

Data Sheet

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| USAID Mission: | Serbia |
| Program Title: | Local Economic Growth |
| Pillar: | Economic Growth, Agriculture and Trade |
| Strategic Objective: | 169-0132 |
| Status: | New in FY 2006 |
| Planned FY 2006 Obligation: | \$30,945,000 AEEB |
| Prior Year Unobligated: | \$879,000 AEEB |
| Proposed FY 2007 Obligation: | \$25,882,000 AEEB |
| Year of Initial Obligation: | 2006 |
| Estimated Year of Final Obligation: | 2012 |

Summary: This new objective will focus on activities at the local level and closer integration of USAID's economic growth activities vital to improving the business climate and the capacity of key sectors and businesses to compete in the market. Most of the activities in these areas under the previous strategy will end during FY 2006 and be replaced with new programs. USAID's programs managed under this objective aim at strengthening the management capacity of local governments and local economic growth and job creation.

Inputs, Outputs, Activities: **FY 2006 Program:**

Improve Private Sector Competitiveness (\$22,962,264 AEEB, \$628,782 AEEB prior year recoveries). USAID will continue the community based Community Revitalization through Democratic Action-Economic (CRDA-E) program to revive economic growth at the local level. This community-based program was revised in FY 2005 to focus on local economic development. CRDA-E engages key stakeholders at the local level in building economic growth through a sector- and municipal-level focus. In FY 2006 USAID will continue enterprise development by supporting accelerated growth in five sectors (fruit, apparel, information and communication technology, pharmaceutical research, and tourism) through the existing Serbia Enterprise Development Project (SEDP). Support for micro-enterprise and small- and medium-enterprise (SME) development will continue through existing programs on micro-enterprise lending. A new fund, the Small Enterprise Assistance Fund (SEAF), will provide equity and quasi-equity financing (long-term debt financing) to promote promising venture opportunities, in combination with technical and managerial assistance to South Balkan enterprises. USAID will expand its Development Credit Authority (DCA) program to increase key sectors' access to finance, enhance lending to SMEs, and enable municipalities to secure needed financing for infrastructure development and local economic development. USAID anticipates transferring \$1,000,000 to a Development Credit Authority (DCA) to support \$10 million in loans to SMEs; support for a bond guarantee to capitalize ProCredit bank for micro-enterprise lending; and funds for expanded municipal infrastructure loans. CRDA-E will continue to promote local economic growth and job creation, including access to credit, marketing and exporting for SMEs. In conjunction with SEDP, CRDA-E will increase competitiveness of the tourism industry, support community development centers and regional development agencies, and provide small grants to vulnerable populations to establish micro-enterprises. In addition, USAID will continue assistance to the Serbian Junior Achievement Program. Principal partners: Booz Allen Hamilton (prime), Opportunity International, America's Development Foundation (prime), the University of Delaware's FLAG International (sub), and the International Executive Service Corps (sub); Mercy Corps International (prime), Deloitte, Touche, Tomatsu (sub); International Relief and Development, Inc. (prime), the United Methodist Committee on Relief (UMCOR) (sub), Camp, Dresser, McKee International (sub); ACDI/VOCA (prime), Overseas Strategic Consulting, Ltd (sub); CHF International (prime), and others to be determined.

Support Democratic Local Government and Decentralization (\$7,982,736 AEEB, \$250,000 AEEB prior year recoveries). USAID initiated at the end of FY 2005 a three-year Municipal Economic Growth Activity (MEGA). MEGA will build on the current local government program that is coming to a close, a capacity-building program that addressed key constraints in municipal management by focusing on the municipal

role in local economic development. MEGA has four principal areas: national advocacy for decentralization; municipal economic development planning and implementation; private sector development; and capacity development in municipal functions key to economic development. During the first phase of implementation the new activity will focus on 10 municipalities that constitute centers of regional economic development to develop the skills of local governments and local business groups to foster economic growth and job creation, assist communities to put these concepts and skills into practice, and help them create business-friendly environments where the local private sector may flourish. Principal partners: the Urban Institute and DAI.

FY 2007 Program:

Improve Private Sector Competitiveness (\$15,000,000 AEEB). USAID will continue support for SME development through existing lending programs, SEAF and further expansion of DCAs, to capitalize on micro-enterprise transitional growth as a result of prior assistance. New programs aimed at improving private-sector competitiveness and local economic growth will be designed to build on results achieved through major local economic development programs expected to end during FY 2007. New activities will focus on areas such as: business/trade development; association and capacity building; training of youth, and increasing public/private sectors investments.

Support Democratic Local Government and Decentralization (\$10,882,000 AEEB). As an adjunct to MEGA, USAID will initiate the City Links program to pair Serbian municipalities with American cities, promoting American best practices in local economic development and promoting bilateral ties between the United States and Serbia. USAID will continue support to select municipalities that constitute centers of regional economic development through MEGA and the City Links Program, pairing Serbian municipalities with the U.S. cities. The municipal DCA is expected to be supplemented with additional loans offered through various local banks. Other activities are under review for improving the business environment that could include expanding the MEGA program to other municipalities, supported with additional technical assistance and the capacity-building of national and municipal institutions for improving trade.

Performance and Results: Due to SEDP capacity building and promotional activities, tourism now leads as one of the fastest-growing sectors of the Serbian economy. The number of international pharmaceutical research organizations investing in Serbia has increased from three in 2004 to 10 in the first half of 2005; Serbia attracted interest from Yahoo!; juice maker "NEKTAR" is now the fastest-growing juice company in Europe with exports to Singapore and the region, and for the first time ever, SEDP initiated lucrative fresh wild mushroom sales to the United States. The USAID-supported microfinance activity reached an active portfolio of 2,998 clients (over 40% women) and disbursed nearly 16.5 million Euros in loans since inception (creating 3,602 new jobs and sustaining an additional 19,812 jobs to date). In FY 2005, CRDA-E undertook 420 income-generation projects in 190 communities for a total value of nearly \$19 million. Of these, 136 were in the agricultural sector. In addition, program partners initiated 253 business development projects, 17 tourism development and 14 business educational projects. CRDA-E worked closely with the USAID-supported microfinance activities and other financial institutions to assist SMEs and cooperatives to qualify for loans. In FY 2005, CRDA-E's activities generated \$12 million in additional income. The program provided more than \$7.5 million in technical assistance, training, and grants to agricultural cooperatives, producer associations, veterinary groups, and food processors to improve production and quality, expand agri-businesses, and improve agricultural marketing systems. Small grants were also provided to refugees and internally displaced persons to commence greenhouse production of fruits and vegetables. Overall, USAID investments produced more than a \$2.7 million increase in agricultural sales during the past year. The new objective will focus on two key targeted avenues of support: improving the local environment that will enable businesses to grow and prosper; and strengthening the capacity of businesses to enter and participate in the market. The expected results would be an increase in the number of new businesses and jobs, as well as increased domestic and market share for Serbian companies in regional and international markets.

US Financing in Thousands of Dollars

Serbia

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|---------------------------------------|-------------|
| 169-0132 Local Economic Growth | 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 | 879 |
| Planned Fiscal Year 2006 NOA | |
| Obligations | 30,945 |
| Total Planned Fiscal Year 2006 | |
| Obligations | 31,824 |
| Proposed Fiscal Year 2007 NOA | |
| Obligations | 25,882 |
| Future Obligations | 0 |
| Est. Total Cost | 57,706 |