

## Data Sheet

<b>USAID Mission:</b>	Kosovo
<b>Program Title:</b>	Economic Policy and Institutions
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	167-0120
<b>Proposed FY 2004 Obligation:</b>	\$7,050,000 AEEB
<b>Prior Year Unobligated:</b>	\$1,217,000 AEEB
<b>Proposed FY 2005 Obligation:</b>	\$5,700,000 AEEB
<b>Year of Initial Obligation:</b>	2004
<b>Year of Final Obligation:</b>	FY2008

**Summary:** USAID's economic program for Kosovo promotes the effective implementation and institutionalization of key reforms in fiscal policy, financial market development, commercial law development, privatization, and trade and investment policies through intensive technical assistance, training, and development of human capacities in Kosovar institutions. Future efforts will build on past achievements and will focus on institutionalization of these reforms. Much of the effort will be concentrated on strengthening the human capacity in the institutions as well as on effective dissemination of improved economic policies and public administration practices. Economic Policy and Institutions activities were previously notified under Strategic Objective 167-0130.

### Inputs, Outputs, Activities:

#### FY 2004 Program:

Economic Policy and Institutional Development (\$7,050,000 AEEB; \$1,217,000 AEEB carryover). USAID will build upon technical assistance in support of economic reform and institutional development in the areas of fiscal and financial sector reform, commercial law development, pension reform, privatization, and trade and investment policies through intensive targeted technical assistance and training. Assistance will shift from establishing institutions to institutionalizing policies and procedures. In that regard, the role of USAID advisors will shift from managing and running institutions, to advising Kosovar counterparts who have assumed these responsibilities of managing Kosovar institutions. At the Ministry of Finance and Economy (MFE), assistance will intensify in training and capacity building for public officials in the following areas: macroeconomic analysis, budget planning and execution (at both municipal and central levels), and treasury functions and taxation, including a property tax. In developing a market-oriented commercial law regime, USAID will provide assistance to the Office of The Prime Minister, Assembly, key ministries, and the legal community in promulgating and implementing laws. USAID assistance will ensure that the Kosovo Pension Savings Trust has the ability to administer effectively the mandatory defined-contribution pension scheme.

Privatization assistance will be provided to the Kosovo Trust Agency (KTA) to facilitate a transparent and efficient privatization process of socially-owned enterprises (SOEs), including privatizing agricultural SOEs, as well as assisting with public education to promote understanding and support for privatization. Assistance will continue at a reduced level to the Banking and Payments Authority of Kosovo (BPK) to strengthen the regulatory environment required for sound banking, insurance, and pension systems. Long-term assistance in banking regulation will be provided, with limited short-term assistance to BPK insurance and pension departments. Assistance will phase out in areas such as telecommunications, procurement, and public utilities. In addition, through work with a local economic think tank, USAID will enhance local expertise in economic policy formulation and business advocacy. The direct assistance to Riinvest will phase out by the end of 2004. Contractors: BearingPoint (prime), The Services Group (sub), Overseas Strategic Group (sub); Grantee: Riinvest.

#### FY 2005 Program:

Economic Policy and Institutional Development (\$5,700,000 AEEB). USAID will remain engaged in technical assistance to the MFE and BPK with consultants acting only in an advisory capacity to

Kosovars, utilizing intensive training of counterparts at the individual as well as department level. In commercial law development, assistance will emphasize implementation of laws through extensive training for the legal community. Assistance to the Kosovo Pension Systems Trust will ensure effective administration, while refining laws and investment policies. Above all, USAID efforts will emphasize training and capacity-building to ensure sustainability. Privatization efforts will accelerate with a goal of completing privatization. USAID will provide assistance on policy issues related to trade and investment, as well as assistance in promoting implementation of trade agreements. Public education will underpin all areas of support. Contractors: To Be Determined.

**Performance and Results:** USAID's economic program has provided valuable support for the establishment, development, and strengthening of Kosovar economic governance institutions. Much of its targeted assistance is focused on the PISG, particularly the MFE. The aim is to make this a strong institution, capable of providing strong policy leadership and effective fiscal management. USAID support to the MFE has created sound, transparent, and well-implemented tax and budget regimes, including fiscal decentralization. Support to BPK in regulating the financial sector is widely-regarded as successful, already resulting in sound and stable banking, insurance, and pension sectors. USAID's creation of a social safety net, including a modern, multi-pillar pension system, provides elderly Kosovars with a basic monthly pension. It also has established a modern pension system for current workers. Core commercial legislation is currently in place, although not yet well-implemented. Legal issues that have delayed privatization are expected to be resolved, with privatization efforts resuming. By completion of the program, Kosovo will have strong economic, financial, and legal institutions that are well prepared to support a market-based economy driven by private-sector growth. SOEs will be privatized, with accelerated investment and economic activity in Kosovo. Continued progress in this objective will provide the enabling environment required for supporting the growth of productive enterprises, which in turn provide employment, higher incomes, and better quality of life for the Kosovar population.