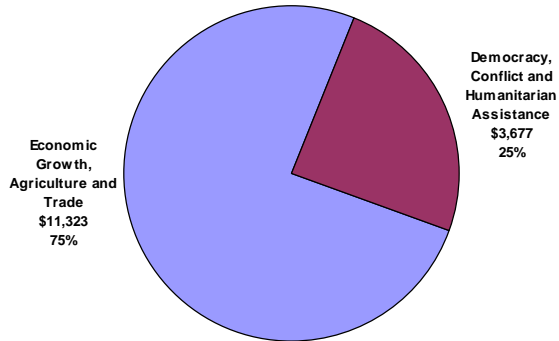
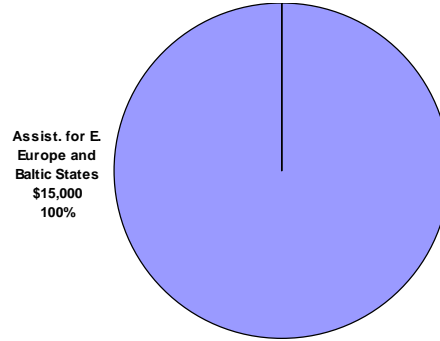


Montenegro

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



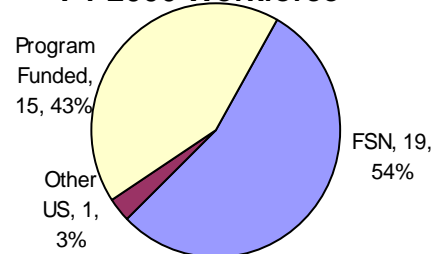
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Economic Policy and Finance	170-0130	8,794	5,692	3,738
Democracy and Governance	170-0200	6,255	1,398	1,320
Community Development and Local Governance	170-0210	13,745	7,410	5,292
Cross-Cutting Programs	170-0420	1,900	1,500	1,650
Transfers		4,100	4,000	3,000
Total (in thousands of dollars)		34,794	20,000	15,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	710		
USDH Salaries & Benefits			
Program Funds	1,833	2,327	2,327
Total (in thousands of dollars)	2,543	2,327	2,327

FY 2006 Workforce



Mission

Director:

Keith

Simmons

The Development Challenge: Montenegro is one of two republics of the country of the State Union of Serbia and Montenegro. According to the final results of the November 2003 population census issued by the Bureau of Statistics, Montenegro is approximately one-sixth the geographical size of Serbia with 616,000 inhabitants (less than one tenth of Serbia's population). The ethnic composition is considered to be predominantly Montenegrin (43.16%) and Serbian (31.99%). The remaining 24.85% of the population is made of Bosniak (7.77%), Albanian (5.03%), Muslim (3.97%), Croatian (1.1%), Roma (0.42%), and other (6.56%) population.

Driven by the goal of European Union integration, the Government of Montenegro (GOM) launched a substantial Economic Reform Agenda in March 2003. The legislative and institutional frameworks needed for moving toward a consolidated democratic system, free market, and Euro-Atlantic integration have progressed significantly but are not yet complete. The profound divisions present in Montenegro over the issue of redefining or terminating the relationship between Montenegro and Serbia, the systemic deficiencies, and the endemic corruption, political patronage and nepotism continue to constrain the reform process. Opportunity to address critical political issues in 2004 stalled as the opposition party boycotted Parliament through October. On the other hand, in the absence of a parliamentary opposition, the governing party succeeded in passing 67 pieces of important reform legislation.

Public opinion tracking shows that satisfaction with the government and its performance has increased 3%. Inflation continued to fall from 7.5% in 2003 to 5% in 2004, the financial sector showed marked improvement and new commercial laws were implemented at a reasonable pace. Although Montenegro continues to have a relatively high current account deficit, the gap appears to be more than made up by unrecorded financing flows, including some portion of flows from tourism receipts that fall into the gray economy. Nevertheless the active economic reforms have not yet led to markedly higher levels of growth or decreased unemployment. The 2003 Poverty Reduction Strategy Paper reported an absolute poverty rate in Montenegro of 12.2%, with more than one third of the population classified as economically vulnerable. Given regional variations, this figure is 19.3% in the north, representing 45% of the total poor in the republic. The average recorded net monthly wage in the formal sector according to official statistics is about 145 Euros (or according to other sources about 250 Euros per month when the informal sector is accounted for). Gross domestic product remains near 1990 levels (about 1.4 billion Euros) and unemployment once adjusted for the gray market is around 17%. The ongoing struggle with corruption continues to impede private sector growth as continuing distrust in the system drives entrepreneurs into the gray economy.

The GOM must address the task of passing remaining legislation to address social, economic, and political problems in the coming year, and continue to demonstrate the capacity to implement those laws that have already been approved. The status of the State Union of Serbia and Montenegro will influence the reform process in Montenegro over the next year.

The USAID Program: USAID activities, summarized below, will be carried out through three Strategic Objectives (SOs).

Strategic Objective 170-0130 (Accelerated Development and Growth of Private Enterprises) concentrates on economic growth and job creation, competitiveness building activities that seek to attract investment and drive exports, increased access to credit and financial services, preparation of Montenegro for membership in the World Trade Organization, restructuring of fiscal, financial, and banking systems, sound and prudential practices implemented in bank and non-bank financial institutions, reorganization and strengthening of tax administration, strengthening of private enterprise and free market institutions, and strengthening of commercial laws and related institutions.

Strategic Objective 170-0200 (More Effective, Responsive, and Accountable Democratic Institutions) will focus its assistance on improving justice sector/legal framework, significantly expanding its efforts during FY 2005 and FY 2006 in this area. In addition, it will focus on strengthening civil society capacity, legal aid, human rights programs, technical assistance for selected government institutions, participatory and fair election processes, and support for democratic political parties, and anti-trafficking efforts. Assistance to independent media and trade unions is slated to end during FY 2005.

Strategic Objective 170-0210 (Increased, Better Informed, Citizens' Participation in Political and Economic Decision-Making) manages local democratic and economic development processes at the community level, sub-municipal and municipal levels through which citizens, their local governments, local businesses and producer associations and other relevant public and private stakeholders act together to achieve responsive local governance and local and regional development. The SO will focus during FY 2005 and out-years on development projects that link economic opportunities with resources thus generating income and jobs, improve local living conditions, increase financial stability, and hold local governments accountable.

Other Program Elements: In conjunction with U.S. Treasury advisors, USAID will continue to advance the policy and economic framework for sustainable economic growth and the emergence of a viable private sector. The Department of Treasury advisors will complement USAID's program and focus on financial crime investigation, tax implementation, and budget and banking reforms. The Department of State will support Public Diplomacy and similar high priority programs, such as policy reform and training. The Department of Agriculture will complement USAID activities to make this sector more competitive.

Other Donors: USAID remains the primary donor in Montenegro. The European Agency for Reconstruction (EAR), Germany, and the United Kingdom have smaller budgets and like USAID work in the areas of economic policy reform and enterprise development, civil society and independent media development, and rule of law. The World Bank and the European Bank for Reconstruction and Development programs are principally focused on economic growth and infrastructure investments. The International Finance Corporation's program is centered on small and medium enterprise development. The United Nations Development Program (UNDP) with funding from EAR, Germany, Canada and the Netherlands, is working in the environment, enterprise development and civil society development. The Open Society Institute, the Organization for Security and Cooperation in Europe and the Council of Europe have small rule of law programs. Funding for humanitarian aid is much smaller than in previous years, with remaining programs coordinated by the United Nations High Commissioner for Refugees. Coordination takes place at all levels, starting from the high-level collaborative framework of the Government of Montenegro's Economic Reform Agenda and continuing through regular meetings at the technical level of program managers and of technical assistance implementers. USAID participates in donor coordination committees on infrastructure, local government, and border crossing managed by EAR, an environment donor coordination body managed by UNDP, and a reproductive health strategic working group with the World Bank and British Department for International Development. In drafting their 5.5 million Euros Community Assistance for Reconstruction, Development and Stabilization regional program to be implemented in 2005-07 primarily by the EAR, the European Commission coordinated with USAID to ensure their efforts would complement US activities.

Data Sheet

**Montenegro
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2003 Actual	FY 2004 Actual	FY 2005 Current	FY 2006 Request
Asst. for E. Europe and the Baltic States	39,991	34,794	20,000	15,000
Total Program Funds	39,991	34,794	20,000	15,000

STRATEGIC OBJECTIVE SUMMARY				
170-0130 Economic Policy and Finance				
AEEB	9,900	8,794	5,692	3,738
170-0200 Democracy and Governance				
AEEB	5,921	6,255	1,398	1,320
170-0210 Community Development and Local Governance				
AEEB	13,919	13,745	7,410	5,292
170-0410 Special Initiatives				
AEEB	1,200	0	0	0
170-0420 Cross-Cutting Programs				
AEEB	1,641	1,900	1,500	1,650
TRANSFER				
AEEB	7,410	4,100	4,000	3,000

Mission Director,
Keith Simmons

Data Sheet

USAID Mission:	Montenegro
Program Title:	Economic Policy and Finance
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	170-0130
Status:	Continuing
Planned FY 2005 Obligation:	\$5,692,000 AEEB
Prior Year Unobligated:	\$340,000 AEEB
Proposed FY 2006 Obligation:	\$3,738,000 AEEB
Year of Initial Obligation:	1998
Estimated Year of Final Obligation:	2007

Summary: The goal of Strategic Objective 170-0130 focuses on two specific and related areas:

comprehensive legal and institutional reform to promote the growth of private enterprises, and assistance to develop sector and enterprise competitiveness of Montenegrin firms. Coordinated support for institution building is provided to key Montenegrin government and private sector entities in order to assist them in developing their capacity to create and sustain an environment conducive to private sector development. Targeted institutions include: the Ministry of Finance, Central Bank of Montenegro, the Ministry of Economy, the electric power company, financial institutions such as the Opportunity Bank, non-governmental organizations conducting policy and consulting work (e.g., the Center for Entrepreneurship & Economic Development (CEED), the Institute for Strategic Studies & Prognosis) and selected firms and sector organizations in tourism, agriculture and wood processing. In FY 2006, activities will be directed toward relevant economic growth components of the new mission strategy. Without pre-judging the outcome of the strategy development process, it is clear that important work remains in order to help Montenegro ensure a strong private sector that will contribute to sustainable employment and income growth. Planning for FY 2006 is based on the assumption that USAID assistance will continue to emphasize activities supporting private enterprise development and sector competitiveness, while ensuring an orderly phase-out of activities related to economic policy reform.

Inputs, Outputs, Activities:

FY 2005 Program: Increase Private Sector Growth (\$3,380,000 AEEB, \$340,000 AEEB carryover). The new project, which began in mid-2004, will step up activity in FY 2005, with expanded delivery of assistance to selected enterprises in the agriculture, tourism, and wood processing sectors to achieve maximum impact on sustainable income and employment growth, and to sector-level organizations in the target sectors to help them build and strengthen their capacity to address common barriers to growth and development. A complementary \$350,000 Development Credit Authority (DCA) activity will be initiated to help expand availability of affordable commercial bank small and medium enterprise (SME) financing with longer terms through a portfolio loan guarantee. Activity will continue for focused phase-out support to ensure the maximum chance of success for long-term sustainability of CEED Consulting, the Montenegro Business Alliance (MBA) and Montenegro & Finance Leasing Company (MLF) activities. Principal partners: Center for International Private Enterprise (CIPE) and Booz Allen Hamilton (BAH) (primes), and others to be determined.

Improve Economic Policy and Governance (\$2,312,000 AEEB). Economic policy and institutional reform activities will continue, including those to enhance the financial sector's contribution to economic growth. Work on economic policy reform, including support to prepare technical documents related to World Trade Organization (WTO) accession, will both increase the soundness of fiscal management and improve the functioning of financial markets. These activities will maximize sustainability of the highly successful economic reform program that has to date established an effective and progressive framework for macroeconomic stability - in both fiscal policy and financial sector regulation and operation - and a commercial legal environment conducive to an open, competitive market economy. This focused final-phase assistance in economic policy reform will address key implementation gaps in the economic reform agenda in order to maximize the extent to which these reforms can be institutionalized to provide the necessary basis for enhanced private enterprise development, sector competitiveness, and future economic growth and income generation. Principal partners: Bearing Point, IBM Consulting Co (primes).

FY 2006 Program: Increase Private Sector Growth (\$2,639,000 AEEB). Planned support of private enterprise development and sector competitiveness will continue. Based on expected initial success of the DCA activity to expand the availability of commercial bank SME financing, further extension of the program will continue, looking not only at SME finance but also at possibilities for micro-finance and municipal finance. Given the economic and social costs of labor redundancy it is anticipated that a pilot phase labor transition activity would be introduced, with assistance to address key gaps in the existing system of employment brokerage. Contractors same as in FY 2005.

Improve Economic Policy and Governance (\$1,099,000 AEEB). Work on economic policy reform, including WTO accession, will ensure a focused final phase of USAID support to address key implementation gaps in the economic reform agenda. This will ensure a sustainable institutional foundation for continued economic growth and income generation through enhanced private enterprise development and sector competitiveness. Contractor same as in FY 2005.

Performance and Results: USAID/Montenegro activities directed toward accelerated growth and development of private enterprise were very successful in FY 2004. At the macro level, Montenegro continued its solid and impressive progress toward increased soundness of fiscal management, with inflation continuing to drop and the fiscal deficit reduced. All revenues now pass through the central budget account and are subject to public disclosure, while progress continues on rationalizing expenditures. USAID support to the Tax Administration (TA) has contributed to maintaining revenue flows, even as tax rates have been cut. On-going development and transfer to the TA of systems for taxpayer data entry, return processing for monthly employer and employee contributions, and audit selection strengthened the transformation to a modern and efficient tax administration. Substantial progress was recorded in the functioning of financial markets, with growth of private bank deposits over 35%. The financial sector is increasingly well-regulated according to Basel II core principles and off-shore banks have been eliminated. Although the level of deposits and consequently of lending has risen dramatically, they are still comparatively low; however, effective implementation of deposit insurance, which began in 2004, should help diminish mistrust of banks. At the micro level, the USAID-supported Opportunity Bank disbursed more than 8.3 million euros in SME loans over the last 12 months, leading to the creation of over 350 jobs and the maintenance of over 1,700 others. Program activities contributed significantly to strengthen development of private enterprises, both in policy and organization and at the firm level. The CEED Consulting fee-for-service business generated over 94,000 euros in fees, working with 94 companies and five private investment funds. In FY 2004, CEED Consulting became the first and only consulting company in Montenegro qualified to conduct ISO 9000 pre-certification and its advising support was critical in establishing MLF, the only registered leasing company in the country, which fully placed its initial capital in exclusively supporting SMEs. Passage and implementation of key legislation has been instrumental in reducing barriers to starting and conducting business, including in business registration, collateral registration, and foreign trade. Important on-going legislation in the final stages of passage includes licensing, domestic competition, consumer protection, and mortgage. For the first time ever the operating accounts of the Electric Power Company of Montenegro (EPCG) for 2003 were given an unqualified audit report; continued progress was made to completing functional unbundling of EPCG by the end of 2004 as required by law, and USAID successfully completed support to establish the independent Energy Regulatory Agency.

US Financing in Thousands of Dollars

Montenegro

170-0130 Economic Policy and Finance	AEEB
Through September 30, 2003	
Obligations	57,527
Expenditures	47,371
Unliquidated	10,156
Fiscal Year 2004	
Obligations	9,854
Expenditures	9,195
Through September 30, 2004	
Obligations	67,381
Expenditures	56,566
Unliquidated	10,815
Prior Year Unobligated Funds	
Obligations	340
Planned Fiscal Year 2005 NOA	
Obligations	5,692
Total Planned Fiscal Year 2005	
Obligations	6,032
Proposed Fiscal Year 2006 NOA	
Obligations	3,738
Future Obligations	6,800
Est. Total Cost	83,951

Data Sheet

USAID Mission:	Montenegro
Program Title:	Democracy and Governance
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	170-0200
Status:	Continuing
Planned FY 2005 Obligation:	\$1,398,000 AEEB
Prior Year Unobligated:	\$1,269,000 AEEB
Proposed FY 2006 Obligation:	\$1,320,000 AEEB
Year of Initial Obligation:	2003
Estimated Year of Final Obligation:	2007

Summary: USAID's democracy and governance assistance in Montenegro is concentrated on strengthening the rule of law, civil society, political processes, independent media, and anti-trafficking initiatives. USAID provides targeted technical assistance, training, sub-grants, and commodities support to improve the effectiveness, independence, and accountability of the judiciary. The capacity of civil society is developed through equipping non-governmental organizations (NGOs), political parties, and trade unions with skills and knowledge to effectively serve and represent citizens. Finally, USAID is providing assistance to develop a parliamentary structure that functions efficiently and is accountable to citizens, as well as advancing the competence and competitiveness of independent media.

Inputs, Outputs, Activities:

FY 2005 Program: Improve Justice Sector/Legal Framework (\$500,000 AEEB, \$118,000 AEEB carryover). The Judicial System Reform Project (JSRP) will continue providing technical assistance, training, and commodity support to implement the rules and procedures relating to the new Appellate and Administrative Courts and the Administrative Office, established under the Courts Act. The support will concentrate on improving court operations and will include the provision of expert advice in judicial skills and court management to increase the judiciary's independence as well as streamline the processing of cases, improve caseload management, and reduce backlogs at all levels of the court system. Principal partner: Checchi and Company Consulting, Inc. (prime).

Strengthen Civil Society (\$300,000 AEEB, \$950,000 AEEB carryover). The focus will be on organizational and skills development for NGOs, education of trade union members in collective bargaining and modern trade union functions through technical assistance and training, and support for advocating for legislative change. The current NGO development activity will be extended into FY 2006. The Montenegro Advocacy Program (MAP) has achieved its original objective of enhancing the capacity of a core group of Montenegrin organizations to conduct effective advocacy campaigns. The focus will be shifted from NGO advocacy capacity strengthening to capacity to advocate for the enforcement of the rule of law. The labor reform activity will phase out in FY 2005. Key elements of the activity, such as collaborating with economic and social councils throughout the Republic, may continue under other appropriate USAID programs. A new program with the National Albanian-American Council (NAAC) will start in 2005 to promote good relations between youth of different ethnic origins. Principal partners: American Organization for Technical Training and Educational Research (American ORT), American Center for International Labor Solidarity (ACILS) (primes).

Support Democratic Political Parties (\$498,000 AEEB, \$100,000 AEEB carryover). Assistance under this component includes development of political party and parliamentary structures to strengthen their roles and increase capacity. The program will continue to provide advisory assistance to political parties and the Parliament to strengthen their roles in local governance and make them more relevant and actively engaged in local communities. In addition, the activity will provide technical assistance and training to strengthen legislative oversight and increase citizen participation in Parliament. The activity will end in February 2006, leaving in place an internal party capacity to continue long-term reform and development initiatives, along with a parliamentary structure that is capable of effectively representing citizens' needs while functioning efficiently and transparently. Principal partners: National Democratic Institute (NDI)

(prime).

Reduce Trafficking in Persons (\$100,000 AEEB, \$100,000 AEEB carryover). USAID will continue to focus on strengthening judicial capacity in this area and phase out support for the shelter for victims of trafficking since the Government is committed to providing this support in the future. Principal partner: International Organization for Migration (IOM) (prime).

FY 2006 Program: Improve Justice Sector/Legal Framework (\$825,000 AEEB). USAID intends to phase out the Judicial System Reform Project (JSRP) in June 2006, and initiate a new program during FY 2006 with a focus on continued support for the Judicial Training Center, the new Appellate and Administration Courts, and the new Administrative Office; further development of the Judicial Council's functions; legislative drafting, including work on a new Constitution and legal commentaries; limited rehabilitation of selected basic courts and conversion of their filing systems; and further training in court administration for all courts. Principal partners: Checchi and Company Consulting, Inc.(prime), and to be determined (TBD).

Strengthen Civil Society (\$400,000 AEEB). In FY 2006, USAID plans to complete implementation of its current civil society activity and determine what further assistance might be required. Given the continuing needs of the NGO sector, a new activity could continue to enhance the rule of law through more active civil sector advocacy, improve the enabling operative environment for NGOs, develop issue-specific NGO policy networks, and improve the general public perception of the effectiveness of the civil society sector. Principal partner: TBD.

Reduce Trafficking in Persons (\$55,000 AEEB). USAID plans to continue to support anti-trafficking initiatives and will assist the Government to revise and implement its National Action Plan to Combat Trafficking, respond more effectively to improving institutional weaknesses which have hampered anti-trafficking efforts to date, and adopt anti-TIP legislation and measures to inform and educate the public including potential victims. Principal partner: TBD.

Performance and Results: Since the inception of the democracy portfolio, the Media Sustainability Index (MSI) registered increases in three essential areas: 1) the legal and regulatory indicator; 2) the professional journalism indicator; and 3) the media business management indicator, reaching the FY 2004 target for near sustainability of 2.42 (3.0-4.0 is the sustainability range). The indicator "increased political party attention to basic economic and social reforms" exceeded the target set for FY 2004. The political parties began to address citizens' priorities on economic and social issues and their solutions. In FY 2004, a 48% positive score was registered across the 30 factors addressed in the Judicial Reform Index (JRI), representing a 37.5% increase since 2001, as it relates to the judiciary's capacity to protect citizens' essential civil and economic rights. The FY 2004 target was a 50% positive score, a target that was nearly met. The NGO Sustainability Index for 2004 improved from 4.7 in 2003 to 4.0 (one being the highest), thus meeting the target set for the year, but still remaining in the mid-transition range, demonstrating that the NGO sector as a whole is not yet sustainable.

US Financing in Thousands of Dollars

Montenegro

170-0200 Democracy and Governance	AEEB
Through September 30, 2003	
Obligations	5,570
Expenditures	1,454
Unliquidated	4,116
Fiscal Year 2004	
Obligations	5,336
Expenditures	2,914
Through September 30, 2004	
Obligations	10,906
Expenditures	4,368
Unliquidated	6,538
Prior Year Unobligated Funds	
Obligations	1,269
Planned Fiscal Year 2005 NOA	
Obligations	1,398
Total Planned Fiscal Year 2005	
Obligations	2,667
Proposed Fiscal Year 2006 NOA	
Obligations	1,320
Future Obligations	2,400
Est. Total Cost	17,293

Data Sheet

USAID Mission:	Montenegro
Program Title:	Community Development and Local Governance
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	170-0210
Status:	Continuing
Planned FY 2005 Obligation:	\$7,410,000 AEEB
Prior Year Unobligated:	\$899,000 AEEB
Proposed FY 2006 Obligation:	\$5,292,000 AEEB
Year of Initial Obligation:	1998
Estimated Year of Final Obligation:	2007

Summary: The USAID local development and good governance programs in Montenegro supports local democratic and economic development processes at the community level, sub-municipal, and municipal levels to improve local living conditions through economic and social projects, structure governing processes through which citizens, their local governments, local businesses, and other relevant public and private stakeholders act together to achieve local development. The strategic objective (SO) is implemented through two significant and closely coordinated projects: the Community Revitalization through Democratic Action Economic (CRDA-E), and Good Local Governance (GLG).

Inputs, Outputs, Activities:

FY 2005 Program: Improved Economic Policy and Governance (\$1,490,000 AEEB). USAID will be focusing on financial stability and predictability, reducing public sector expenditures together with rationalizing investment programming of local governments for economic results, and improving municipal support for and reducing barriers to business. USAID will put into operation 71% of a system of individual municipal treasuries, tying into the Republic Treasury. USAID will assist in the standardization of chart of accounts, budget procedures, and reporting for municipalities. With the Ministry of Finance and municipal departments of finance, USAID will complete building and structuring the maintenance of a centralized financial database on all municipal revenues and expenditures. Municipal own-source revenue collection procedures will improve including work toward a unified municipal tax collection system and simplifying operational costs. USAID will install software and assist municipalities to implement procedures for improved property tax assessment and collection. Principal partners: The Urban Institute (prime).

Improve Private Sector Growth (\$3,334,000 AEEB, \$521,000 AEEB carryover). USAID will significantly increase activities to achieve local economic development, especially increased income and job generation and an improved business environment. USAID will support activities to directly support start-up of new micro- and small businesses, to increase job skills based on identified skills gaps, to stimulate and expand, locally, competitive business opportunities. Sector-specific (i.e. agriculture, tourism) sub-regional or regional development councils ("cluster councils") representing local business and related partners will work to maximize opportunities to improve products and expand markets, stimulating local economic growth and job generation in each region of the Republic. Principal partners: International Relief and Development (IRD), and CHF International (primes).

Expand and Improve Access to Economic and Social Infrastructure (\$1,644,000 AEEB, \$243,000 AEEB carryover). USAID will concentrate on project activities to build or upgrade critical local economic infrastructure such as provision of safer and more reliable local electrical network; improved water supply systems to increase agricultural production and incomes; and improvement to agricultural market infrastructure to enhance marketing space and opportunity for sale of domestic production. USAID will continue work to restructure the business model in water utilities for improved service delivery and identify opportunities for commercialization. Water and wastewater improvements under the FY 2004 coastal development earmark, initiated in September 2004, are expected to be substantially completed. Principal partners: Urban Institute, Camp Dresser & McKee, International Relief and Development (IRD), and CHF International (primes).

Support Democratic Local Government and Decentralization (\$942,000 AEEB, \$135,000 AEEB carryover) USAID will continue work to improve on municipal, and public service company functions, to reduce corrupt practices through introduction of clear local policies, ordinances, and regulations governing basic municipal functions. USAID is introducing transparent management systems, particularly for financial resources, that include enforcement of regulations, instilling of procedures to measure service providers' performance and reducing opportunities for local corruption. Project efforts emphasize developing a pro-active citizenry for local development, citizens who participate in local decision-making while demanding performance and accountability from municipal government and service providers. During FY 2005 USAID will assist municipalities to put in place through local parliaments the sub structure laws, ordinances, and regulations to implement Republic systemic laws on local self-governance and fiscal decentralization. Using the Participatory Appraisal of Competitive Advantages approach, efforts will build public private partnerships among key stakeholders to develop realistic local economic development strategies and action plans and begin their implementation. Principal partners: Urban Institute, International Relief and Development (IRD), and CHF International (primes).

FY 2006 Program: Improved Economic Policy and Governance (\$1,267,000 AEEB). USAID plans to support and monitor implementation and performance of local government management systems, in particular financial and business-related administrative practices, and further replicate good practices.

Improve Private Sector Growth (\$2,296,000 AEEB). This is the final year of the CRDA Program and it will focus on the sustainability of the local economic development process through public/private partnership in competitively planned and selected investment activities.

Expand and Improve Access to Economic and Social Infrastructure (\$1,069,000 AEEB). This is the final year of CRDA-E and GLG programs, and efforts will focus on municipal/public institution investment planning and creditworthiness for access to credit for longer term investments critical to economic growth. A possible Development Credit Authority guaranty for municipal infrastructure credits will also be considered. Finally, activities under the coastal development earmark will be completed.

Support Democratic Local Government and Decentralization (\$660,000 AEEB). USAID will assist institutionalization of citizen participation tools and processes in local government procedures and focus on sustainability of the local economic development process through public/private partnerships.

The contractors/grantees are expected to be the same as for FY 2005.

Performance and Results: Since July 2002, in partnership with communities Republic-wide, USAID has initiated a total of 844 projects (225 in economic development, 245 in infrastructure, 321 in civic participation), creating substantial impact beyond merely the physical realization of the projects themselves. During FY 2004, the average local contribution was 45%, leveraging more resources into development. The number of people involved in community development activities reached 53,238 participants; total income generated was \$3,283,741 and the project activities generated 9,127 person months of employment. In FY 2004, project activities included 173 economic development activities, 55 infrastructure and environment projects, and 224 civic participation activities. FY 2004 was the first year of operation for the Good Local Governance project. Municipal charters were passed by local parliaments in 38% of municipalities. A republic-wide municipal treasury system was designed and 38% of municipalities received software and training. The Municipal Treasury of Podgorica (the capital) - which accounts for 60% of municipal revenues to the Republic - went into operation September 2004. All municipalities benefited from limited information technology infrastructure (hardware and software) installation or upgrades and training to automate day to day management tasks.

US Financing in Thousands of Dollars

Montenegro

170-0210 Community Development and Local Governance	AEEB
Through September 30, 2003	
Obligations	56,864
Expenditures	33,473
Unliquidated	23,391
Fiscal Year 2004	
Obligations	12,845
Expenditures	17,932
Through September 30, 2004	
Obligations	69,709
Expenditures	51,405
Unliquidated	18,304
Prior Year Unobligated Funds	
Obligations	899
Planned Fiscal Year 2005 NOA	
Obligations	7,410
Total Planned Fiscal Year 2005	
Obligations	8,309
Proposed Fiscal Year 2006 NOA	
Obligations	5,292
Future Obligations	9,626
Est. Total Cost	92,936

Data Sheet

USAID Mission:	Montenegro
Program Title:	Cross-Cutting Programs
Pillar:	No pillar info
Strategic Objective:	170-0420
Status:	Continuing
Planned FY 2005 Obligation:	\$1,500,000 AEEB
Prior Year Unobligated:	\$1,233,000 AEEB
Proposed FY 2006 Obligation:	\$1,650,000 AEEB
Year of Initial Obligation:	
Estimated Year of Final Obligation:	

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 2005 Program: Cross-cutting programs (\$1,500,000 AEEB, \$1,231,000 AEEB carryover, \$2,000 AEEB prior year recoveries). Funds under this objective provide for US personal service contractors and foreign service national staff and related support to help monitor and manage USAID's program in Montenegro including providing two field offices to support the Community Revitalization through Democratic Action and Good Local Governance Programs. The balance of the funds being requested will be used for program-related activities that affect more than one Strategic Objective, such as activity design, evaluations and training. During FY 2005, the Mission will focus on development of the new Strategic Plan and intends to conduct the following assessments: Human and Institutional Capacity Development, Biodiversity, Gender and Human Trafficking, Conflict Vulnerability, Remittances, Micro - Small- and Medium-sized Enterprises, Development Credit Authorities and Municipal Finance and Regional Trade, all of which will be funded from this strategic objective.

FY 2006 Program: Cross-cutting programs (\$1,650,000 AEEB). USAID will continue to fund staff and related support to help monitor and manage USAID's program in Montenegro. Funds from this Strategic Objective are also planned for activity design, evaluations, training, and other program operational costs.

Performance and Results: The Montenegro Office is part of and supported in many functions by USAID/Serbia and Montenegro, headquartered in Belgrade. The roles have been clearly delineated and coordination has been effective.

US Financing in Thousands of Dollars

Montenegro

170-0420 Cross-Cutting Programs	AEEB
Through September 30, 2003	
Obligations	4,004
Expenditures	3,278
Unliquidated	726
Fiscal Year 2004	
Obligations	1,827
Expenditures	1,605
Through September 30, 2004	
Obligations	5,831
Expenditures	4,883
Unliquidated	948
Prior Year Unobligated Funds	
Obligations	1,233
Planned Fiscal Year 2005 NOA	
Obligations	1,500
Total Planned Fiscal Year 2005	
Obligations	2,733
Proposed Fiscal Year 2006 NOA	
Obligations	1,650
Future Obligations	3,000
Est. Total Cost	13,214