

Data Sheet

USAID Mission:	Bosnia and Herzegovina
Program Title:	Economic Restructuring
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	168-0130
Status:	Continuing
Planned FY 2006 Obligation:	\$9,970,000 AEEB
Prior Year Unobligated:	\$1,371,000 AEEB
Proposed FY 2007 Obligation:	\$7,236,000 AEEB
Year of Initial Obligation:	2001
Estimated Year of Final Obligation:	2010

Summary: USAID's work to accelerate private sector growth falls under three program components: Improve Economic Policy and Business Environment; Improve Private Sector Competitiveness; and Expand and Improve Access to Economic and Social Infrastructure. Under this objective, USAID works to create an enabling environment for small and medium enterprises (SMEs) to grow and to improve competitiveness of SMEs to create jobs and contribute to reducing trade deficits.

Inputs, Outputs, Activities:

FY 2006 Program:

Expand and Improve Access To Economic and Social Infrastructure (\$800,000 AEEB, \$700,000 AEEB prior year recoveries). USAID's energy programs work to rationalize the energy sector to enable it to fully integrate into the regional European framework. During FY 2006, USAID will begin work on reunification of the three existing energy regulatory commissions into one state commission. USAID will provide technical assistance for the preparation of amendments to existing laws to be adopted by the Bosnia and Herzegovina (BiH) Parliament. Technical assistance will also be provided for the writing of a State level gas law to be passed by the BiH State Parliament. Principal contractors: Pierce Atwood Attorneys (prime) and PA Government Services (prime).

Improve Economic Policy and the Business Environment (\$2,920,000 AEEB, \$571,000 AEEB carryover). In cooperation with the high judicial and prosecutorial council, USAID will transfer well tested training programs to the Judicial Training Centers (JTC), enabling the JTC to continue bankruptcy training programs. In addition, the integrated case management software system, designed by USAID partners, will be installed in 23 first and second instance courts. Judges and other court personnel will continue to be trained on how to direct court administration procedures and practices using the software. Building on its long history of successful tax administration modernization efforts, USAID will support the development of a coherent framework for direct taxation that incorporates corporate and personal income taxes and market value-based real estate tax. Assistance will be provided to both entities and the Brcko District in designing and implementing a legal tax framework that is regionally competitive, comprehensive, coherent and consistent with international best practices. At the state level, assistance will focus on fiscal planning issues to strengthen BiH's tax policy and revenue projection analysis capacity. Principal contractors: Chemonics International (prime) and to be determined (TBD).

Improve Private Sector Competitiveness (\$6,250,000 AEEB). In the forestry sector, USAID will focus on legal and regulatory reforms to help ensure proper governance of forestry resources. Assistance will focus on amending forestry legislation, strengthening regulation and licensing of sawmills, implementing centralized, transparent and competitive cash auctions for saw logs, and implementing managerial reorganization of the Forestry Management Company, a state-owned company. In the tourism sector, local counterparts will be assisted in developing business strategies for the Sarajevo, North-West and Herzegovina regions. USAID will support efforts by local authorities to reform and streamline permit and inspection procedures that are required to start and operate businesses. To ensure a consensus is reached among all stakeholders on how to reduce this regulatory burden, this assistance features the use of working groups, consisting of local government authorities and entrepreneurs. Principal contractors: Emerging Markets Group (prime) and Chemonics (prime).

Development Credit Authority (\$100,000 AEEB prior year recoveries). USAID will sign Development Credit Authority (DCA) loan portfolio guarantee agreements with BiH financial institutions that will reduce their risk in making commercial loans to businesses. The DCA agreements will continue to demonstrate to other financial institutions that long-term commercial loans are not only possible but also beneficial to banks. The DCA program will continue to increase both aggregate lending and the number of financial products available to the private sector helping to support sustained economic growth and employment. The loans guaranteed under the DCA will be provided to BiH private enterprises in the agro-processing, wood-processing and tourism industries, as well as agricultural cooperatives.

FY 2007 Program:

Expand and Improve Access To Economic and Social Infrastructure (\$1,000,000 AEEB). During FY 2007, USAID will help in establishing a single BiH energy market that will be regulated by a single state energy regulatory commission. All daughter companies of the three power companies will be corporatized and operate under the headquarters holding company. Throughout 2007, USAID will assist the BiH State Ministry of Foreign Trade and Economic Resources to interact and coordinate with the European Integration Directorate, allowing BiH to meet all EU directives with regard to the energy sector. USAID will assist the state regulatory commission with its interactions with the Energy Community on South Eastern Europe and with membership on the regulatory Board. Principal contractor: TBD.

Improve Economic Policy and the Business Environment (\$1,000,000 AEEB). In FY 2007, USAID will provide assistance to the BiH tax authorities to implement the harmonized corporate and personal income taxes by training the tax administration staff while completing the implementation of real estate taxes in the Brcko District. Lessons learned from the Brcko experience will be used to modernize the legal framework for real estate taxation in the two entities. After the adoption of this legislation, support will focus on the effective implementation of these laws. Principal contractor: TBD.

Improve Private Sector Competitiveness (\$5,236,000 AEEB). In FY 2007, USAID will support the streamlining of the construction permit process to reduce the costs and time required to receive construction permits. USAID will provide assistance to local authorities to amend the appropriate construction permit regulations. A management information system will be developed to ensure that a transparent inspection system is in place, reducing the possibility of misuse and corruption of building permits and other inspections. USAID will continue to support competitiveness in tourism and wood processing. USAID's efforts will assist the forestry sector to undertake reforms so that corruption and political influence are eliminated, making the sector more hospitable for investment and firm growth. USAID strives to create more and better-paying jobs in both sectors. Principal contractors: Emerging Markets Group Ltd (prime) and Chemonics (prime).

Performance and Results: USAID's work on developing private sector-led economic growth through its activities has resulted in the creation of new jobs and increased business competitiveness. Since 2001, USAID achieved the following: 1) 1,500 total direct jobs were created and 3,200 were sustained; 2) Loans totaling \$26 million dollars were made to 154 SMEs; 3) exports from assisted SMEs increased by 50% in one year; 4) tax revenues were increased by 15%; and 5) the first two successful bankruptcy cases were adjudicated salvaging productive assets and saving jobs. The end result of this program will be productive and efficient BiH SMEs contributing to increased job generation and exports.

US Financing in Thousands of Dollars

Bosnia and Herzegovina

	AEEB	DCA
168-0130 Economic Restructuring		
Through September 30, 2004		
Obligations	45,436	1,079
Expenditures	29,263	133
Unliquidated	16,173	946
Fiscal Year 2005		
Obligations	9,010	0
Expenditures	13,604	0
Through September 30, 2005		
Obligations	54,446	1,079
Expenditures	42,867	133
Unliquidated	11,579	946
Prior Year Unobligated Funds		
Obligations	1,371	0
Planned Fiscal Year 2006 NOA		
Obligations	9,970	0
Total Planned Fiscal Year 2006		
Obligations	11,341	0
Proposed Fiscal Year 2007 NOA		
Obligations	7,236	0
Future Obligations	0	0
Est. Total Cost	73,023	1,079