	64,112
FUNDS EMPLOYED							
Joint liability fund	341	362	419	327	391	413	474
Reserve fund	160	207	273	328	387	402	447
Property and equipment fund	-	125	197	288	380	425	519
Funds of the bank's working communities	78	19	28	36	80	425	100
Total Funds employed	579	713	917	979	1,238	1,335	1,540
*Unappropriated, income not collected	-	-	-	-	306	547	651
Total liabilities & funds employed	8,572	10,412	14,676	18,645	29,103	43,711	66,303
Managed funds	1,825	3,005	3,201	4,632	5,478	5,483	11,437
Guaranteed outstanding	1,909	3,449	8,799	11,350	12,664	14,036	24,963

*Separate figures not available.

YUGOSLAVIA: Industrial Credit Project I
Project Completion Report

Leading Financial Indicators for 1974, 1977, 1980 and 1982

	P B S				S B S				I B T				K B P			
	1974	1977	1980	1982	1974	1977	1980	1982	1974	1977	1980	1982	1974	1977	1980	1982
Administrative expenses as % of average total assets	0.8	1.1	0.8	0.9	0.4	0.5	0.5	0.5	0.5	0.5	0.4	0.5	0.5	0.4	0.4	0.4
Interest spread (%)	1.87	2.79	2.51	2.21	1.68	1.84	2.15	2.43	1.58	2.14	1.54	0.96	1.30	1.77	2.53	2.86
Debt/equity ratio (including Federal & Republic funds)	5.8	8.2	11.5	9.45	7.7	8.3	14.1	17.5	11.0	11.7	17.0	21.2	10.7	13.5	11.2	9.6
Interest coverage	1.34	1.29	1.17	1.18	1.33	1.27	1.22	1.30	1.22	1.27	1.24	1.14	1.35	1.40	1.8	2.0
Current ratio	1.1	0.7	0.8	0.9	1.4	0.9	0.9	0.9	1.3	1.0	1.0	1.0	1.4	1.3	1.0	0.9