DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

SECOND SCIENCE & TECHNOLOGY PROJECT

APPROVED ON APRIL 26, 2013

TO

CROATIA

FINANCE, COMPETITIVENESS AND INNOVATION

EUROPE AND CENTRAL ASIA

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Practice Manager/Manager: Marialisa Motta
Task Team Leader(s): Todor Miichevski
I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
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<tbody>
<tr>
<td>P127308</td>
<td>Investment Project Financing</td>
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<table>
<thead>
<tr>
<th>Original EA Category</th>
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<tr>
<td>Partial Assessment (B)</td>
<td>Partial Assessment (B)</td>
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<table>
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<tr>
<th>Approval Date</th>
<th>Current Closing Date</th>
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<tr>
<td>26-Apr-2013</td>
<td>31-Jan-2020</td>
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Organizations

<table>
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<tr>
<th>Borrower</th>
<th>Responsible Agency</th>
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</thead>
<tbody>
<tr>
<td>Croatia</td>
<td>Ministry of Science, Education and Sports, Ministry of Finance</td>
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</table>

Project Development Objective (PDO)

Original PDO

The development objective of the proposed Project is to support Croatia to absorb EU Funds in the research and innovation sector by capacitating selected public sector organizations and stimulating the demand for those funds from the business and scientific communities.

Summary Status of Financing

<table>
<thead>
<tr>
<th>Ln/Cr/Tf</th>
<th>Approval</th>
<th>Signing</th>
<th>Effectiveness</th>
<th>Closing</th>
<th>Commitment</th>
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<td>IBRD-82580</td>
<td>26-Apr-2013</td>
<td>22-May-2013</td>
<td>31-Jul-2013</td>
<td>31-Jan-2020</td>
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Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?
No

I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES
The progress toward the Project Development Objective (PDO) is satisfactory, with almost all the PDO indicators achieved, and one close to be achieved. The project has contributed to the preparation of four large research infrastructure projects that will absorb close to 200 million euros of EU funding (three of them already received this funding). A total of 75 foreign research institutions have been involved in projects financed for collaboration with the domestic research community. Intellectual Property Rights will be sought for 72 products/processes/designs prepared under the financed sub-projects and 11 commercialization and collaboration agreements have been signed with industry. Pipeline of innovation projects in value of 107 million euros has been prepared. This is a result of financing projects in the earlier stages of the innovation chain: i) proof of concept (PoC Program) and ii) research projects with commercialization potential (PoC and Unity Through Knowledge Fund (UKF)).

Project implementation progress (IP) is satisfactory with 100 percent of the loan proceeds disbursed. The client has reported that 99 percent of the loan funds have been contracted and 93.9 percent of the loan funds have been disbursed (based on the funding withdrawn from the client’s account). The financial management arrangements for the project continue to be acceptable to the Bank. There are no overdue interim financial reports and audits at the moment.

An outstanding task for which good progress was recorded recently is the finalization of the technical documentation for the open scientific infrastructural platforms for innovative applications in the economy and society (O-ZIP) research infrastructure project, implemented by Rudger Boskovic Institute (RBI). The Ministry of Science and Education and the Ministry of Regional Development and European Funds in November 2019 came to an agreement to increase the budget allocation for O-ZIP to EUR 72 million (from the initially planned EUR 60 million). Now the project preparation is proceeding well, although with caution as the project will be financed in this financial perspective (refers to 7-year programming period in EU for planning financial allocations), which means that the whole project must be completed by 2023. The activity under STP2 envisages only preparation of the research infrastructure project (to finish by January 2020), while the actual O-ZIP project shall be financed with EU funding (according to EU funds rules, the project will have to be completed by 2023). Next steps are to receive the Completion Note from Jaspers, estimated for December 2019 and launch a call procedure for O-ZIP, expected for December 2019/January 2020. Therefore, this project activity under STP2 shall be completed by the current closing date.

After some delay on the M&E part under Component A, progress has been made. Data collection and evaluation exercise have been launched in May 2019 as part of the M&E efforts envisaged in the project. Following the collection of existing data in various application and evaluation forms (desk work), survey has been launched to collect additional data of relevance to the analysis. Survey progress for the PoC program (for private firms) was slow, while the other programs did relatively well. To a certain degree this was expected as lower response rate is customary with private sector respondents. Nonetheless, this took its toll on the timing, and now that survey data is collected, more time is needed to enable the M&E consultant to complete the work.

As stipulated in the restructuring request by the client, the objective of the request for 3-months extension is to allow the M&E work to be completed in a quality manner and the project to be closed in orderly fashion. The PDO remains the same. There are no changes in project components, nor the results framework. In the last restructuring, the M&E part and O-ZIP were flagged as outstanding tasks. While O-ZIP progressed well and will be completed in time, the M&E part took a little longer.

In summary, the project has performed well and it is commendable to see that the client is prepared to look back by evaluating the work financed and extract lessons for policy considerations going forward. This is all the more
important, in light of the: i) forthcoming ICR, ii) preparation for the innovation financing portion of the next financial perspective (refers to the EU funds allocated to member states), iii) preparation of forthcoming innovation lending operation.

II. DETAILED CHANGES

LOAN CLOSING DATE(S)

<table>
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<tr>
<th>Ln/Cr/Tf</th>
<th>Status</th>
<th>Original Closing</th>
<th>Revised Closing(s)</th>
<th>Proposed Closing</th>
<th>Proposed Deadline for Withdrawal Applications</th>
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