

Annex III. Croatia: World Bank Relations

1. The World Bank's Board endorsed the Country Partnership Strategy (CPS) for Croatia for FY09–12 in September 2008, just before the full onset of the global financial crisis. The goal of the CPS is to support the completion of Croatia's EU accession process, the rapid convergence of its income level with that of current EU member states in a fiscally, socially and environmentally sustainable fashion. This overarching goal is in line with the Government's priorities expressed in various government programs. In pursuing this goal, the Bank Group program aims at contributing in the following four areas:

- sustaining macroeconomic stability;
- strengthening private sector-led growth and accelerating convergence with the EU;
- improving the quality and efficiency in the social sectors; and
- increasing the sustainability of long-term development.

2. The EU accession agenda remains a cross-cutting theme in the design and implementation of the Bank Group program. In the selection and design of operations, primary consideration is given to the assessment of proposed projects' support of Croatia's EU accession agenda. In the case of social sectors not covered under the EU *acquis*, consideration is also given to how projects complement the EU accession efforts. Project components that enhance Croatia's capacity to absorb EU funds, especially following the accession, have high priority.

3. The CPS envisages an indicative base-case lending envelope of about US\$1.0–1.4 billion for investment operations over the four-year period. The CPS also includes an upside scenario, with possible development policy lending amounting to some US\$1.4–1.8 billion. The lending program will be based on and complemented by analytical work, particularly in the areas of public expenditure reform, governance, investment climate, and climate change.

4. In FY10, the Bank's Board has approved three loans amounting to US\$475 million, to help mitigate the impact of the global economic crisis and provide funding for the private sector, through a credit line of about EUR100 million for exporters, , and through a Fiscal, Social and Financial Sector Development Policy Loan of EUR200 million. In addition, an investment operation for judicial sector has been approved. The future Bank program might be adjusted to help the authorities in implementing recently adopted Economic Recovery Program aiming to address the vulnerabilities and competitiveness issues of the economy.

5. Currently, the World Bank finances 19 operations in a wide range of sectors with a combined loan amount of close to US\$1.2 billion. IFC's portfolio amounts to about US\$335 million, and MIGA guarantees exceed US\$40 million.