

People working in Serbian public administration will get equal pay for the same work. Public enterprises such as EPS, Srbijagas and Serbian railways will lower their expenses and increase their revenues, while 70,000 households will benefit from support from the Energy Vulnerable Program.

Some 2.8 million customers of the Serbian Post Bank (Banka Postanska Stedionica AD Beograd) and the government will benefit from the reform and improved performance of State-Owned Financial Institutions and Development Finance Institutions.

Standardized quality of cancer treatment will be provided throughout Serbia once two new linear accelerators and computerized tomography imaging are installed in the Autonomous Province of Vojvodina.

These are some of the expected results of three loans approved today by the World Bank's Board of Executive Directors in the amount of Euro 225.7 million supporting the Government of Serbia's efforts to improve its management of public expenditures, to make energy and transport public utilities more efficient and financially sustainable, and to advance the health care of its citizens.

The first operation, the Second Public Expenditure and Public Utilities Development Policy Loan, in the amount of Euro 160.6 million, supports the Government of Serbia's multi-year effort to raise the efficiency and effectiveness of public spending as well as the transformation of the energy and transport sectors. These reforms are important strategic objectives also in the context of Serbia's EU accession process.

Regarding public expenditure management the main challenge facing Serbia today is improving the quality of public services, while controlling public spending. The measures include among others, changing the complicated public sector pay system and making it more equitable and transparent. The current system, which is regulated by 16 laws, 18 base wages and some 600 coefficients, will be replaced with a simpler and coherent system regulated by one law, 13 pay groups and 9 pay levels.

PEPU DPL 2 will support EPS in achieving increased convergence of the guaranteed electricity supply tariff to reach market parity levels from 64 percent at end-2014 to 80 percent at end-2018, conditional on the analysis of the financial position of the company and the adequacy of resources for needed investments.

Among the goals of the operation is to increase the number of total beneficiaries of the Energy Vulnerable Program, from 60,600 households in 2014 (of which 27 percent were female headed households) to 70,000 households in 2018 (of which 30 percent are female headed households). The loan will also back EPS's efforts to optimize its labor force targeting an increase in the education level of EPS workforce.

In Srbijagas, PEPU DPL 2 will support an increase in the company's collection rate of current receivables from the baseline of 80 percent in 2015 to 87 percent, and in 2018 the approval by Srbijagas of a 10-year development plan for the gas Transport System Operator and a 5-year development plan for the Distribution System Operator.

In the transport sector this operation will continue to support reforms both in railways and roads. The goals are to reduce direct budget operational support to the Railways Companies from RSD 13.5 billion in 2015 to RSD 11 billion in 2018, and to raise labor productivity and improve asset utilization. The rightsizing of the labor force should reduce the annual wage bill of railways companies in 2018 by 25 percent, relative to that in 2015.

The second operation, the State Owned Financial Institutions Strengthening Project, in the amount of Euro 40.1 million, will mainly focus on improving the performance of Banka Postanska Stedionica AD Beograd.

Overall, the operation aims to help Serbia implement a strategy for SOFIs that decreases fiscal costs, minimizes the potential for soft budget support to State-Owned Enterprises, improves the performance of those institutions that the government chose to retain, supports the divestiture of all others, and develops a strategy for development finance and the further resolution of non-performing loans. In addition, the project will support the Ministry of Finance in further strengthening the oversight of SOFIs.

The third operation is the Additional Financing for the Second Serbia Health Project, in the amount of Euro 25 million. The additional financing will continue to support the quality and efficiency of care in the Serbian health sector and provide new equipment for cancer treatment in Vojvodina.

Source: [worldbank.org](http://worldbank.org)