

Data Sheet

USAID Mission:	Serbia
Program Title:	Economic Policy and Governance
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	169-0131
Status:	New in FY 2006
Planned FY 2006 Obligation:	\$12,920,000 AEEB
Prior Year Unobligated:	\$1,500,000 AEEB
Proposed FY 2007 Obligation:	\$15,500,000 AEEB
Year of Initial Obligation:	2006
Estimated Year of Final Obligation:	2012

Summary: This new objective focuses on national-level activities and closer integration of USAID's economic growth activities with efforts to strengthen democratic institutions (legislative, executive, and judicial) vital to a sustainable market economy. Most activities previously notified under the old economic growth objective will end in FY 2006 and be replaced with new programs. USAID's programs under this objective seek to increase the capacity of national-level Serbian institutions to formulate, implement, enforce and adjudicate measures efficiently and effectively, improve the overall business environment, strengthen the policy and legal frameworks, gain public and investor confidence, and increase foreign direct investment.

Inputs, Outputs, Activities:

FY 2006 Program:

Improve Economic Policy and the Business Environment (\$4,115,000 AEEB, \$700,000 AEEB prior year recoveries). USAID's activities will improve economic policy and governance, promote private sector growth, strengthen the financial sector, and broaden Serbia's participation in global trade. A new 52-month program, Serbia Economic Growth Activity (SEGA), will cover a broad range of macroeconomic issues: financial sector strengthening through work with the National Bank of Serbia (NBS) on banking, insurance, and private pension fund supervision; with the Securities and Exchange Commission (SEC) on capital markets supervision; and fiscal reform through close cooperation with the Ministry of Finance (MOF) on tax policy and administration, fiscal decentralization, and pension reform. Secured lending to the agriculture sector will be enabled through a Warehouse Receipts program allowing grain in storage to be used as collateral. Trade will be expanded through aid for Serbia's accession to the World Trade Organization (WTO) expected in 2008, and later to the European Union (EU), through help for bringing relevant laws into compliance with WTO and EU standards and negotiating a Stabilization and Association Agreement (SAA) with the EU. A new activity will focus on implementing the recently enacted Bankruptcy Law through training, information systems, and policy advice to help realize the potential of modern bankruptcy processes for strengthening the market economy. This activity will also improve confidence in the justice system by strengthening enforcement of commercial court judgments. Principal contractors: IBM Consulting and others to be determined.

Strengthen the Justice Sector (\$4,805,000 AEEB, \$400,000 AEEB prior year recoveries). USAID assistance will focus on increasing efficiency of the courts, reducing the case backlog, helping Serbian law faculties orient their curriculum toward meeting the demands of a market economy, and providing capacity building and training to professional associations linked to the judiciary, including the Judges' Association, the Prosecutors' Association, the Magistrates' Association, and the Young Lawyers of Serbia. In FY 2006 USAID will initiate a new rule-of-law activity focusing on strengthening capacity of general courts, supporting economic growth as well as judicial ethics and transparency. The Commercial Courts Administration and Strengthening Activity (CCASA) will continue to improve the efficiency of the commercial courts and help the judiciary understand the new market-oriented laws so that entrepreneurs and investors get a fair hearing in disputes over contracts and other business matters. Principal contractors: Booz-Allen-Hamilton (BAH), the American Bar Association/Central European and Eurasian Law Initiative (ABA/CEELI), and others to be determined.

Strengthen the Legislative Function/Legal Framework (\$4,000,000 AEEB, \$400,000 AEEB prior year recoveries). In FY 2006, USAID plans to strengthen the legal framework for business development in Serbia through aid in formulating and implementing laws and regulations needed to build the market economy, in such areas as tax reform, financial sector supervision, secured lending, and international trade, through the new SEGA and Warehouse Receipts activities and the continuing WTO accession program. A new activity will strengthen the capacity of the Serbian National Assembly to analyze and deliberate on legislation and to assess the impact of legislation affecting economic growth and investor confidence. A particular focus will be on parliamentary oversight of government programs and public access to information on parliamentary activities. Principal contractors: to be determined.

FY 2007 Program:

Improve Economic Policy and the Business Environment (\$6,500,000 AEEB). USAID intends to further engage in the implementation of economic policy and financial measures designed to improve the investment climate. SEGA will begin work on a combined revenue collection and accounting system in the Serbian Tax Administration to establish individual accounts for tax and pension payments and support activities under the World Bank Pension Administration Loan. Assistance for Bankruptcy Law implementation and enforcement of judgments will continue, with development of key institutions and training of all personnel involved. Public information efforts will show the utility of financial reorganization under the Bankruptcy Law. Support for WTO and EU accession will continue as well as a focus on trade capacity development.

Strengthen the Justice Sector (\$4,500,000 AEEB). USAID intends to continue support for strengthening the legal framework for economic growth and to build on results achieved. CCASA will end during FY 2007, with all information systems installed and extensive training provided to judges and other participants, resulting in significant improvements to the commercial court system. The rule-of-law activity initiated in FY 2006 will continue to strengthen general court systems and legal professionals.

Strengthen the Legislative Function/Legal Framework (\$4,500,000 AEEB). USAID plans to assist the MOF and Treasury to implement the new income tax law resulting from FY 2006 assistance. The parliament support activity will get underway and will result in improved deliberations on economic legislation.

Performance and Results: USAID's assistance has resulted in many successes. For example, USAID assistance to the new Business Registry Agency expedited business registrations and hosted new collateral and leasing registries. Support to the MOF/Treasury for implementing the new value added tax led to a 40% increase in consumption tax revenues. Assistance to the NBS and MOF has created new banking, insurance, and private pension fund supervision agencies; developed a system for detection of money laundering activities; and produced an actuarial model to project public pension liabilities and ways to reduce their impact on the budget deficit. USAID programs modernized intellectual property rights legislation to advance WTO accession. The CCASA activity produced a computer system linking all 16 commercial courts, a legal research database for access to all relevant laws and regulations, and a court data collection system that replaces about 150 manually produced reports. USAID assisted the Magistrates' Association of Serbia, the Young Lawyers of Serbia, the Judges' Association of Serbia and the Prosecutors' Association of Serbia to become agents of judicial reform. USAID also helped the Humanitarian Law Center expand its War Crimes Documentation Database to over 3,255 documents, including 112 witness statements, 952 victim file cards, 393 perpetrator file cards, and 783 incidents, all related to missing persons, plus reports from trials from 1991 to 1998. The expected results would be heightened investor confidence in the rules and behavior of the key institutions affecting economic growth and investments in Serbia. A more cohesive, accountable and responsive government should also lead to more domestic confidence and stronger support for continued advancement of democratic governance and economic reform. More specifically, the expected results will include strengthened financial sector supervision, devolution of revenue sources to local governments, and reform of the personal income tax; and improved efficiency and transparency of commercial court operations. Programs will also promote privatization and strengthen private sector development.

US Financing in Thousands of Dollars

Serbia

169-0131 Economic Policy and Governance	AEEB
Through September 30, 2004	
Obligations	0
Expenditures	0
Unliquidated	0
Fiscal Year 2005	
Obligations	0
Expenditures	0
Through September 30, 2005	
Obligations	0
Expenditures	0
Unliquidated	0
Prior Year Unobligated Funds	
Obligations	1,500
Planned Fiscal Year 2006 NOA	
Obligations	12,920
Total Planned Fiscal Year 2006	
Obligations	14,420
Proposed Fiscal Year 2007 NOA	
Obligations	15,500
Future Obligations	0
Est. Total Cost	29,920