

The Challenge

USAID is supporting the transition from a centralized non-democratic economy towards a prosperous democracy with membership in Euro-Atlantic Institutions. Political uncertainties such as the upcoming referendum on Montenegro's independence will likely shift the development needs of Montenegro. In addition, corruption, political patronage, nepotism, and weak institutions remain obstacles for progress. Within this context, USAID has recently integrated the democracy and economic programs to achieve a greater aggregate economic impact. USAID supports economic reforms both at the municipal level and through national policy frameworks and is working towards improving institutional capacity and the rule of law to make government institutions more accountable to their constituents and more responsive to the needs of the private sector, specifically small and medium enterprises.

Objectives, Sectors and Workforce

Mission Director: Keith Simmons

MCA Status: Not a Candidate

PEPFAR Focus Country: No

Provided or Received Services From Other Missions: Received

| Program Budget (Appropriations by Objective) | FY 2004 (\$000) | FY 2005 (\$000) | FY 2006 (\$000) | FY 2007 (\$000) | Percent Change FY 04-07 | 2005 SO Performance Score | Direct SO Admin. Cost Ratio |
|---|-----------------|-----------------|-----------------|-----------------|-------------------------|---------------------------|-----------------------------|
| 170-0130 Economic Policy and Finance | 8,794 | 5,692 | 0 | 0 | N/A | 1.31 Exceeded | 0.17 |
| 170-0131 Economic Policy and Governance | 0 | 0 | 2,789 | 3,985 | N/A | N/A | N/A |
| 170-0132 Local Economic Growth | 0 | 0 | 3,165 | 0 | N/A | N/A | N/A |
| 170-0200 Democracy and Governance | 6,137 | 898 | 0 | 0 | N/A | 0.97 Met | 0.63 |
| 170-0210 Community Development and Local Governance | 13,963 | 7,910 | 0 | 0 | N/A | 1.43 Exceeded | 0.18 |
| 170-0211 Democracy and Economic Security | 0 | 0 | 3,221 | 1,267 | N/A | N/A | N/A |
| 170-0420 Cross-Cutting Programs | 1,841 | 1,500 | 2,500 | 1,431 | -22.3% | | 0.14 |
| Transfer to Other US Government Agency | 4,000 | 4,000 | 3,175 | 1,817 | -54.6% | | |
| Country Total | 34,735 | 20,000 | 14,850 | 8,500 | -75.5% | | |

| Program Budget (Appropriations by Account) | FY 2004 (\$000) | FY 2005 (\$000) | FY 2006 (\$000) | FY 2007 (\$000) | Percent Change FY 04-07 |
|--|-----------------|-----------------|-----------------|-----------------|-------------------------|
| Asst. for E. Europe and the Baltic States | 34,735 | 20,000 | 14,850 | 8,500 | -75.5% |
| Total | 34,735 | 20,000 | 14,850 | 8,500 | -75.5% |

| Program Budget by Sector and Account | FY 2004 (\$000) | FY 2005 (\$000) | FY 2006 (\$000) | FY 2007 (\$000) | Percent Change FY 04-07 |
|--|-----------------|-----------------|-----------------|-----------------|-------------------------|
| Agriculture and Environment AEEB | 222 | 4,590 | 490 | 280 | 26.1% |
| Higher Education & Training AEEB | 0 | 686 | 0 | 0 | N/A |
| Economic Growth AEEB | 10,663 | 10,801 | 10,242 | 5,309 | -50.2% |
| Human Rights AEEB | 100 | 100 | 0 | 0 | N/A |
| Democracy and Governance AEEB | 23,250 | 3,823 | 4,118 | 2,911 | -87.5% |
| Family Planning / Reproductive Health AEEB | 500 | 0 | 0 | 0 | N/A |
| Total | 34,735 | 20,000 | 14,850 | 8,500 | -75.5% |

| Workforce | FY 2004 | FY 2005 | FY 2006 | FY 2007 | Percent Change FY 04-07 |
|---------------------|-----------|-----------|-----------|-----------|-------------------------|
| US Direct Hires | 0 | 1 | 1 | 1 | N/A |
| US Non Direct Hires | 4 | 4 | 3 | 3 | -25.0% |
| Foreign Nationals | 26 | 31 | 33 | 33 | 26.9% |
| Total | 30 | 36 | 37 | 37 | 23.3% |

| Operating Expense | FY 2004 (\$000) | FY 2005 (\$000) | FY 2006 (\$000) | FY 2007 (\$000) | Percent Change FY 04-07 |
|--|-----------------|-----------------|-----------------|-----------------|-------------------------|
| Salaries and benefits | 270 | 0 | 0 | 0 | N/A |
| Travel | 24 | 0 | 0 | 0 | N/A |
| Transportation of things | 5 | 0 | 0 | 0 | N/A |
| Rent | 46 | 0 | 0 | 0 | N/A |
| Security | 0 | 0 | 0 | 0 | N/A |
| Equipment | 59 | 0 | 0 | 0 | N/A |
| ICASS - Operating Expense only | 251 | 0 | 0 | 0 | N/A |
| Other Operating Expense | 55 | 0 | 0 | 0 | N/A |
| Total OE Budget | 710 | 0 | 0 | 0 | N/A |
| US direct hire salary and benefits | 0 | 0 | 0 | 0 | N/A |
| Program Funded Administrative Expenses | | | | 2,084 | |
| Country Total Administrative Budget | | | | 2,084 | |
| Percent of Bureau OE Total | | | | 0.0% | |

Mission Summary

| | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
|--|---------|---------|---------|---------|
| Program per US Direct Hire (\$000) | N/A | 20,000 | 14,850 | 8,500 |
| Program per All US (\$000) | 8,684 | 4,000 | 3,713 | 2,125 |
| Program per Position (\$000) | 1,158 | 556 | 401 | 230 |
| Operating Expense as % of Program Funding | | | | 0.0% |
| Program Funded Admin Expense as % of Total Admin | | | | 100.0% |
| Total Admin Expense as % of Program Funding | | | | 24.5% |

Other Major Donors:

Bilateral: Germany, Sweden, Canada, United Kingdom

Multilateral: European Agency for Reconstruction (EAR), European Bank for Reconstruction and Development, the World Bank, the International Monetary Fund, the Organization for Security and Cooperation in Europe, United Nations Development Program.

Montenegro PROGRAM SUMMARY

(in thousands of dollars)

| Accounts | FY 2004 Actual | FY 2005 Actual | FY 2006 Current | FY 2007 Request |
|---|-------------------|-------------------|--------------------|--------------------|
| Asst. for E. Europe and the Baltic States | 34,735 | 20,000 | 14,850 | 8,500 |
| Total Program Funds | 34,735 | 20,000 | 14,850 | 8,500 |

| STRATEGIC OBJECTIVE SUMMARY | | | | |
|---|--------|-------|-------|-------|
| 170-0130 Economic Policy and Finance | | | | |
| AEEB | 8,794 | 5,692 | 0 | 0 |
| 170-0131 Economic Policy and Governance | | | | |
| AEEB | 0 | 0 | 2,789 | 3,985 |
| 170-0132 Local Economic Growth | | | | |
| AEEB | 0 | 0 | 3,165 | 0 |
| 170-0200 Democracy and Governance | | | | |
| AEEB | 6,137 | 898 | 0 | 0 |
| 170-0210 Community Development and Local Governance | | | | |
| AEEB | 13,963 | 7,910 | 0 | 0 |
| 170-0211 Democracy and Economic Security | | | | |
| AEEB | 0 | 0 | 3,221 | 1,267 |
| 170-0420 Cross-Cutting Programs | | | | |
| AEEB | 1,841 | 1,500 | 2,500 | 1,431 |
| TRANSFER | | | | |
| AEEB | 4,000 | 4,000 | 3,175 | 1,817 |

Mission Director,
Keith Simmons

US Financing in Thousands of Dollars

Montenegro

| | |
|---------------------------------------|-------------|
| 170-0130 Economic Policy and Finance | AEEB |
| Through September 30, 2004 | |
| Obligations | 67,382 |
| Expenditures | 56,567 |
| Unliquidated | 10,815 |
| Fiscal Year 2005 | |
| Obligations | 5,925 |
| Expenditures | 11,127 |
| Through September 30, 2005 | |
| Obligations | 73,307 |
| Expenditures | 67,694 |
| Unliquidated | 5,613 |
| Prior Year Unobligated Funds | |
| Obligations | 165 |
| Planned Fiscal Year 2006 NOA | |
| Obligations | 0 |
| Total Planned Fiscal Year 2006 | |
| Obligations | 165 |
| Proposed Fiscal Year 2007 NOA | |
| Obligations | 0 |
| Future Obligations | 6,800 |
| Est. Total Cost | 80,272 |

Data Sheet

| | |
|--|--|
| USAID Mission: | Montenegro |
| Program Title: | Economic Policy and Governance |
| Pillar: | Economic Growth, Agriculture and Trade |
| Strategic Objective: | 170-0131 |
| Status: | New in FY 2006 |
| Planned FY 2006 Obligation: | \$2,789,000 AEEB |
| Prior Year Unobligated: | \$94,000 AEEB |
| Proposed FY 2007 Obligation: | \$3,985,000 AEEB |
| Year of Initial Obligation: | 2006 |
| Estimated Year of Final Obligation: | 2012 |

Summary: This new objective focuses on activities at the national level and closer integration of USAID's economic growth activities with efforts to strengthen democratic institutions (legislative, executive, and judicial) vital to developing a sustainable market economy in Montenegro. Activities focus on three areas to: build on and consolidate USAID's previous economic policy and legal reform work to deepen structural reforms and improve the legislative process; focus on more effective implementation and enforcement actions to ensure that the reform-oriented policy and legal framework is translated into dynamic and meaningful processes that lead to specific improved outcomes; and strengthen government's transparency in implementation and accountability through more effective public participation. Activities will include elements directed to reduce opportunities for corruption and to increase consistency and accountability. A key element in improving the legislative process will be to strengthen the capacity of the judiciary and parliament.

Inputs, Outputs, Activities:

FY 2006 Program:

Improve Economic Policy and the Business Environment (\$1,149,000 AEEB, \$93,515 AEEB prior year recoveries). USAID seeks to improve the competitive environment for private-sector activity in Montenegro by providing key capacity-building support at the Ministry of Finance for program budgeting, development of medium-term economic framework, improved Treasury function, and strengthened tax and customs policy. Support will be provided to the audit function at Tax Administration and to assist work led by the U.S. Treasury for the Agency for Prevention of Money Laundering. In addition, activities will work to strengthen financial-sector institutions for banking supervision and enhance commercial bank development, insurance regulation, and training and education for better implementation of commercial legislation and courts, accounting and audit, labor markets, and pension reform. Some limited support will be provided to other institutions to support market reforms, such as the Small and Medium Enterprise Development Directorate, Statistics Agency, and university-level entrepreneurship curriculum development. Assistance for the Regional Energy Regulatory Program will support institutional strengthening at the Energy Regulatory Agency of Montenegro, allowing them to take part in the program of information exchange and capacity building for energy regulatory authorities in Central and Eastern Europe and Eurasia. USAID will closely coordinate with the European Agency for Reconstruction, World Bank, and other bi-lateral and multi-lateral donors. Principal partners: Bearing Point, Energy Regulators Regional Association (ERRA) (primes).

Strengthen the Justice Sector (\$1,200,000 AEEB). In FY 2006, USAID will continue with technical and training support of Montenegro's judicial reform, laying the foundation for an independent, impartial, transparent judiciary that will protect the rights of physical and legal entities. Support for strengthening of the Judicial Training Center and the new Administrative Office will increase in an effort to assist the judicial system in effectively and efficiently dealing with case management systems and staff in the courts. In addition, assistance will be provided for legislative drafting and for effective implementation of the new legal framework for judicial officials, including work on a new constitution, and legal commentaries. Limited support will be provided for further training in court administration for all courts in order to enable functioning of the courts in a more transparent, open, responsive, and accountable manner. Principal partners: Checchi, Company Consulting, Inc. (primes).

Strengthen the Legislative Function/Legal Framework (\$440,000 AEEB). USAID will provide technical and training assistance through a new Parliament Strengthening Activity, to develop a more inclusive internal party decision-making process, increased dialogue among party factions, and organizational reforms that will strengthen parliament's position and improve legislative capacity. This will be achieved by focusing assistance on five primary needs: more efficient legislative operations, a better developed committee structure, more professional staffing resources, better organized administration and strategic planning, and constituency outreach and representation. In addition, limited assistance will be provided to political parties through party clubs and party caucuses within the parliament. These improvements will enable parliament to become an effective third branch of Montenegro's democratic governing system that advances needed reform and political stability for the benefit of all citizens. Principal partners: to be determined (TBD).

FY 2007 Program:

Improve Economic Policy and the Business Environment (\$2,735,000 AEEB). In FY 2007 USAID will provide support to the Ministry of Finance to build capacity in budgeting, develop a medium-term economic framework, improve Treasury function, strengthen tax and customs policy, audit function at Tax Administration and the Anti-money Laundering Agency work led by the U.S. Treasury. In addition, USAID will strengthen the financial sector institutions in the areas of banking supervision and commercial bank development, insurance legislation. Finally, USAID will provide training and education to improve the implementation of commercial legislation and courts, accounting and audit, labor markets and pension reform, and provide targeted support to other institutions to support market reforms. Principal partners: Bearing Point, ERRA (primes).

Strengthen the Legislative Function/Legal Framework (\$1,250,000 AEEB). USAID will continue with the Parliament Strengthening Activity initiated in FY 2006 and focus on development of the parliament's more inclusive internal party decision-making process, increased dialogue among party factions, and organizational reforms. Some assistance may be provided to political parties through party clubs and collegiums, emphasizing a focus on youth and municipal-level impacts, as well as further work on the legal framework. Implementer: TBD.

Performance and Results: Activities directed to accelerate the growth and development of private enterprise in Montenegro were highly successful in FY 2005. Their impact on indicators of macroeconomic stability was very positive, with inflation under 3% and the budget deficit down over 30% from 2004, even as personal income tax rates were reduced by 10% and profits tax from 20% to 9%. Public debt as a share of GDP declined to 40% and benchmark interest rates fell sharply from 14% in late 2004 to under 3%. Bank deposits and private lending continued their dramatic rise, private deposits rising by 66% and private borrowing by 37%. Program-supported small and medium enterprise lending disbursed over 22,000 loans valued at over \$88 million since July 2002 and by September 2005 had created nearly 16,500 jobs and sustained over 24,000. Judicial reform activities reached more than 300 judges, lawyers and legal professionals to improve court management, financing, administration and caseload processing, helping to modernize Montenegro's judiciary. Parliamentary support has improved its administration, especially the organizational structure for research and analysis, internal and external communication, and other services to make it more efficient. Political parties have shown an increased effort to represent the interests of the voting body, thus changing the plenary debate in the parliament on the basis of their voter's concerns to basic economic and social reform issues. In 2005, four non-governmental organizations successfully contributed to change or correct a number of policies and the success of one in implementing watchdog activities was recognized at the United Nations conference on anti-corruption. The expected results of this objective would be heightened investor confidence in the rules and behavior of the key institutions affecting economic growth and investments in Montenegro, increased public participation in the legislative process, and a better adherence to the principles of transparency and accountability in national policymaking. Support will increase the Parliament's ability to debate and pass legislation in a transparent and inclusive manner and a more cohesive, accountable, and responsive government will lead to increased domestic confidence and stronger support for continued democracy and economic reforms.

US Financing in Thousands of Dollars

Montenegro

| | |
|---|-------------|
| 170-0131 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 | 94 |
| Planned Fiscal Year 2006 NOA | |
| Obligations | 2,789 |
| Total Planned Fiscal Year 2006 | |
| Obligations | 2,883 |
| Proposed Fiscal Year 2007 NOA | |
| Obligations | 3,985 |
| Future Obligations | 0 |
| Est. Total Cost | 6,868 |

Data Sheet

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|--|--|
| USAID Mission: | Montenegro |
| Program Title: | Local Economic Growth |
| Pillar: | Economic Growth, Agriculture and Trade |
| Strategic Objective: | 170-0132 |
| Status: | New in FY 2006 |
| Planned FY 2006 Obligation: | \$3,165,000 AEEB |
| Prior Year Unobligated: | \$0 |
| Proposed FY 2007 Obligation: | \$0 |
| Year of Initial Obligation: | 2006 |
| Estimated Year of Final Obligation: | 2012 |

Summary: This objective focuses on activities that seek to improve the local economic environment that enables businesses to grow and to strengthen the capacity of businesses in key sectors to compete more effectively in local, regional, and world markets. It further seeks to assist municipal governments' efforts to provide and maintain basic public services and infrastructure, reducing constraints that impede investment and introducing incentives for investment and growth. Further, it will support activities directed at business and producer associations and firm-level productivity and efficiency.

Inputs, Outputs, Activities:

FY 2006 Program:

Expand and Improve Access To Economic and Social Infrastructure (\$489,750 AEEB). USAID will continue to promote development of and leverage funding for economic infrastructure projects through the Community Revitalization through Democratic Action - Economy (CRDA-E) activity in order to stimulate and support business development and investment. Activities will enhance successful infrastructure investments realized under the original CRDA project and the Coastal Development and Environment activity. The Good Local Governance (GLG) project will continue support for improved water company billing and revenue-collection, for benchmarking of municipal water company performance against international indicators and for completing targeted water utilities' business plans. Work in progress by USAID and the United States Trade and Development Agency (USTDA) should result in completion of a feasibility study for a revolving investment fund (RIF) to provide credits in the municipal water sector, with mobilization of a Development Credit Authority/Global Development Alliance to begin to design and build the RIF, and companion technical assistance to increase bankability of target municipal water utilities in key tourism locations in the Republic. Other possible donor funding mobilization is expected. Principal partners: International Relief and Development (IRD); The Urban Institute (UI); USTDA; DCA/GDA with New York State Environmental Facilities Corporation et al.

Improve Private Sector Competitiveness (\$1,769,250 AEEB). USAID will continue implementation of the CRDA-E project and the Private Sector Development and Competitiveness project. Activities will work with business associations, producer associations and private business partners to improve business strategies and products to expand access to the market. Activities will enhance firm and industry domestic/foreign export product development and promotion through improved quality standards and packaging, international certification, market research, marketing, branding, and customer service. Activities will also work with high-potential local firms to help them compete for investment. In addition to technical assistance and training, CRDA-E will provide strategic co-financing and co-development of business opportunities in the agriculture and tourism sectors through business and producer associations with emphasis on full-time equivalent job creation and income generation. Activities will support local business associations, business service providers and think-tanks to improve understanding of the requirements in a market economy and to upgrade skills. Activities seek to enhance critical input from the private sector to improve and institutionalize reforms in the business regulatory environment to remove barriers and improve competitiveness. Principal partners: International Relief and Development (IRD) and Booz-Allen-Hamilton (BAH).

Support Democratic Local Government and Decentralization (\$906,000 AEEB). USAID will support strengthening of municipal economic planning and development capacity through public-private Local Economic Development Councils, established under CRDA-E, emphasizing realization of high-potential municipal and regional-scale projects with opportunity for quick economic results. Efforts will also remove municipal barriers to business and institute incentives to attract investors. Principal partners: International Relief and Development (IRD) and The Urban Institute (UI).

FY 2007 Program:

Performance and Results: Montenegro is a small economy with a working population of approximately 140,000 of 620,000 people and whose gross domestic production is dependent on the fast growing tourism sector, primarily in the coastal region, and on agriculture. The Water and Waste Water activity made significant improvements to water supply in three principal tourism centers, reducing water interruptions by 34% in Budva, and 64% in the UNESCO-designated Kotor, and in Cetinje, the old historic capital and seat of the former Kingdom. In Budva, hydraulic and leakage repairs provided water for an additional 13,000 tourists while also completing an additional seven water supply projects valued at \$2.4 million in 5 coastal regional municipalities benefiting directly 29,380 residents including tourist related businesses. Finally, USAID delivered a sewage system maintenance truck and provided training on its use to Ulcinj, an ethnically Albanian municipality on the Albanian border to assist in maintenance of a 33,000 linear meter sewerage system while renovated waste water pumps allowed proper wastewater evacuation and reduced service interruption by 90% along the coastal region preventing waste spillage on beaches. Program supported community level economic development activities focused its funding investments in 204 projects in over 87 communities throughout the Republic. These projects largely focused on helping communities in developing jobs and income generation for the citizens living in these areas. Such projects included income generating projects such as coastal olive industry revitalization, craft production by unemployed women for the tourism industry, as well as some 61 micro grants and 5 hybrid loans for micro business starts or expansions targeting entrepreneurs from vulnerable households. In addition, a local government activity assisted in bringing better fiscal discipline and transparency with 81% of all municipalities in the Republic now using a fully implemented municipal treasury and budgeting system. Expected general results of the objective are: enhanced knowledge and skills of private entrepreneurs; improved access to and use of market information; improved understanding and compliance with international standards certification; proper use of modern technologies; increased access to credit; and enhanced private-sector capacity for advocacy on issues critical to business.

US Financing in Thousands of Dollars

Montenegro

| | |
|---------------------------------------|-------|
| 170-0132 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 | 0 |
| Planned Fiscal Year 2006 NOA | |
| Obligations | 3,165 |
| Total Planned Fiscal Year 2006 | |
| Obligations | 3,165 |
| Proposed Fiscal Year 2007 NOA | |
| Obligations | 0 |
| Future Obligations | 0 |
| Est. Total Cost | 3,165 |

US Financing in Thousands of Dollars

Montenegro

| | |
|---------------------------------------|-------------|
| 170-0200 Democracy and Governance | AEEB |
| Through September 30, 2004 | |
| Obligations | 10,876 |
| Expenditures | 4,370 |
| Unliquidated | 6,506 |
| Fiscal Year 2005 | |
| Obligations | 1,948 |
| Expenditures | 6,232 |
| Through September 30, 2005 | |
| Obligations | 12,824 |
| Expenditures | 10,602 |
| Unliquidated | 2,222 |
| Prior Year Unobligated Funds | |
| Obligations | 27 |
| Planned Fiscal Year 2006 NOA | |
| Obligations | 0 |
| Total Planned Fiscal Year 2006 | |
| Obligations | 27 |
| Proposed Fiscal Year 2007 NOA | |
| Obligations | 0 |
| Future Obligations | 2,400 |
| Est. Total Cost | 15,251 |

Data Sheet

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|--|---|
| USAID Mission: | Montenegro |
| Program Title: | Democracy and Economic Security |
| Pillar: | Democracy, Conflict and Humanitarian Assistance |
| Strategic Objective: | 170-0211 |
| Status: | New in FY 2006 |
| Planned FY 2006 Obligation: | \$3,221,000 AEEB |
| Prior Year Unobligated: | \$0 |
| Proposed FY 2007 Obligation: | \$1,267,000 AEEB |
| Year of Initial Obligation: | 2006 |
| Estimated Year of Final Obligation: | 2012 |

Summary: This objective will address potential vulnerabilities such as ethnic tension throughout the republic, as well as systemic weaknesses that inhibit stability. The objective envisages primarily improving economic security in vulnerable areas, not only to reduce poverty but also to ensure that improvements are addressed fairly throughout the population and are sustainable. It will target crucial democratic structures and processes at all levels republic-wide to create continued support for democratic reforms, as well as a stronger check to the potential rise of non-democratic forces.

Inputs, Outputs, Activities:

FY 2006 Program:

Expand and Improve Access To Economic and Social Infrastructure (\$1,749,640 AEEB). In FY 2006 activities will seek opportunities to promote development of and leverage funding for economic infrastructure projects to stimulate and support business development and investment. Investments may build on the successful results of the original Community Revitalization through Democratic Action (CRDA) and Good Local Governance (GLG) activities. Cooperative Housing Foundation (CHF) (prime).

Strengthen Civil Society (\$648,000 AEEB). In FY 2006, USAID will continue to work on civil society and media development. Assistance will be provided for improving the legislative framework for ensuring long-term sustainability of the non-governmental organization (NGO) sector and public perception of NGOs. Also, support will be provided for development of structured systems and practices for formal citizen participation and advocacy associations to watchdog transparency and protection of civic rights of citizens. Further technical assistance and training will be provided for successful transformation of Montenegro Radio/Television (RTCG) into a public broadcaster, implementation of Free Access to Information Law, and further decriminalization of libel. Limited support will be provided for economic reporting training to enhance quality of business writing and training/education on professional standards. Limited assistance will also be provided to political parties through party clubs, collegiums, and party caucuses within the parliament. Finally, technical assistance and a grant for domestic election monitoring will be provided to a competent, well established local NGO. The political party and election assistance component are a part of a larger Parliamentary Strengthening Activity notified strategic objective 170-0131. Principal partners: American ORT and National Democratic Institute (NDI).

Support Democratic Local Government and Decentralization (\$823,360 AEEB). In FY 2006 as one element of their activity, the CRDA-E North activity will continue to support strengthening of municipal economic planning and development capacity through Local Economic Development Councils, emphasizing realization of high potential municipal and regional scale projects with opportunity for quick economic results. In the economically depressed northern region of Montenegro, a public-private regional development agency is planned for launch, with multi- donor and local support, to improve the economic environment for development of competitive advantages of the north. Efforts will also remove municipal barriers to business (i.e. one stop shops) and institute incentives to attract investors, including from the Diaspora. Implementer: CHF (prime).

FY 2007 Program:

Expand and Improve Access To Economic and Social Infrastructure (\$667,000 AEEB). Building on the foundation work accomplished under the CRDA-E and the Private Sector Development and Competitiveness Project, and the Revolving Investment Fund initiative, the Mission will design a new activity to support local economic development to foster small business growth and enterprise growth in the disadvantaged populations in Montenegro. It will seek to improve municipal and regional services and economic infrastructure in support of businesses and expansion of employment opportunities. While it is envisioned that this program will concentrate the bulk of its activities in the Northern region of Montenegro that has been identified as the most fragile, it will seek opportunities to work in other ethnically vulnerable communities in the Southern region as well. Implementer: TBD.

Strengthen Civil Society (\$600,000 AEEB). USAID will continue its civil society and media development activity that will implement activities directed to improve NGO sustainability and the capacity of NGO's to advocate and monitor on behalf of the citizens and bolster implementation of media reform and enhance investigative and economic reporting.

Performance and Results: Northern Montenegro is a disadvantaged region posing significant challenges and opportunities specific to its environment and population. This predominantly rural region is the poorest and most underdeveloped in Montenegro. Community level programs under this objective completed 83 projects in 13 municipalities valued at \$3,631,000 in 46 communities. Such activities included income generating projects such as a commercial fruit growing and value added processing. Two water supply projects to improve and extend municipal and village water systems and four road maintenance projects were completed to help local communities gain access to markets for local agricultural products. In addition, 6 agriculture projects supported municipal agriculture and producer association outreach to farmers to improve production practices and livestock care. Activities directed to the development of a vibrant civil society and independent media were highly successful in FY 2005. Draft figures for the 2005 NGO Sustainability Index indicate that the sector remains in mid-transition. Notable improvement in the advocacy and organizational capacity of civil society include but are not limited to: four national-level NGOs, succeeding to change or correct government policy making and draw public attention to the implementation of laws through watchdog work; five NGOs succeed in influencing public policy making in order to better reflect the needs and rights of constituents, members and citizens; and a total of 189 NGOs benefited from a wide range of training in organizational development, financial management, advocacy skills, watchdog skills, leadership skills, NGO budgeting, fundraising techniques and public relations techniques. Finally, substantial improvement was registered in the media sector according to the Media Sustainability Index with increases in three key areas: 1) the legal and regulatory indicator, 2) the professional journalism indicator, and 3) the media business management indicator. The media reform process as a whole is far from complete but is moving in the right direction. The Montenegrin National Broadcasting Agency has awarded frequencies to 40 radio and 16 television broadcasters under the first public tender for frequency allocations. Previously no frequencies had ever been granted through an open competition requiring stations to meet a set of minimum criteria. The Public Service Broadcaster Radio Television of Montenegro (RTCG) is unquestionably the leader in the market and has managed to keep a healthy distance from political and government pressures and is on the way to becoming an independent public service broadcaster.

The overall goal of the objective is to: strengthen mechanisms that allow for greater citizen participation in their government process and to increase citizen understanding of the reform process. The results of success would include a civil society with more confidence and engagement in the political process, through strengthened NGO advocacy, improved information, and better representation by political parties. In vulnerable areas, improvement in living conditions and heightened community integration and participation in local social, political, and economic processes is expected.

US Financing in Thousands of Dollars

Montenegro

| | |
|--|-------------|
| 170-0211 Democracy and Economic Security | 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 | 0 |
| Planned Fiscal Year 2006 NOA | |
| Obligations | 3,221 |
| Total Planned Fiscal Year 2006 | |
| Obligations | 3,221 |
| Proposed Fiscal Year 2007 NOA | |
| Obligations | 1,267 |
| Future Obligations | 0 |
| Est. Total Cost | 4,488 |

Data Sheet

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|--|---------------------------|
| USAID Mission: | Montenegro |
| Program Title: | Cross-Cutting Programs |
| Pillar: | No pillar info |
| Strategic Objective: | 170-0420 |
| Status: | Program Support Objective |
| Planned FY 2006 Obligation: | \$2,500,000 AEEB |
| Prior Year Unobligated: | \$380,000 AEEB |
| Proposed FY 2007 Obligation: | \$1,431,000 AEEB |
| Year of Initial Obligation: | 1998 |
| Estimated Year of Final Obligation: | 2012 |

Summary: This objective is designed to accommodate activities that make significant contributions to more than one objective. It finances program development costs, program assessments, learning efforts, and other program operational costs.

Inputs, Outputs, Activities:

FY 2006 Program:

Program Support (\$2,500,000 AEEB, \$380,495 AEEB carryover). The funds provide salary and logistical support for program-funded personnel, the operational costs of the two field offices that monitor and manage many of USAID's programs in Montenegro, and program-related activities that affect more than one objective, such as assessments, activity design, evaluations, and training. USAID in Montenegro intends to buy into a mechanism managed by Serbia's program on the human and institutional capacity-development activity in FY 2006 that will be focused primarily on participant training and upgrading private- and public- sector human capacity.

FY 2007 Program:

Program Support (AEEB \$1,431,000). The funds provide salary and logistical support for program-funded personnel, the operational costs of the two field offices that monitor and manage many of USAID's programs in Montenegro, and program-related activities that affect more than one objective, such as assessments, activity design, evaluations, and training.

Performance and Results: The results of support provided under this objective are reflected, as appropriate, in the USAID program's other objectives.

US Financing in Thousands of Dollars

Montenegro

| | |
|---------------------------------------|-------------|
| 170-0420 Cross-Cutting Programs | AEEB |
| Through September 30, 2004 | |
| Obligations | 5,845 |
| Expenditures | 4,884 |
| Unliquidated | 961 |
| Fiscal Year 2005 | |
| Obligations | 2,368 |
| Expenditures | 2,479 |
| Through September 30, 2005 | |
| Obligations | 8,213 |
| Expenditures | 7,363 |
| Unliquidated | 850 |
| Prior Year Unobligated Funds | |
| Obligations | 380 |
| Planned Fiscal Year 2006 NOA | |
| Obligations | 2,500 |
| Total Planned Fiscal Year 2006 | |
| Obligations | 2,880 |
| Proposed Fiscal Year 2007 NOA | |
| Obligations | 1,431 |
| Future Obligations | 3,000 |
| Est. Total Cost | 15,524 |