

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