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USAID'S BUSINESS ENABLING PROJECT

QUARTERLY REPORT: SECOND QUARTER 2011

10 July 2011

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QUARTERLY REPORT: SECOND QUARTER 2011

Submitted by:

Cardno Emerging Markets USA, Ltd.

Submitted to:

USAID Serbia

Contract No.:

169-C-00-11-00001-0

TABLE OF CONTENTS

1. PROJECT OVERVIEW	1
2. HIGHLIGHTS DURING THE REPORTING PERIOD.....	1
3. REVIEW OF PROJECT PROGRESS.....	2
ADMINISTRATIVE AND GENERAL ACTIVITIES	2
COMPONENT 1	3
COMPONENT 2	7
COMPONENT 3	8
OUTREACH.....	9
GRANTS.....	10
4. ACTIVITIES PLANNED FOR NEXT QUARTER	11
ATTACHMENT 1: BEP WORK ORGANIZATION	13
ATTACHMENT 2: LIST OF MEDIA PUBLICATIONS	14
ATTACHMENT 3: PROGRESS VERSUS WORKPLAN	19
COMPONENT 1: BUSINESS REGULATION AND ECONOMIC GOVERNANCE	19
COMPONENT 2: MACROECONOMIC POLICY AND PUBLIC FINANCIAL MANAGEMENT	23
ATTACHMENT 4: PROGRESS VERSUS PERFORMANCE MONITORING PLAN.....	32

1. PROJECT OVERVIEW

USAID's Business Enabling Project, implemented by Cardno Emerging Markets USA, is a five-year initiative launched in January 2011. The purpose of the Project is to help the Government of Serbia (GoS) improve the competitiveness of the Serbian economy and its private sector businesses. The Project provides technical assistance, training, and other support to improve the business enabling environment, maintain macroeconomic stability, and further develop financial markets. The Project is demand driven: all activities are based on the priorities of the private sector and GoS.

The Business Enabling Project consists of four major components:

- **Component 1, Business Regulation and Economic Governance**, will streamline laws, regulations, and institutions; improve regulators' capacity to implement laws; and improve analysis and public-private dialogue.
- **Component 2, Macroeconomic Policy and Public Financial Management**, will help the Government implement new budget and fiscal responsibility laws, improve budgeting, increase public disclosure and transparency, strengthen public debt management, and improve economic analysis and forecasting.
- **Component 3, Financial Market Development**, will improve regulatory frameworks for non-bank institutions, develop capacity to strengthen and expand capital markets, and improve conditions for debt market development.
- **Component 4, Business-Education Partnerships**, will support improvements in business management education in Serbia. Pursuant to USAID's instructions, this Component is currently on hold pending further instructions from USAID.

The project's approach to achieving reforms is to help the GoS work closely with the private sector and outside experts to make reforms that improve business competitiveness. The reforms will reduce the time and money spent by Serbian businesses to comply with laws and regulations and will help the GoS to be more efficient. The reforms will also enable businesses to attract necessary investment at an appropriate cost. As result, Serbian businesses will have a better chance to be competitive in the global economy, leading to export-led economic growth and increased employment.

The Project's One Year Work Plan and Performance Monitoring Plan were approved by USAID on May 10, 2011. The Project's Grants Manual was approved by USAID on April 6, 2011.

2. HIGHLIGHTS DURING THE REPORTING PERIOD

This report covers the second quarter of BEP's operation – April 1 to June 30, 2011. Noteworthy activities during the period were:

- **Joint Work Plans with Government of Serbia Partners.** After learning the priorities of Serbian businesses through meetings and research, the Project entered into discussions with various GoS entities to develop Joint Work Plans. During these discussions we determined which business environment and economic policy reforms the GoS entities would be willing to undertake. The Project then drafted Joint Work Plans, which the Government entities agreed to. The Project has Joint Work Plans with: Ministry of Finance; Ministry of Justice; Ministry of Agriculture, Trade, Forests and Water; Ministry of Environment, Spatial Planning and Mining; Ministry for Economy and Regional Development; Securities Commission; Commission for the Protection of Competition; Regulatory Reform Office of the GoS; and the GoS General Secretariat.

■ **Public Launch of USAID Business Enabling Project.**

In front of over 140 stakeholders and media, the Project was launched on May 31, 2011, in an event at the Belgrade City Assembly. U.S. Ambassador Mary Warlick, GoS Deputy Prime Minister Verica Kalanovic, and GoS Office for European Integration Director Milica Delevic opened the event. This was followed by two panel discussions. The first panel of economic policy experts was moderated by Tony Sinclair and focused on policy initiatives; the second panel was moderated by Dragana Stanojevic and gathered business representatives who discussed the biggest constraints to business and how this project can help to remove those constraints. The event received substantial media attention, including several articles in print and web media, and features on the nightly national news (see Appendix 2 for details on media coverage).

SAD pomaže Srbiji da stvori bolji privredni ambijent

Beograd - U narednih pet godina Vlada Srbije će, uz podršku USAID, pokušati da popravi privredni ambijent i pomogne preduzećima da se izbore sa lošom situacijom u kojoj su trenutno, delimično i zbog krize kojom je značajno uticala na sve. Program pomoći privatom sektoru planirano je da traje do decembra 2015. i u njega će biti uloženo 16,7 miliona dolara.

Prošli smo kroz teška iskustva i dosta naučili iz svojih grešaka, tako da verujem da ih nećemo ponavljati. Vlada je već predstavila svoju politiku a to je proinvesticiona i izvozna ekonomija, završetak radova na infrastrukturi, dalje ulaganje u energiku i restrukturiranje javnih preduzeća - rekla je juče potpredsednica Vlade Verica Kalanović, na predstavljanju Projekta za bolje uslove poslovanja u Skupštini grada. Ona je istakla da u Srbiji već ima dosta dobrih domaćih preduzeća poput Nektara ili Komtrejda, ali i onih stranih koji uspešno posluju na našem tržištu kao što su Siemens, Gorenje ili Ju es stil, ali da je sada i zadatak Vlade da stvori uslovi kako bi takvih kompanija bilo više.

Ambasadorka SAD u Srbiji Meri Vortlik istakla je da je Srbija već načinila neke velike korake, ali da se još suočava sa problemima i da će novi projekat pomoći uklanjanju tih prepreka.

Projekat je počeo januara ove godine i traje do decembra 2015. i za to vreme planirano je ulaganje od 16,7 miliona dolara. SAD je uvek bio posvećen i jak partner Srbiji i nadam se da ćemo na ovaj način pomoći njenom razvoju - istakla je Vortlik.

Direktorka vladine Kancelarije za evropske integracije Milica Delevic istakla je da je projekat namenjen poboljšanju uslova poslovanja u različitim oblastima, kako bi se domaćim firmama obezbedilo što veća konkurentnost.

- Ovaj projekat podržava i evropske integracije Srbije, a činjenica je da najveći deo izvoza i uvoza imamo sa članicama EU i CEFTA. Uverena sam da će, kada se projekat završi, uslovi poslovanja u Srbiji biti mnogo bolji nego sada - rekla je Delevićeva. *Lj. B.*

- **Inspections Roundtables.** BEP organized and facilitated five regional roundtables on inspections. The roundtables took place in Valjevo, Nis, Novi Sad, Kraguljevac, and Krusevac. The roundtables were co-organized with the Serbia Chamber of Commerce and the Regional Chambers of Commerce and there were very good turnouts of businesspersons who were enthusiastic about being consulted on issues relating to inspections. Common conclusions include: there is a need for more education of inspectors and businesses; inspections should be better coordinated; inspections should be risk-based; and penalties should be proportionate to the offense. The next step is a roundtable with the GoS in late August or early September, co-organized with Deputy Prime Minister Verica Kalanovic, to present the findings from the regional roundtables and develop an action plan for solving problems in inspections coordination and individual inspections regimes.
- **Roundtables on Decree for Conversion of Usage Rights in Land to Ownership Rights.** BEP, in cooperation with NALED, organized and facilitated two roundtables with the Ministry of Environment, Mining and Spatial Planning (MEMSP). The roundtables provided a venue for the MEMSP to discuss the draft Decree on conversion with the private sector. The draft Decree is intended to specify the procedures to convert usage rights on land to ownership rights. After the first roundtable and after receipt of written comments by stakeholders, BEP prepared a summary of the key comments, suggestions and amendments. BEP sent the summary to MEMSP and the Ministry prepared a new version of the draft Decree using the summary. MEMSP presented the revised draft decree at the second roundtable and again BEP prepared a summary of the key comments, suggestions and amendments and sent the summary to MEMSP. If the MEMSP revises some of the provisions in the draft Decree, some of the most valuable construction land in Serbia will be developed and there will be a significant positive impact on the economy.

3. REVIEW OF PROJECT PROGRESS

BEP started its activities immediately upon USAID’s approval of the Work Plan. We present the following summary of activities, including administrative activities, activities of general benefit to the project, activities under each component, as well as activities conducted under outreach and grants. Detailed tables that review our progress versus the Work Plan and PMP can be found in Attachments 3 and 4 below.

Administrative and General Activities

Additional personnel were proposed, approved, and engaged, bringing total employment to 17 at the end of the quarter, of whom 15 are professional and two are administrative staff. In addition, a translator has been identified. The project will also have two interns. If Component 4 is activated, an

additional three professional staff will be added. The current Organization Chart is included as Attachment 1 below.

During the first two months of BEP, **the Project team learned the priorities of Serbian businesses through meetings and research.** The Project then entered into discussions with various Serbian Government entities to determine what activities the Project and GoS entities would cooperate on and how the activities would be accomplished. During these discussions we determined which business environment and economic policy reforms the GoS entities would be willing to undertake. The Project then drafted Joint Work Plans, which the Government entities agreed to. The Project has Joint Work Plans with: Ministry of Finance; Ministry of Justice; Ministry of Agriculture, Trade, Forests and Water; Ministry of Environment, Spatial Planning and Mining; Ministry for Economy and Regional Development; Securities Commission; Commission for the Protection of Competition; Regulatory Reform Office of the GoS; and the GoS General Secretariat. In addition, the Project developed an overall Work Plan that is an aggregate of the Joint Work Plans. This aggregated Work Plan was distributed by SEIO to our key governmental counterparts for their comments. The overall Work Plan was accepted by the GoS. The Joint Work Plans include activities, deadlines, and responsible parties.

Subsequently, **BEP was officially launched during an event on May 31** at the City Assembly of Belgrade. U.S. Ambassador Mary Warlick, Vice Prime Minister Verica Kalanovic, SEIO Director Milica Delevic and BEP CoP Joe Lowther opened the event. More than 130 attendees took part at the USAID/BEP official Launch Event. The event introduced the Project's goals over the five years of implementation, its private and public sector counterparts, and the main activities planned for joint implementation with the Government of Serbia in the year 2011. The opening speeches were followed by two panels: an economic experts' panel that discussed key policy choices that Serbia needs to make in the near future; and a business community panel that gave an overview of the major constraints to doing business in Serbia and possible solutions. The panelists were: Mr. Boris Begovic, President of the CLDS; Mr. Dusan Vujovic, Washington World Bank Advisor; Mr. Milojko Arsic, Economist, Faculty of Economy; Mr. Pavle Petrovic, President of the Fiscal Council; Ms. Vida Dzagic, Vice President Serbian Chamber of Commerce; Ms. Amalija Pavic, Acting Executive Director, AmCham Serbia; Ms. Ana Firtel Vlajic, Executive Director, Foreign Investors Council, and Ms. Maja Piscevic, Executive Director, Serbian Association of Managers. The launch event received extensive media coverage: more than 30 media representatives from 16 media outlets attended the event, which resulted in more than 40 positive media reports on television, radio, internet and print media..



The Project continued outreach to the business community, including meetings with FIC, AmCham, SAM, and the Chamber of Commerce of Serbia to discuss various project activities. This outreach ensures that all activities will have significant impact on business competitiveness and that businesses and their representatives know of and understand project activities. During these meetings the project and our business association partners confirmed mutual willingness to cooperate in efforts to implement reforms aimed to improve economic policy and the business environment.

Component 1

Under Objective 1, Task 1, **“Improve and Streamline Business Regulation,”** BEP partnered with the Chamber of Commerce of Serbia and Regional Chambers of Commerce to organize a series of **five regional roundtables titled “Businesses Speak: Inspections Reform – Towards Improved Business Environment.”** NALED, AmCham, Foreign Investors Council, and the Employers Union

also participated in organization by directing members to attend. The roundtables were facilitated by Dusan Vasiljevic of BEP. Brief summaries of each roundtable follow.

- 1) Valjevo, May 26. More than 30 businesspersons attended, with approximately half of the participants being women and most being small business owners. During more than two hours of discussions the participants described their experiences with inspection controls, pointed out its most problematic aspects and in a number of instances suggested viable solutions for current inspections related problems. The conclusions included: business associations need to be included in preparing all regulations involving



- inspection control of business; much more effort should be put in educating businesses how to comply with new regulations; field controls need to be announced; inspections should be shorter, less frequent and targeting higher risk activities; and the sanctions need to be revised to reflect financial strength of businesses and severity of the breach of regulations.
- 2) Niš, June 7. More than 30 participants from the business community and public sector attended. During more than two hours of lively discussion, the representatives of small and medium enterprises, as well as some large companies such as Phillip Morris, spoke of their experience with inspection surveillance, pointing out the most controversial issues and suggesting viable solutions. The participants agreed on the following conclusions: education of the business community and inspectors should be improved; reforms should be conducted with taking into account the size and sector of activity of the businesses; various inspections need to be better coordinated in order to avoid overlapping; emphasis should be on prevention rather than on sanctions; transparency of inspections procedures and methodologies need to significantly increase.
- 3) Novi Sad, June 15. More than 25 participants from took part in this roundtable. Conclusions from the roundtable included: private sector has to be consulted t timely, prior to the adoption of laws; interpretations of regulatory requirements should be standardized; transparency needs significant improvement; inspection controls need to be better coordinated in order to avoid overlapping; emphasis should be on prevention, particularly during the first year of business operations of the business subject; fines should be adapted to the economic strength of companies
- 4) Kragujevac, June 17. 15 participants, mostly representing small and medium enterprises, had about two hours of discussions on their experiences, the problems they encountered in dealing with various inspections and proposed solutions. Key conclusions included: Inspectors need to be better trained, more transparency is needed, and inspectors should focus on firms operating in the gray or black market.
- 5) Krusevac, July 5. This roundtable was organized at the request of the Regional Chamber of Commerce, after they heard about the other roundtables. The Regional Chamber covered the costs of the roundtable. Over 25 participants from the local business community attended and the discussion covered various aspects of inspections. The participants agreed that inspectors need better training, information on laws and regulations relating to inspections must be published, inspectors should focus more on firms operating in the gray economy and less on successful firms, inspections should be risk-based, and overlapping inspections should be coordinated.

Each roundtable received significant attention in the local media, particularly television, with Vida

Dzagic of the Chamber of Commerce and Joe Lowther of BEP giving interviews. BEP is now preparing a report for the Government and business associations and will organize a workshop with Government and business representatives in Belgrade to chart the future actions to improve inspections regimes. This event will take place in late August or early September.

BEP helped the Ministry of Environment, Mining and Spatial Planning, and the Ministry of Agriculture, Trade, Forestry and Water Management, to prepare a letter that was sent to Deputy Prime Minister Verica Kalanović. The letter requested that Ms. Kalanovic establish the Coordination Committee that would coordinate and streamline inspections' operations and organization of joint work. Ms. Kalanovic has agreed to lead this effort in accordance with the set of recommendations and strategic documents that the GoS has already adopted,

In addition, BEP has received a request for technical assistance from the Ministry of Agriculture, Trade, Forestry and Water Management (MATFWM), which is in the process of completing the Draft Law on Market Surveillance. This Law should introduce differentiation between inspection and market surveillance. MATFWM representatives expressed interest in having BEP's technical support in developing the coordination mechanisms of different bodies charged with control of product quality. MATFWM will also propose to BEP pilot projects that can reduce inspections related administrative burdens on businesses. MATFWM also expressed interest in participating in designing the government-wide efforts to reduce negative impacts of inspection controls on business, and they are very interested in seeing detailed notes from the regional inspections roundtables.

Under Objective 1, Task 3, **“Assist Implementation of the Law on Enforcement,”** BEP hosted a Working Group meeting on May 27. The newly adopted Enforcement Law has created conditions for long awaited improvements in contract enforcement and reduction of costs of collecting money owed under judgments. The Working Group for preparation of the Enforcement Law implementing regulations held its first session and USAID/BEP's Joe Lowther, Dragana Stanojevic and Milan Stefanovic participated at the meeting, alongside with the WG president and Assistant Minister of Justice Vojkan Simic and other members of the Working Group. It was agreed that in the period of 90 days, the following by-laws shall be prepared and enacted: Regulation on Vocational Examination for the Private Enforcement Officers, Regulation on Acting on Cases and Reports Maintenance, Regulation on Tariff Rate, and Regulation on Costs Compensation. The next Working Group meeting was scheduled for July 5.

Under Objective 1, Task 4, **“Streamline Construction Permitting,”** the project began significant activities to streamline the processes that developers must deal with in obtaining construction permits and undergoing inspections. The Joint Work Plan with MEMSP includes work on bylaws to the amended Law on Planning and Construction and working on improving the process of construction permits issuance. Thus, BEP, with NALED, organized and facilitated Roundtables on the draft Decree on Conversion of the Usage Right on the Construction Land to an Ownership Right on June 13 and 27. The Project also did overviews of the key comments, suggestions and amendments received from stakeholders from the private sector and national and local government bodies. With the revisions, the draft Decree should remove one of the biggest obstacles in the construction permitting procedure for some of the most valuable properties in Serbia that were acquired through privatization.



Conversion of Use Rights to Ownership Rights

The extent of the use right and its value as collateral has been questionable. The new draft Decree is the Government's most recent response to this problem. The 2009 Law on Planning and Construction introduced ownership of construction land as a principal basis for the right to build. In most cases, conversion of a use right to an ownership right is to be provided free of charge. However, where the use right was acquired through privatization, bankruptcy or enforcement, the developers pay the difference between the current market value of the land and what they previously paid to acquire the use right. But the conversion process as conceived in the 2009 Law has had mixed results and not many conversions for charge have been completed.

In March 2011 further amendments to the Law on Planning and Construction were enacted to provide that local governments can determine the value of the construction land in their zoning plans, or to have licensed experts conduct appraisals instead of the national Tax Administration. The draft Conversion Decree that followed these amendments attempted to set forth the procedures and rules for conversions, but the draft was flawed. Thus, the MEMSP developed a new draft Decree.

Participants in the roundtables included representatives of business associations (AmCham, Chamber of Commerce, FIC, National Association of Valuers of Serbia), developers (Delta Properties, Port of Belgrade), local governments, consultants (King Sturge, KPMG...), and public agencies (Republic Geodetic Authority, Regulatory Impact Office). Two Assistant Ministers of MEMSP presented the draft and BEP Component 1 Leader Dusan Vasiljevic facilitated a discussion between the Assistant Ministers and the business community participants.

BEP plans to continue to work closely with MEMSP and the business community in order to resolve the remaining issues and also in order to encourage and facilitate future dialogues needed for improvement of business enabling environment. BEP will also monitor the level of efficiency in implementation of the draft Decree on Conversion by monitoring the number of realized conversions.



Construction permits issues were also discussed at a panel discussion during the roundtable “Serbia on the Road to the European Business Standards.” BEP’s Dusan Vasiljevic facilitated this discussion, and speakers included Oliver Dulić, Minister of Environment, Mining and Spatial Planning, Nenad Tesla, Director of the Republic Geodetic Authority, Mile Antić, Coordinator of the Restitution Network, Dragoslav Šumarac, President of the Serbian Chamber of Engineers and Milan Parivodić, President of the Foreign Investor Service. Participants at the roundtable insisted on the need to complete the cadastre registries in the shortest possible time, to continue transfer of responsibilities in the construction permitting system from administration employees to licensed engineers, and to ensure responsiveness of public companies on both Republic and local level in processing construction permitting applications. Land ownership, denationalization and property devolution to local governments, as overarching issues, were stressed by virtually all speakers.

Under Objective 3, Task 1, “**Improve Quality and Quantity of Legislative and Regulatory Reforms,**” in June BEP began the Standard Cost Model study, which will be completed by September 30. BEP also agreed to support the work of the Governmental Office for Regulatory Reform and Regulatory Impact Analysis, with collaboration on detailed regulatory impact assessments (RIA) of laws of critical importance for the business environment, and training of the regulatory bodies’ officials for RIA.

Under Objective 4, Task 2, “**Develop Institutional Framework for Proper Implementation of Competition Policy,**” BEP and the Administrative Court (AC) began developing the plan for the training in the competition protection. Administrative Court representatives requested hands on training with real life examples and case studies on court proceedings in competition protection cases. Since there is no specialization among AC judges, all 33 judges and approximately 40 judges’ associates will need to undergo the training program. The Project also met with Judicial Academy to confirm their willingness to participate in the training of the Administrative Court judges on

Competition policies and practice.

BEP also met with the Commission for Protection of Competition (CPC) to discuss potential BEP assistance after more than two months of attempts to schedule the meeting. Currently, the CPC is not receiving any donor support and no new donor project is envisaged to support the Commission before the beginning of 2012. The CPC representatives were very enthusiastic about getting USAID BEP support building the Commission's capacities. They complained of being understaffed but hope to have a budget for some new experts. The key area where the Commission needs donor support is economic training, in particular economic analysis, provided preferably by regional and international expert practitioners. Other fields of assistance include specialized software and study tours for CPC officials, as well as staff exchange/fellowship programs involving the CPC staff. However, as yet the CPC has not followed up as they agreed to and at this point BEP is uncertain whether the Commission is committed to engage in activities with BEP.

Component 2

Under Objectives 1 and 2, BEP has agreed on a Joint Work Plan with the Ministry of Finance. On May 25, BEP's team met with Dusan Nikezic and Vuk Djokovic, both State Secretaries of the MoF to discuss the Joint Work Plan for the first year of Project implementation. We agreed on the key activities and the main areas of support, in particular supporting the Fiscal Council, strengthening the macro fiscal capacity of the MoF, introducing program budgeting, and providing assistance to the Debt Management Unit. However, it has been difficult to get commitment from the heads of the MoF Departments, and most activities with the MoF have not yet started. The exception is assistance to the Macro Fiscal Department, which will begin in July. The Head of Macro Fiscal Department, Ljubica Markovic, is working with BEP to identify the most suitable expert for this task, based on recommendations from the EU members or candidate members from the region.

However, there is great interest from the Treasury in working with BEP on some of these issues. BEP met with the Deputy Treasurer to discuss the potential assistance to the Treasury, in particular assistance in areas related to debt management improvement. We also analyzed the assistance of the EU Project The Support to National Investment Planning and Implementation to the Treasury and determined potential areas where the two projects can cooperate.

The Importance of the Fiscal Council

In October 2010, as part of the exit strategy from the IMF, Serbia adopted amendments to the Budget System Law, introducing fiscal responsibility rules in order to ensure a long-term sustainability of Serbia's public finances. The law became effective at the beginning of fiscal year 2011. The budget system amendments aim at changing the structure of public spending - the government should ensure it would by 2015 reduce step by step the proportion of pensions to the GDP, and cut down the funds for salaries in the public sector.

Part of the fiscal responsibility strategy was establishment of the Fiscal Council, which was approved by Parliament on March 31, 2011. The role of the FC is to provide an independent assessment of the integrity and reliability of the GoS Budget and an accompanying Fiscal Strategy that will accompany the budget. It does not prepare these materials, but reviews, conducts some analysis and provides comment on them to the Parliament. They also report on the compliance with fiscal rules – making a determination of compliance to satisfy international donors, IMF, and EU.

Although the Fiscal Council is still going through administrative start up, its members have been often been quoted in the press on various spending initiatives (e.g. wage hike demands of the unions). And they have published a brief paper entitled "Fiscal Trends in the Republic of Serbia in 2011 and Compliance with Fiscal Rules."

The short-term impact of the FC is to force more discipline and accountability on the GoS for preparing realizable budget. The longer-term impact is for the FC, through its opinions and reviews, to influence the nature of the budgeting and financial management process – helping to nudge improvements in prioritization, appropriation transparency, strategy development, and overall quality of fiscal management.

Under Objective 1, Task 1, "**Capacity Building Assistance to the Fiscal Council and Improvements to Fiscal Responsibility,**" BEP is providing assistance to the Fiscal Council in starting up and providing complex analysis of budgetary issues. In March the Assembly of the Republic on Serbia appointed the Fiscal Responsibility Council Members Mr. Pavle Petrovic, Mr. Vladimir Vuckovic and Mr. Nikola Altiparmakov. BEP is providing STTA for the Fiscal Council from three Serbian economists in response to their request for urgent assistance to help with setting up and building capacity in reporting and analysis, budget strategy analysis, budget review, and macroeconomic and fiscal modeling and analysis. On June 29, BEP analyzed with members of the Fiscal Council Nikola Altiparmakov and Prof. Petrovic the position of the FC in light of the latest budgetary developments and explored scope for public outreach assistance. Professor Petrovic and Mr. Altiparmakov stated that their analysis of the budget gap now forces the government to deal with the spending cuts and be accountable for its decisions. The analysis of the Fiscal Council has also significantly influenced the position of IMF on the decentralization initiative.

Component 3

Under Objective 1, Task 1, "**Assistance for the Implementation of the new Capital Market Law**" (adopted May 5, 2011, effective November 1, 2011) BEP is helping the Securities Commission develop bylaws for implementation of the Law. Some revisions to the new law that were made by the Ministry of Justice or Parliament have caused some inconsistencies in language and guidelines that we will attempt to clarify. Other clarifications of vague provisions will also be needed, for example in the part of the law regarding prospectuses. BEP is currently recruiting a regional expert to assist with drafting the bylaws.

BEP will also work with the Securities Commission and BELEX on increasing public awareness, transparency, investors outreach and corporate governance improvements. We are planning a Conference on the new Law on Capital Markets in September, to inform the business community on the new Law and highlight the issues that the market participants will face when the new Law comes into force. Also, the Securities Commission will get useful input from market participants about the impact of the new regulatory framework on various segments of the financial market (investment companies,

The New Capital Market Law

While the new Law has some odd provisions and inconsistencies (unfortunately it was substantially modified from the draft prepared by the USAID SEGA Project), there are some important improvements:

- The law puts more emphasis on transparency, control and partially on corporate governance.
- The law is generally harmonized with applicable EU legislation.
- The law also adds new articles regarding auditing, following the Sarbanes-Oxley Act.
- The new law includes an investor compensation scheme in compliance with EU legislation.

investors and business community).

Under Objective 1, Task 2, “**Assistance for the Development of a Legal Framework and Strengthened Enabling Environment for a Commodity Exchange**,” the Project agreed to assist the Ministry of Trade, Agriculture, Forestry and Water Management (MoTAFWM) to develop a new Commodity Exchange Law. On June 21 the Project met with State Secretaries Igor Momcilovic and Vladimir Matovic, and Assistant Minister Dusan Protic, to discuss implementation of the Joint Work Plan. Mr. Momcilovic stated that drafting the Law on Commodity Exchange is a priority and that the Ministry plans to finalize the draft before December 2011 and welcomes BEP’s technical assistance in drafting it.

Under Objective 1, Task 3, “**Assistance for the Development of an Enabling Regulatory Framework for MFIs**,” it appears that any momentum that existed has ceased. The Informal Working Group within the Ministry of Finance that used to be in charge with working on the existing draft law was dissolved at the end of the last year. The formal one (as per request of the National Bank of Serbia) never got formed. In the meantime, due to Government reconstruction, two MoF leaders of the microfinance initiatives - Ms. Diana Dragutinović and Mr. Vladan Manic - left the ministry, as well as their key assistants. Having in mind that the MoF was always understaffed to handle financial sector matters and that no one has been assigned so far to overtake the microfinance issues, including the law drafting, the law is not likely to move forward without additional support.

However, the previous MFI law discussion can be used as a basis for efforts to improve non-bank credit regulation in general. Non-bank credit institutions play an important role in filling in gaps in credit provision and the fears and concerns that are applied to these institutions is born out of a lot of misunderstanding about how to regulate and how to contain risk. Thus, we are currently developing a study of the needs for non-bank finance and experiences in the region.

BEP also made a presentation at the Annual Meeting the Association of Investment Fund Management Companies on June 15. BEP’s team introduced the areas of our focus for this year, including the work plan tasks and the 2011 grants programs. We confirmed mutual willingness to cooperate in the process of development of the new financial market laws and bylaws.

Outreach

During the quarter BEP generated 93 media reports, all with a positive tone. BEP’s outreach activities reached almost 4.5 million people. During the inspections roundtables BEP entered into the field of local media, which are quite interested in BEP and its activities.

BEP has also had meetings with *Econom: east Magazine* (Milan Culibrk, Editor in Chief; Zoran Preradovic, Deputy Editor in Chief; Mirjana Kozma, Director; and Tamara Kostro; Director for Corporate Communication), *Nedeljne Informativne Novine-NIN* (Nebojsa Spaic, Editor in Chief) and *Vreme* (Dragoljub Zarkovic, Editor in Chief, Stevan Ristic, director) to discuss cooperation on outreach on economic policy and business environment reform issues.

A list of media publications is set forth in Attachment 2.

The Government Needs to Listen to Serbian Businesses

USAID new Business Enabling Project aims to help make it easier to do business in Serbia. Project Director Joseph Lowther tells us that “if the Serbian Government really wants to promote private sector growth they need to carefully listen to what the business community is saying about the problems they face because of Government policies and red tape.”

FOR PROFIT magazine we are talking to Mr. Joseph Lowther, Director of USAID Business Enabling Project.

Serbia had negative economic growth in 2009 and only 1.7% in 2010. What can the Business Enabling Project do to increase Serbia's economic growth and create jobs?

Our role is small but I think it is important. The private sector is the engine of economic growth and our mission is to help eliminate barriers to private sector growth. During the last decade growth was created by the private sector, but the growth was consumption-based and it relied on abundant capital flowing into Serbia from abroad. Very little growth was created by manufacturing and other tradable goods, and agriculture also is not near its potential for export growth.

Changing this requires new policies and incentives to attract investment and facilitate exports. It also requires some adjustments in how the Government works with the economy and where it invests its funds. The Government has a leadership role to play to ensure the right conditions, services, and market infrastructure is in place for private businesses to grow. Our project will help with regulatory reform, fiscal policy, and financial sector strengthening. All of these are key elements to attracting more investment and creating more exports.

Serbian Government with help from donors has been working on these types of reforms for over a decade. Why haven't they been successful?

There have been many successes – unfortunately not all of them are given the credit they deserve. Serbia has a modern commercial law framework.

Macroeconomic and financial sector policies were disciplined enough for Serbia to weather the global financial crisis better than other countries in the region. But I would say that today Serbia is at a very important cross-road that could decide the economic fate of the country for many years to come. It needs to move forward with the economic vision that I mentioned above, and it needs to build on its achievements and to ensure that laws and regulations are implemented appropriately and have real positive impact on the economy.

This is where the USAID Business Enabling Project will focus. We will work closely with the Serbian Government – we have joint action plans with several ministries – to train their staff and improve processes, systems and management, just like any private sector business needs to do to improve its operations and services.

Have you been talking with the business community to understand their biggest problems?

Yes, absolutely, and we will continue to do this. When we developed our work plan for the first year of the project we consulted with business associations and reviewed all surveys of businesses, analyses and recommendations from the business community, and studies of Government policies and regulations. During the project we will continue to consult regularly with the business community. For example, we are now having a series of roundtables throughout the country – in Valjevo, Nis, Novi Sad, and Kragujevac – to understand the problems businesses are having with inspections. We will always include our Serbian Government partners in these consultations. I think our Government partners understand that if they really want to promote pri-



Joseph Lowther

vate sector growth they need to carefully listen to what the business community is saying about the problems they face because of Government policies and red tape.

What reforms will your project focus on?

Based on input from the business community and on the Government's commitments our work will include improvements to construction permitting, certain types of inspections, para-fiscal charges, regulations in general, macroeconomic and fiscal analysis, Government budgeting, capital markets, and financial sector strengthening. There are others and we are able to be flexible in adding new areas and eliminating areas if it turns out that our partners are not serious about making the reforms. Also, we are doing a Standard Cost Model study that will show the economic costs of regulations and this may point us to new priorities.

M.P.

Grants

The Grants Manual, which provides clear guidelines, policies and procedures to be used for the solicitation, review, negotiation, award, and management of grants issued under USAID contract, was approved by USAID on April 6, 2011.

BEP requested Modification of the USAID Contract in order to obligate funds for Grants in 2011. Within the Work Plan approval process, the amount of \$400,000 was approved for Grants under Contract, and based on this a contract modification was requested. USAID has approved this modification on June 16, 2011, and the obligated Grants under Contracts line amount is now \$400,000.

Based on the Grants Manual and approved Work Plan, BEP designed its first Annual Program Statement (APS). The APS, with all necessary application forms, was published on June 10, 2011, on BEP's website. So far, several organizations, such as the Center for Liberal-Democratic Studies (CLDS), Economics Institute, Fund for the Advancement of Economics (FREN), BDO Business Advisory, and Belgrade Fund for Political Excellence (BFPE) have contacted BEP regarding possible project ideas for APS. However, we still have not received any Expressions of Interest (EoI) for this APS. BEP is planning to organize an information session regarding the APS in July 2011.

On June 15, 2011, BEP published the Request for Applications for the Business Survey in Serbia. By June 27, which was the deadline for receipt of questions, two potential applicants (Cromer Group and GfK) approached BEP for clarification of some administrative / formal issues.

The Fund for the Advancement of Economics (FREN) has submitted an initial funding request for its Quarterly Monitor (issue 24) in late May 2011. This proposal is considered under the sole source procedure. A full proposal was submitted on June 17, and it was sent to the Selection Committee for review and evaluation. However, this procedure was suspended since there is an unresolved issue between FREN and USAID regarding FREN's sustainability plan. BEP is waiting for guidelines from COTR on this issue.

BEP's Grants Manager delivered an internal training on Grants' policies and procedures for all new staff members of BEP on June 21, 2011.

FINANCIAL REVIEW

The following chart shows the billing to date through the end of June, 2011. This includes the actual costs we have received from the field for the month of June.

	BILLING TO DATE	TOTAL BUDGET	REMAINING BUDGET	PERCENTAGE COMPLETE
Salaries and Wages	\$ 261,343.56	\$ 3,775,847.61	\$ 3,514,504.05	6.92%
Fringe Benefits	\$ 25,480.91	\$ 257,266.33	\$ 231,785.42	9.90%
Overhead	\$ 156,000.72	\$ 2,179,488.59	\$ 2,023,487.87	7.16%
Travel, Transportation, and Per Diem	\$ 22,664.72	\$ 677,806.94	\$ 655,142.22	3.34%
Allowances	\$ 63,398.60	\$ 767,728.31	\$ 704,329.71	8.26%
Other Direct Costs	\$ 152,326.75	\$ 2,378,118.90	\$ 2,225,792.15	6.41%
Equipment and Supplies	\$ 11,409.25	\$ 203,257.20	\$ 191,847.95	5.61%

Participant Training	\$ -	\$ 65,000.00	\$ 65,000.00	0.00%
Subcontracts	\$ 55,305.27	\$ 1,678,842.00	\$ 1,623,536.73	3.29%
Grants Under Contract	\$ -	\$ 2,200,000.00	\$ 2,200,000.00	0.00%
G&A	\$ 89,527.19	\$ 1,697,747.70	\$ 1,608,220.50	5.27%
TOTAL ESTIMATED COST	\$ 837,456.98	\$ 15,881,103.59	\$ 15,043,646.61	5.27%
Fixed Fee	\$ 43,155.12	\$ 815,860.42	\$ 772,705.30	5.29%
TOTAL ESTIMATED COST PLUS FIXED FEE	\$ 880,612.10	\$ 16,696,964.00	\$ 15,816,351.91	5.27%

Progress versus Workplan

BEP's progress versus the Work Plan is set forth in Attachment 3.

Progress versus PMP

BEP's progress versus the PMP is set forth in Attachment 4.

Challenges Encountered and Actions taken to Resolve them

No significant unexpected challenges were encountered during the quarter.

Observations Regarding Implementation

Government and business association partners have reacted very positively to the project and USAID's approach to the project, i.e. a demand-driven and flexible approach. All GoS partners were quite willing to develop and commit to joint work plans with the project. In most cases implementation of the Joint Work Plans is moving forward as planned.

It appears that one of the challenges to successful implementation of the project will be a lack of capacity of the GoS. While we have some talented and dedicated partners in the GoS, there appears to be limited capacity among management to manage reform efforts and limited capacity among bureaucrats to implement reforms. The joint work plans that we enter into with our GoS partners will create a platform to overcome this problem. In addition, we believe that two other elements of the BEP approach will help to surmount this challenge. First, we will focus on finishing a limited number of reforms so that the reforms remain in the spotlight until completion. Second, we will train and mentor our GoS partners on strategic planning, management and change management, as well as implementation of the new processes and procedures so that they can see the reforms through implementation pursuant to action plans.

4. ACTIVITIES PLANNED FOR NEXT QUARTER

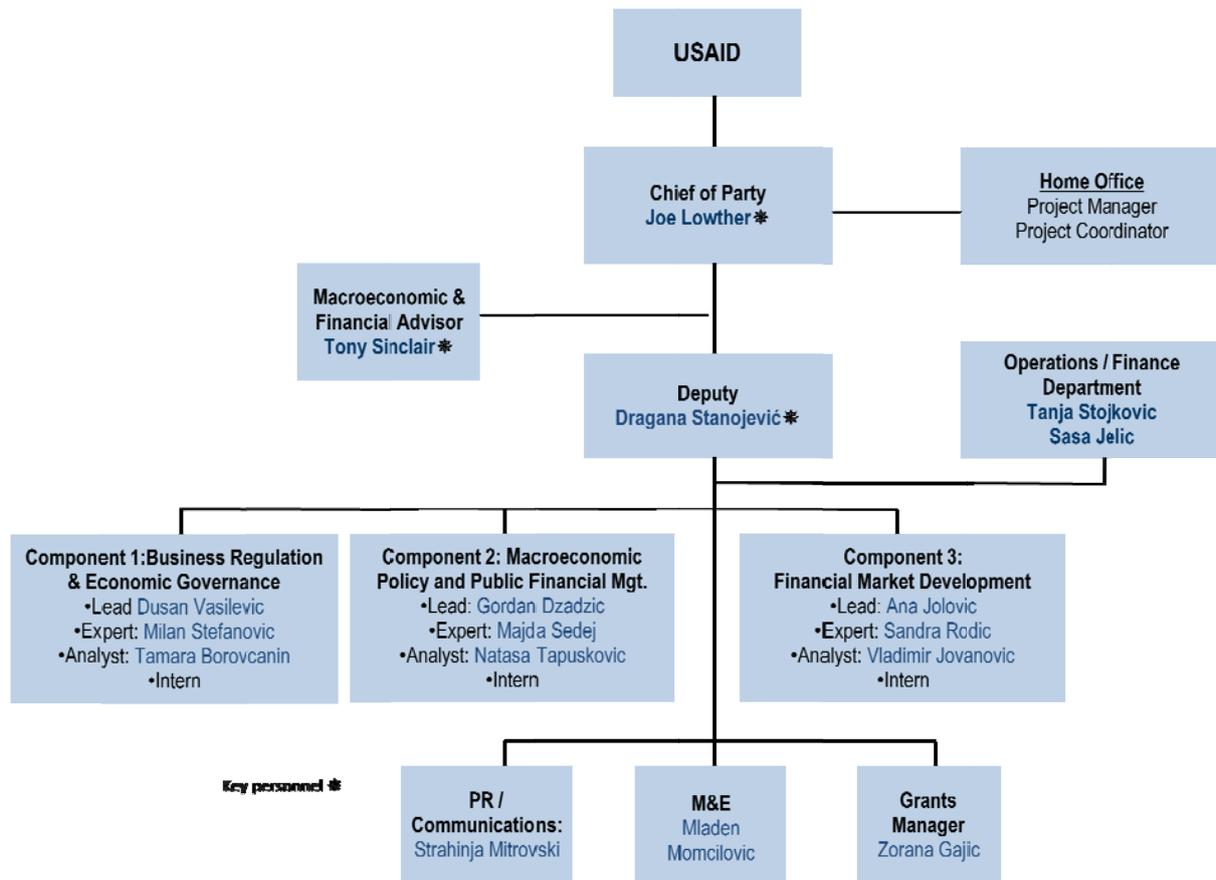
Noteworthy activities for the second quarter of the project, covering July 1 to September 30, 2011, will include:

- Implement Project Activities Database (PAD) to record, analyze and report project data.
- Finalize baseline assessment of the inspections system and organize roundtable introducing the need for inspections reform to key GoS stakeholders.
- Launch policy portal to generate better dialogue on economic policy and business environment issues.

-
- Develop inventory and analysis of cost of charges and fees imposed on businesses by GoS entities and present results to business community, GoS representatives and media.
 - Finalize the bylaws needed to implement the Enforcement Law, develop training program for Professional Enforcement Officers, and conduct roundtable introducing the main features of the Enforcement Law to business community.
 - Conduct survey of business community on policy constraints to competitiveness.
 - Finalize Standard Cost Model Study on the costs of regulatory constraints, including study of cost of anti-competitive practices, and outreach on need to deal with competition constraints.
 - Continuing assistance to Fiscal Council.
 - Educate MoF Budget Department on the use of performance based budgeting.
 - Conduct training for MoF Macro Fiscal Department on macro fiscal policy issues and modeling.
 - Organize workshop for journalists on fiscal policy issues.
 - Conduct diagnosis of MoF's debt management software.
 - Assist MoF and Securities Commission to implement new Capital Market Law, including development of bylaws and guidelines and roundtable introducing the main features of the new Capital Market Law to business community and obtaining feedback.
 - Participate in working group on Commodity Exchange Law and assist in developing a road map for commodity exchange development.

This concludes the narrative section of our Quarterly Report for the second quarter of 2011. Supporting detail is provided in the following attachment exhibits and tables.

ATTACHMENT 1: BEP WORK ORGANIZATION



ATTACHMENT 2: LIST OF MEDIA PUBLICATIONS

Date	Publication/Outlet	Title and description	Reach
12. 05. 2011	Vreme	Inadequate implementation of the law is the biggest problem, Interview Joe Lowther	29000
14. 05. 2011	Blic (Dodatak)	Help for the GoS, interview Dragana Stanojevic	918000
15. 05. 2011	Magazin Biznis	Article about the Project and announcement of the kickoff event	4000
19. 05. 2011	Ekonom:east magazine	Announcement of the USAID BEP kick off	6200
19. 05. 2011	Ekonom:east magazine	Money is not problem, there is no money. Joe Lowther's statement.	6200
21. 05. 2011	Vecernje novosti	Help, Joe Lowther's statement	590000
22. 05. 2011	www.danas.rs	Quasi fiscal charges, Interview Joe Lowther	
23. 05. 2011	Danas	Quasi fiscal charges, Interview Joe Lowther	29000
27. 05. 2011	www.economy.rs	Announcement of the USAID BEP kick off	
27. 05. 2011	www.vesti.rs	Announcement of the USAID BEP kick off	
27. 05. 2011	www.smedia.rs	Announcement of the USAID BEP kick off	
27. 05. 2011	www.novostidana.com	Announcement of the USAID BEP kick off	
27. 05. 2011	www.naslovi.net	Announcement of the USAID BEP kick off	
30. 05. 2011	www.blic.rs	Announcement of the USAID BEP kick off	
30. 05. 2011	www.enovine.info	Announcement of the USAID BEP kick off	
30. 05. 2011	http://vesti.aladin.info	Announcement of the USAID BEP kick off	
30. 05. 2011	www.najvesti.com	Announcement of the USAID BEP kick off	
30. 05. 2011	www.vesti.rs	Announcement of the USAID BEP kick off	
30. 05. 2011	www.infogo.biz	Announcement of the USAID BEP kick off	
30. 05. 2011	www.poslednjavest.com	Announcement of the USAID BEP kick off	

30. 05. 2011	www.smedia.rs	Announcement of the USAID BEP kick off	
30. 05. 2011	www.blokvesti.net	Announcement of the USAID BEP kick off	
30. 05. 2011	http://edukaplus.com	Announcement of the USAID BEP kick off	
30. 05. 2011	www.ekapija.com	Announcement of the USAID BEP kick off	
30. 05. 2011	www.rtvnp.rs	Announcement of the USAID BEP kick off	
30. 05. 2011	www.bizlife.rs	Announcement of the USAID BEP kick off	
31. 05. 2011	Pregled	Improvement of the business environment and finance, Article after the kick off	4000
31. 05. 2011	www.glassrbije.org	Serbia gets 16.7 million \$ to improve business environment, Article after the kick off	
31. 05. 2011	www.glassrbije.org	Serbia gets 16.7 million \$ to improve business environment, Article after the kick off	
31. 05. 2011	www.rtv.rs	16.7 million \$ for the competitiveness improvement, Article after the kick off	
31. 05. 2011	www.blic.rs	Kalanovic: Novi model rasta privrede za konkurentnost na svetskom tržištu	
31. 05. 2011	www.srb.time.mk	Kalanovic: New model for the economy growth and competitiveness improvement, Article after the kick off	
31. 05. 2011	www.ekapija.com	Serbia gets 16.7 million \$ to improve business environment, Article after the kick off	
31. 05. 2011	www.vesti.rs	Kalanovic: New model for the economy growth and competitiveness improvement, Article after the kick off	
31. 05. 2011	www.capital.ba	Serbia gets 16.7 million \$ to improve business environment, Article after the kick off	
31. 05. 2011	www.smedia.rs	Kalanovic: New model for the economy growth and competitiveness improvement, Article after the kick off	

31. 05. 2011	www.enovine.info	Kalanovic: New model for the economy growth and competitiveness improvement, Article after the kick off	
31. 05. 2011	http://vestisrbija.info	Kalanovic: New model for the economy growth and competition improvement, Article after the kick off	
31. 05. 2011	www.najvesti.com	Kalanovic: New model for the economy growth and competitiveness improvement, Article after the kick off	
31. 05. 2011	www.kurir-info.rs	Serbia gets 16.7 million \$ to improve business environment, Article after the kick off	
31. 05. 2011	www.emg.rs	Serbia gets 16.7 million \$ to improve business environment, Article after the kick off	
31. 05. 2011	http://vesti.aladin.info	Serbia gets 16.7 million \$ to improve business environment, Article after the kick off	
31. 05. 2011	www.poslednjavest.com	Serbia gets 16.7 million \$ to improve business environment, Article after the kick off	
31. 05. 2011	http://vesti5.net	Serbia gets 16.7 million \$ to improve business environment, Article after the kick off	
31. 05. 2011	www.naslovi.net	Serbia gets 16.7 million \$ to improve business environment, Article after the kick off	
31. 05. 2011	www.infogo.biz	Kalanovic: New model for the economy growth and competitiveness improvement, Article after the kick off	
31. 05. 2011	www.economy.rs	USAID Business Enabling Project was officially launched	
31. 05. 2011	www.glas-javnosti.rs	Serbia gets 16.7 million \$ to improve business environment, Article after the kick off	
31. 05. 2011	www.danas.rs	USA helps Serbia improve its business environment	
31. 05. 2011	RTS 1	USAID is financing new Project with \$16.7 million	
31. 05. 2011	TV Palma plus	Serbia gets 16.7 million \$ to improve business environment, Article after the kick off	

31. 05. 2011	RTS 1	USAID Business Enabling Project was officially launched	
31. 05. 2011	www.serbia-business.com	USAID Business Enabling Project was officially launched	
31. 05. 2011	www.poslovnojutro.com	USAID Business Enabling Project was officially launched	
01. 06. 2011	Vecernje novosti	No constraints for the businesses	590000
01. 06. 2011	Danas	USA helps Serbia improve its business environment	29000
01. 06. 2011	Kurir	The number of the day	480000
01. 06. 2011	Pregled	Improve the business' competitiveness	4000
01. 06. 2011	TV Avala	USAID Business Enabling Project was officially launched	
01. 06. 2011	www.bifonline.rs	USAID Business Enabling Project was officially launched	
01. 06. 2011	www.rts.rs	Program for the competitiveness	
01. 06. 2011	www.vestidana.rs	Program for the competitiveness	
01. 06. 2011	www.najnovijevesti.rs	Program for the competitiveness	
01. 06. 2011	www.kragujevaconline.rs	Program for the competitiveness	
01. 06. 2011	www.tanjug.rs	USAID Business Enabling Project	
02. 06. 2011	Ekonom: east magazine	Five years initiative	6000
02. 06. 2011	Napred	Advice instead of the fees	
03. 06. 2011	www.glassrbije.org	IZVOZNI MODEL PRIVREDNOG RAZVOJA	
03. 06. 2011	www.novci.rs	USAID Business Enabling Project	
04. 06. 2011	Blic (Dodatak)	\$16.7 million for the economy	918000
04. 06. 2011	TV B92	USAID Business Enabling Project was officially launched	
06. 06. 2011	Vecernje novosti	Stronger dinar pushes export oriented business	590000
06. 06. 2011	www.b92.net	Euro strikes back	
06. 06. 2011	www.novosti.rs	Stronger dinar pushes export oriented business	
07. 06. 2011	Ekonometar	\$16.7 million for the economy from the USAID	4000
07. 06. 2011	www.rpkns.com	Inspections reform	
07. 06. 2011	TV5 Niš	Inspections reform, Joe Lowther	
07. 06. 2011	NTV Niš	Inspections reform, Joe Lowther	
07. 06. 2011	BelleAmie	Inspections reform, Joe Lowther	
07. 06. 2011	TV Zona	Inspections reform is necessary, Joe Lowther	
08. 06. 2011	Pregled	More controls than the businesses	4000

08. 06. 2011	Narodne novine	Prevention instead of fees	
08. 06. 2011	www.rpknis.rs	Inspections reform is necessary	
08. 06. 2011	www.cityofnis.rs	Inspections reform is necessary	
12. 06. 2011	www.tehnologijahrane.com	Inspections reform	
15. 06. 2011	Profit	The Government Needs to Listen to Serbian Businesses	4000
15. 06. 2011	Profit	The Government Needs to Listen to Serbian Businesses	4000
15. 06. 2011	Magazin Biznis	Public private dialogue is necessary	4000
17. 06. 2011	TV Kanal 9 (KG)	Inspections reform, Joe Lowther	
20. 06. 2011	www.rtk.co.rs	Inspections reform	
23. 06. 2011	www.sumadijapress.com	Numerous inspections without effects	
24. 06. 2011	www.vibilia.rs	USAID Business Enabling Project was officially launched	
07. 07. 2011	www.037info.net	Inspections reform	

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ATTACHMENT 3: PROGRESS VERSUS WORKPLAN

Component 1: Business Regulation and Economic Governance				
Task	Activities	Activity Period	Deliverables	Status
Objective 1: Improve and streamline business regulation				
1. Improve Inspections Operations and Organization	Conduct an overall baseline assessment of the inspections system in Serbia.	April-July 2011	Baseline Assessment on Inspections	Assessment in progress. Roundtables in five municipalities completed. Review of laws and bylaws in progress. Will be completed by September 2011.
	Provide technical assistance for implementation of 2010 recommendations for streamlining inspections that GoS has adopted, including: a) the appointment of the Coordination Body for inspections reform and b) development of the Inspections Reform Strategy and Action Plan	April-October 2011	Strategy and Action Plan	Initiative to establish a coordination body in progress. Expected in the Fall. Support to the coordination body to be provided for development of the Strategy and Action Plan.
	Assist the implementation of the Inspections Reform Strategy, including increasing transparency, streamlining regulations, establishing coordination between inspections and decreasing the number of steps and procedures.	October 2011-April 2012	Pilot public web based portal for inspections; Report on reduction of number of procedures and steps	Activity scheduled for the period of October 2011-April 2012
2. Remove or reduce quasi fiscal burdens to businesses	Develop an inventory and analysis of cost of charges and fees imposed on businesses by GoS entities	April-June 2011	Inventory of Charges and Fees	Call for grant applications underway, inventory and analysis to be completed in October.
	Facilitate stakeholders' discussion on the cost and lack of predictability and certainty of charges and fees on local and national level and develop solutions	May-July 2011	Issue-Tracker; Report on proposed solutions	Activity to begin as soon as the inventory and analysis are completed.
	Advocate for changes in relevant legislation and practice	July-November 2011	Media and other communications; Roundtables and Conferences	Activity to begin as soon as the inventory and analysis are completed.
	Assist in preparation of legislative and procedural solutions, based on stakeholders	November	Legislation to	Activity scheduled for the period of

Component 1: Business Regulation and Economic Governance

Task	Activities	Activity Period	Deliverables	Status
	dialogue	2011 – March 2012	remove or limit charges and fees	November 2011 – March 2012.
3. Assist implementation of the Law on Enforcement (adoption expected in April)	Finalize the bylaws needed for the implementation of the Enforcement Law	April-July 2011	Enforcement bylaws drafted and adopted	Ongoing. Project participates in the MoJ working group. The activity is planned to last until the May 2012.
	Develop and conduct training program for future Private Enforcement Officers (PEOs) and procedure for appointment of PEOs	April 2011 – November 2011	Training program (app. 300 PEOs trained)	This activity is on hold at the moment. However the MoJ expressed high level of interest for the implementation of the preparatory training and keeps asking for the technical assistance in this area.
	Develop system for appointment and supervision of PEOs, including establishment of MoJ unit to oversee PEOs (training and procedures), organize exam	April 2011 – April 2012	MoJ Enforcement Supervision Unit operational First PEOs exam	Ongoing, in the form of preparation of bylaws for the Enforcement Law. The establishment of the MoJ Regulatory Unit is expected in the Fall.
4. Streamline Construction Permitting	Conduct research on Construction Permits Procedures Priority Constraints and facilitate stakeholders dialogue to develop priority list and action plan for improvements in legislation and practice	April 2011 – February 2012	Report on Construction Permits Procedures Priority Constraints; Issue-Tracker and Action Plan	Stakeholders dialogue ongoing, particularly on the conversion issue. Research will be completed by the end of 2011.
	Assist the Ministry of Environment and Spatial Planning (MESMP) in developing bylaws and Official Opinions for the proper implementation of the new Law on Planning and Construction	April 2011 – April 2012	Bylaws and Official Opinions drafted and adopted / issued	Ongoing – focus on conversion decree and PPP in construction decree. Adoption of the first one seems imminent and of the second one expected by the end of the year.
	Conduct pilot RIA for selected MESMP bylaws	April 2011 – April 2012	Pilot RIA conducted	First RIA expected to be on PPPs in construction, expectedly in October 2011.
Objective 2: Business Effectively Partners with Government in developing and implementing regulatory reforms				

Component 1: Business Regulation and Economic Governance

Task	Activities	Activity Period	Deliverables	Status
1. Improve Public Private Dialogue	Facilitate improved dialogue between the GoS and businesses on regulatory reforms (on-going activity)	April 2011 – April 2012	Quarterly Coordination Meetings, Workshops & Roundtables, Business reps appointed members of Drafting Work Groups in comm. law area	Ongoing – 5 roundtables on inspections reform and 2 on conversion decree already organized.
	Conduct an Annual Survey of Business Community on major regulatory constraints	April 2011 – July 2011	2011 Survey Results on Major Constraints to businesses	Ongoing – on July 5 we received three grant applications for survey conduct and we are in the process of selecting the grantee (deadline July 20). Results expected in September 2011.
1. Improve Quality and Quantity of Legislative and Regulatory Reforms	Conduct an Overall Standard Cost Model Study on the costs of regulatory constraints for doing business in Serbia	April 2011 – July 2011	Overall Standard Cost Model Study on business constraints	Ongoing – results expected in September 2011. List of 180 procedures to be assessed developed and first procedures completed.
	Assist the GoS Secretariat in developing transparent Annual Legislative Action Plan	May 2011 – April 2012	Annual Legislative Action Plan Developed and publically available	Activity to start in September – results expected after November 2011.
	Assist the GoS Secretariat in streamlining drafting procedures and making them fully inclusive and transparent	May 2011 – April 2012	Amendments to the GoS Rules of Procedure New methodologies for inclusive and transparent drafting	Activity to start in September – results expected after November 2011.
	Assist in drafting and adoption of the National Strategy and Action Plan for 2011 - 2012	November 2011 – March 2012	Regulatory Reform Strategy and Action plan	Activity scheduled for November 2011 – March 2012

Component 1: Business Regulation and Economic Governance				
Task	Activities	Activity Period	Deliverables	Status
	Support preparation of RIA for selected legislation (ongoing activity)	April 2011 – March 2012	Regulatory impact assessments	First RIA for a bylaw is expected in October 2011 – most likely on Decree on PPPs in Construction.
Objective 4: Improve GoS competition policy and capacity to implement that policy				
1. Develop basis for improvements in competition policy and oversight	Apply Standard Cost Model to measure cost of anti-competitive practices	April 2011 – July 2011	Report on Cost of anti-competitive practices	This activity will start in November 2011.
	Dialogue on competition impeding factors and costs of anti-competitive practices: GoS, Competition Commission, business community and general public	July 2011 – Sept. 2011	Presentations, advocacy and PR activities	This activity will start in November 2011.
	Outreach on the need to deal with competition constraints outside of the realm of monopolies	June 2011 – December 2011	Media outreach; Workshops, Roundtables	This activity will start in November 2011.
2. Develop institutional framework for proper implementation of competition policy	Develop Curriculum and train Administrative Courts judges and the Supreme Court judges involved in second instance procedures related with competition regulations	Sept. 2011 – April 2012	Training for Judiciary of the first and appellate instances	This activity is scheduled for September 2011 – April 2012
Communications and Outreach Activities				
1. Support implementation of the new Company Law (adoption expected by June)	Assist GoS in drafting bylaws needed for the implementation of the provisions on Corporate Governance in the new Company Law	October 2011 – January 2012	Bylaws	This activity is scheduled for the period of October 2011 – January 2012.
	Develop Curriculum and train Commercial Court judges on implementation of the new Company Law	October 2011 – April 2012	Training for Judges	This activity is scheduled for the period of October 2011 – January 2012.
	Information dissemination on the company law to business community	Sept. 2011 – April 2012	Brochure, media outreach	This activity is scheduled for the period of September 2011 – January 2012.
Outreach to General Public on the findings of the SCM Study and the Annual Business Survey (Task 2 and 3)		Sept 2011-ongoing		This activity is scheduled for the period after September 2011.
Organize outreach activities to promote need for implementation of inspection reforms (Task 1.1)		June 2011-		Ongoing – started with five

Component 1: Business Regulation and Economic Governance				
Task	Activities	Activity Period	Deliverables	Status
		ongoing		inspections reform roundtables.
	Raise awareness of decision makers on implications of para-fiscal impositions on competitiveness of Serbian economy (Task 1.2)	Sept 2011-ongoing		This activity is scheduled for the period after September 2011.
	Raise awareness on competition constraints and their cost (Task 4.1)	Oct 2011-ongoing		This activity is scheduled for the period after October 2011.
	Assist outreach campaign on the importance and benefits of the new enforcement system (Task 1.3)	May 2011-ongoing		The action plan that MoJ has agreed with, sets the outreach campaign for the early Fall 2011.
	Enable journalists to learn more about economic topics and economic reforms needed in Serbia (Task 2.1)	Ongoing		Ongoing – all inspections roundtables included media information element.
	Promote regulatory reform initiatives (maintaining regular contacts with media, designing the content and maintaining the BEP website, communicating regularly with USAID)	Ongoing		Ongoing.
	Information dissemination on corporate governance to business community (Task 5.1)	Ongoing		Ongoing.
Gender Integration Activities				
	Inclusion of gender analysis in RIA	Ongoing		
	Analysis of gender impact of legislation and regulations supported by Project	Ongoing		

Component 2: Macroeconomic Policy and Public Financial Management				
Task	Activities	Activity Period	Deliverables	Status
Objective 1: Improve GoS budgeting, fiscal policy analysis, and financial management efficiency				
1. Capacity building assistance to the Fiscal Council and Improvements to fiscal responsibility	Assistance with the establishment of operational guidelines and policies	Ongoing all year	FC Operational Guidelines	Ongoing. Providing STTA and advice from Project staff to FC.
	Assistance with the development of a public communications/outreach operation and strategy	Jun – Oct 2011	Communications strategy	FC is still in early stage of set up – it is not ready to absorb this support. We will likely pursue external initiatives to support awareness building of the role of FC's
	Assistance with the development of a framework for enforcing fiscal rules and	Jul – Dec 2011	Enforcement Regime	The FC was not granted

Component 2: Macroeconomic Policy and Public Financial Management

Task	Activities	Activity Period	Deliverables	Status
	compliance with Budget Law		Advisory Report	enforcement powers, thus our support for this may not be requested.
2. Assistance to the GoS General Secretariat to improving budget coordination and performance management	Assistance to the General Secretariat on developing performance indicators and options for improving the coordination of GoS budgeting, investment, and financing activities.(See also support provided in Component 1)	Sept 2011	Advisory notes	Work started on this and we started to review existing performance indicators. However, both BEP and SIDA project believe more high level strategic development is needed by the government and the decentralization initiative has cast some doubt on whether the support is rightly timed right now. There are ongoing discussions about having a joint high level event to engage the PM's office in addressing strategic budgeting as a precursor to doing more substantive work on performance measurement.
3. Improvements to Fiscal Analysis and Strategy by the MoF	Capacity building assistance to the Macro Fiscal Department on macroeconomic forecasting and analysis to support fiscal responsibility EU pre-accession requirements, and overall fiscal strategy development	Intermittent through year	Briefing papers and technical notes; Econometric Model	Ongoing. We are planning to have experts provide training and consultation in the first/second week of September.
	Study tour to 1-2 countries in the region to learn how to apply fiscal analysis to policymaking processes (e.g. Croatia, Slovenia, and/or Austria)	Oct-Nov 2011	Study Tour	Not started.
	On-site training to Macro-Fiscal Department on fiscal policy analysis and impact modeling	Intermittent through year	Technical workshops and advisory sessions	Not started. The focus right now is on preparing structural deficit projections and related training.
4. Assist the MoF Budget Department to develop capacity for improved transparency and program budgeting	Comparative practices study on the use/application of performance-based budgeting	May – June 2011	Advisory Report on Comparative Practices and Benchmarks	Not started. We are waiting to see how far the IMF takes its program in this area and waiting for Component 2 Team Leader to come on board and have discussions in Serbian with Budget Director.

Component 2: Macroeconomic Policy and Public Financial Management

Task	Activities	Activity Period	Deliverables	Status
	Assistance with benchmarking and research on performance indicators for select government programs and subsidies and assist the Budget Department to develop indicators for measuring program performance	June-July 2011	Advisory Report on Performance Measurement	Not started. Budget Department has not established a new unit and its staff has not been ready to undertake this work. – see also above on work at General Secretariat.
	Inter-ministerial workshop on the results of the research and key policy prescriptions for integrating the results to develop a framework for program budgeting	September-October 2011	Workshop	Related to last task.
	Training on program budgeting to Budget Department staff (if a new unit is established as recommended by the IMF) and selected line ministries.	Intermittent during yr	Training and materials	New unit has not been established yet
5. Improvements to Fiscal Policy, Strategy and Analysis	Provide support to FREN for implementation of its new business plan	May– Dec 2011	Will depend on nature of support	Ongoing. We have had numerous meetings and discussions about the business plan and we are now waiting for the outcome of USAID's review of the draft business plan.
	Quarterly workshops for journalists in public finance (possible cooperation with BIRN NGO)	Intermittent during year	Workshops	We have started to plan an event that will happen by mid July.
	Design and conduct 2-3 specialized policy-focused studies on relevant fiscal issues engaging local think tanks and economic institutes	TBD	Research advocating policy changes	Ongoing. We are engaged in developing/designing the research outlines for studies on national savings and are seeking to develop on the cost of poor debt management. Work will likely be funded through grants
Objective 2: Improve public debt management and conditions for government financing				
1. Improving conditions for public listing of government debt (See also Component 2)	Development of procedures and processes supporting the public listing of GoS debt	Oct – Mar 2011	Action plan	Ongoing. We conducted a market assessment to identify the barriers to public issuance but found that the main barriers are in the re-opening processes and have had a number of discussions/meetings on the topic. The DMA has not been readily

Component 2: Macroeconomic Policy and Public Financial Management				
Task	Activities	Activity Period	Deliverables	Status
				accessible, however, and we may need to re-assess our work in this area
	Development of an action plan and strategy for development of a primary dealer market for government debt	Dec-Mar 2011	Action plan	Not started. The DMA has not been readily accessible.
Objective 3: Improve macroeconomic policy and strategy				
1. Tactical Assistance to advance the GoS macroeconomic strategy	Design and development of a study of reform options for improving the national net savings rate – a key underpinning of the new growth model	Fall	Policy Reform Report	Ongoing. We are creating the research outline now and the grant RFQ
	Conduct analysis, facilitate dialogue and conduct outreach on reforms to reduce the shadow economy	Ongoing	Media publications	We have started with a review of any existing research on the grey economy. But we may wait till the results of the business survey come in. The survey will help inform the research outline for this area.
Communications and Outreach Activities				
	Support to the Fiscal Council on outreach and communication strategy	When FC established		FC is still in early stage of set up – it is not ready to absorb this support. We will likely pursue external initiatives to support awareness building of the role of FC's
	Press and media events associated with the results of select studies	All year		Pending completion of planned research and survey

Component 3: Financial Market Development				
Task	Activities	Activity Period	Documentary Deliverables	Status
Objective 1: Increase capital available to businesses through creation of a regulatory framework for NBFIS				
1. Assistance for the implementation of	Support to MoF (Ministry of Finance) and Securities Commission (SC) to respond to enquiries and promote public acceptance of the new capital markets laws (enactment	April-July 2011	Various – briefs and	Ongoing. Currently assisting SC PR department to prepare and

Component 3: Financial Market Development				
Task	Activities	Activity Period	Documentary Deliverables	Status
the new Capital Markets Law	expected March 11)		advisory notes	organize conference (September/October) to promote Capital Market Law and bylaws. Already completed - translation of the Capital Market Law, which important for foreign investors (available on SC and BEP webpage and will be posted on BSE web page).
	Assist with the development of selected bylaws and supporting regulatory directives and guidelines to guide implementation of the law	All year	Legal drafts Outlines of By-laws drafted	Ongoing. Currently assisting SC legal department with drafting bylaws. Recruiting STTA to provide assistance from July to September 2011. Working on assessing implementation of IOSCO principles.
	Provide roundtables/workshops for industry practitioners and journalists on the new law	April – October	Training materials	Activity scheduled for October - December.
2. Assistance for development and implementation of other capital market-related laws	Assistance with the implementation of law and development of by-laws for the new Investment Fund Law (enactment expected September 11)	Sept – Mar	Legal drafts Outlines of By-laws drafted	Activity scheduled for September – March 2012.
	Training to the SC and market participants on the new Investment Fund Law	Dec-Feb	Training materials	Activity scheduled for December – February 2012.
3. Assistance for the development of an enabling regulatory framework for MFIs	Participate in and facilitate continuation of the working group on MFI's	April-Nov	Ongoing process of drafting law	Postponed. We are waiting for new staff to come on at MoF who will cover FS activities. However, it is possible MoF is not likely to work on the law this year due to other priorities. Meanwhile, we have shifted focus on this to overall research in SME finance situation, which we plan to be the basis for

Component 3: Financial Market Development				
Task	Activities	Activity Period	Documentary Deliverables	Status
				an article or platform for advocacy for improving access to finance in general. Will continue to look for opportunity to push and correct law.
	Provide advisory assistance to complete and finalize the law for parliamentary consideration and provide support for enactment	April – Dec	Recommendations and legal analysis	Postponed.
	Conduct a research “Lessons learned on MFIs in the region”	May- July	Case study research	Ongoing. Already completed small scale in-house research.
	Assist the MoF to develop a supervisory framework for MFI's and train staff on consumer protection and market conduct regulation	April – into Yr. 2	Supervisory Framework Report Workshops	Postponed.
	Assist the MoF to develop a public education strategy to strengthen market discipline of MFI lending practices	Feb-Mar Year 2	Public Education Brochure	Postponed.
	Provide a study tour in on commodity exchanges functioning, supervision and clearing	July	Study tour	Activity scheduled for the last quarter of 2011.
4. Assistance for the development of a legal framework and strengthened enabling environment for a commodity exchange	Participate and contribute to the working group on commodity exchange law	Apr 2011 - Mar 2012	Commodity Exchange Law	Ongoing. MoTA requested our help with development of a law, working with a working group. However, new working group has not yet been formed and it appears instead they want a market evaluation and some form of design recommendations to get started. We may be able to help, but we need to have request be explicit from the Min. We have requested that and wait. Meanwhile, we are doing some desk top regional/EU research that will become part of a portfolio of resources we provide to the

Component 3: Financial Market Development				
Task	Activities	Activity Period	Documentary Deliverables	Status
				working group when it is formed. Currently working with the Ministry on the initial stage outlining the process. Conducting in-house research on commodity exchanges in Europe.
	Outreach to educate stakeholders on development of commodity exchange	Sep-Nov 2011	Media materials; Produktna berza website content; written communications	Activity scheduled for end of the year.
	Assist in developing a road map for the commodity exchange development and help the Produktna Berza Novi Sad address selected technical issues to support exchange development	April-July 2011	Feasibility study	Ongoing. Recruiting STTA to provide assistance during August to October 2011.
Objective 2: Strengthen integrity of the capital markets by ensuring equity issuers and brokers comply with securities laws				
1. Assistance to build capacity of the Securities Exchange Commission in brokerage and investment fund supervision	Training and train-the-trainer sessions for the SC on supervision of securities intermediaries and investment funds	May-Aug 2011	Training materials and course	Activity scheduled to start after adopting bylaws.
	Two training workshops for market participants (brokerages and investment funds) on compliance with the new Capital Markets Law	July – Oct 2011	Training materials and course	Activity scheduled to start after adopting bylaws.
Objective 3: Improve GoS access to finance through development of a long-term, liquid public debt market				
1. Assistance to identify and develop the key regulatory criteria for developing a government debt market	Technical assessment with Debt Mgt. Administration, Belgrade Stock Exchange, and Central Registry to identify constraints to public listing of government debt and re-opening operations.	June 2011	Technical brief and action plan	Ongoing. Currently working on data collection and in-house research on identifying constraints for public debt market development and research on primary dealers.

Component 3: Financial Market Development				
Task	Activities	Activity Period	Documentary Deliverables	Status
	Assistance to the SC to develop listing and disclosure criteria for municipal debt	Feb 2011	Draft listing and disclosure requirements	Pending. Currently there are changes in SC, so no estimation as to when the activity can start.
Objective 4: Strengthen public-private dialogue on the financial sector and its role in economic development				
1. Facilitation of increased debate and analysis of the financial sector	Public Roundtable or sponsored-session in Kopaonik meetings FY 2012: "Financial Sector Development and It's Role in Economic Growth and Poverty Alleviation in Serbia"	March 2011	Conference	Activity scheduled for March 2012.
	Outreach on financial sector development and its role in economic growth and poverty alleviation	Ongoing	Media materials; journalist training; roundtables	Ongoing. Currently preparing conference with SC.
Objective 5: Strengthen disclosure and transparency supporting new investment by assisting the GoS to implement required accounting, audit and disclosure standards				
No activities planned in Year 1.				
Communications and Outreach Activities				
	Support for promotion and education on the new capital markets law	April-October		Ongoing. Currently outlining several round tables. Translation of the Capital Market Law completed.
	Communications activities related to conference on financial sector development	March		Ongoing. Currently working on and preparing conference with SC.
	Communication related to development of MFIs	July -March		Pending.
	Communication related to development of commodity exchanges	September - April		Activity schedule to start from November.

ATTACHMENT 4: PROGRESS VERSUS PERFORMANCE MONITORING PLAN

Objectives	Indicators	Data Collection Method	Schedule of Collection	Baseline Value/ Source	Targets Years 1-5	Status
Mission Assistance Objective: Create A More Competitive Market Economy						
	Decrease in the "Burden of Government Regulations" addressing Government Inefficiency	WEF GCI Reports	Annual	2010: 2.33 (This baseline dates back to the WEF GCI 2010 field data conclusion that took place in May 2010, and will be replaced by the one from May 2011, when the actual USAID BEP activities commenced, to be found in the WEF GCI 2011 report to be published before the end of 2011). Applicable to all indicators coming from the WEF GCI Reports	Yr 1: 2.33 Yr 2: -2.33 Yr 3: 2.47 Yr 4: 2.60 Yr 5: 2.74	None. 2011 WEF GCI Scheduled for Jan 2012.
	Decrease in costs for businesses to comply with regulatory framework	Standard Cost Modeling (SCM)	Annual	Baseline to be conducted by 15. September of Yr1.	Yr 1: 5% decrease Yr 2: 5% decrease Yr 3: 5% decrease Yr 4: 5% decrease Yr 5: 25% total of decrease	None. First SCM results scheduled for Sep 2011.
	Increase in Foreign Direct Investment	National Bank of Serbia (NBS)	Annual	2010: 3.3% of GDP	Yr1: FDI at 3.3% of GDP Yr2: FDI at 3.3% of GDP Yr3: FDI at 4% of GDP Yr4: FDI at 5% of GDP Yr 5: FDI at 6% of GDP	None. NBS stats for 2011 scheduled for Feb 2012.
	Improvements in the Open Budget Index ("OBI") Score as reported by the International Budget Partnership	OBI Survey	Bi-Annual	2010: 54	Yr 1: - n/a Yr 2: -n/a Yr 3: OBI score 54 Yr 4: n/a Yr 5: OBI score 57	None. Next OBI Survey results scheduled for March 2013.
	Improved Government Budget Balance as percentage of GDP	MoF (changed from "WEF GCI" due to the change of targets	Annual	2010: -4.1 %	Old targets: Yr 1: - 4.4% Yr 2: - 4.0 %	None.

Objectives	Indicators	Data Collection Method	Schedule of Collection	Baseline Value/ Source	Targets Years 1-5	Status
		coming from the Law on Budget)			Yr 3: -3.9 % Yr 4: -3.7 % Yr 5: -3.6% The targets are changed due to newly established fact that the fiscal rules defined by the Law on Budget sets the following targets for budget deficit reduction over the five-year period: New targets: Yr1: 4.1% of GDP Yr2: 3.2% of GDP Yr3: N/A Yr4: N/A Yr5: -1% of GDP	
	Improved score in WEF GCI "Financial Market Sophistication" Indicator	WEF GCI reports	Annual	2010: 3.9	Yr1: 3.9 Yr2: 3.95 Yr3: 3.98 Yr4: 3.99 Yr 5: 4	None. 2011 WEF GCI Scheduled for Jan 2012.
	Credit to private sector as a percentage of GDP	National Bank of Serbia (NBS)	Annual	2010: 40%	Yr 5: 60%	None. NBS stats for 2011 scheduled for Feb 2012.
Component 1: Business Regulation and Economic Governance Improved						
1. Improve and streamline business regulation lowering the costs to businesses and government from business regulations	Reduction in inspections related costs to businesses	Standard Cost Modeling (SCM)	Annual	Baseline to be conducted by 15. September of Yr 1	TBD	None. First SCM results scheduled for Sep 2011.
	Number of Professional Enforcement Officers trained, passed the exam, and ready to get appointed'	MoJ Data	Annual	N/A	Yr 2: 300	None. Trainings to commence in the Fall 2011.
	Number of days to enforce a judgment	World Bank Doing	Annual	2010: 635	Yr 3: 530	None.

Objectives	Indicators	Data Collection Method	Schedule of Collection	Baseline Value/ Source	Targets Years 1-5	Status
		Business Report		This baseline dates back to May 2010, published in the Fall of 2010, and will be replaced by the one from May 2011, when the actual USAID BEP activities commenced, to be found in the WB DB Report 2011 to be published before the end of 2011. Applicable to all indicators coming from the WB DB.	Yr 4: 475 Yr 5: 417	The new WB DB results scheduled for January 2012.
	Number of days dealing with constructions permits	World Bank Doing Business Report	Annual	2010: 279	Yr 5: 220	None. The new WB DB results scheduled for January 2012.
	Business perception of the burden of laws and regulations improves	Project Survey	Annual	Baseline to be conducted by the end of September of Year 1	TBD	None. The Survey results scheduled for end September 2011.
2. Business effectively partners with Government in developing and implementing regulatory reforms	Increase in business sector participation on laws improving regulatory environment	Project Survey (a.k.a. USAID BEP Business Survey)	Annual	Baseline to be conducted by the end of September of Year 1	Yr 5 : 50% increase in the engagement of the business sector in improving the regulatory environment	None. The Survey results scheduled for end September 2011.
	Quality of regulatory environment introduced and sustained	Project Survey (a.k.a. USAID BEP Business Survey)	Annual	Baseline to be conducted by the end of September of Year 1	Yr 5 : Perception of the quality of the regulatory environment improves 25%	None. The Survey results scheduled for end September 2011.
	Number of public private dialogue mechanisms/ events created by the project	Project Reports	Annual	N/A	Yr1: 3 Yr2: 5 Yr3: 5 Yr4: 5 Yr5: 2	So far seven round tables took place.

Objectives	Indicators	Data Collection Method	Schedule of Collection	Baseline Value/ Source	Targets Years 1-5	Status
3. Improve and support the regulatory review process and RIA process	Number of (change: add 'substantial' as there are many RIAs without much of importance) RIAs conducted by GoS	Project Reports/ Office of Regulatory Reform Reports	Quarterly	2010: 82	<u>Old targets:</u> Yr 1: 90 Yr 2: 100 Yr 3: 140 Yr 4: 160 Yr 5: 180 The targets are changed due to newly established knowledge regarding the RIA process; hence the new following targets are established: <u>New targets:</u> Yr 1: 10 Yr 2: 15 Yr 3: 20 Yr 4: 25 Yr 5: 30	8 RIAs conducted so far.
	Business perception of transparency and predictability increases	Project Survey (a.k.a. USAID BEP Business Survey)	Annual	Baseline to be conducted by the end of September of Year 1	TBD	None. The Survey results scheduled for end September 2011.
4. Improve the Government's competition policy and capacity to implement the policy	Number of members of the Commission for the Protection of Competition, Administrative and Supreme Courts judges trained in implementation of the Competition Law	Project Reports	Quarterly	N/A	Y1: 25 Y2: 25 Y3: 35	None. Trainings to commence in the Fall 2011.
	Improvement in WEF GCI "Anti-Monopoly Policy" addressing Competition	WEF GCI reports	Annual	2010: 2.76	Yr 5: 3.6	None. 2011 WEF GCI Scheduled for Jan 2012.
5. Improve corporate governance standards, policies and regulations	Number of Corporate Governance OECD Principles complied with in Serbian	Project Survey/ OECD Reports	Annual	Baseline to be conducted by the end of November Yr1.	Target TBD by the end of September Yr1.	None. The next analysis of the compliance

Objectives	Indicators	Data Collection Method	Schedule of Collection	Baseline Value/ Source	Targets Years 1-5	Status
	legislation					level scheduled for April 2013.
	Number of Commercial Court judges trained in implementation of the Company Law	Project Reports	Quarterly	N/A	Yr 1: 20 Yr 2: 30 Yr 3: 40 Yr 4: 50 Yr 5: 60	None. Trainings to commence in the Fall 2011.
2. Macroeconomic Policy and Public Financial Management Enhanced						
1. Improve GoS budgeting, fiscal policy analysis, and financial management efficiency	Improvement in the quality of Medium Term Budgeting and Prioritization	Project Reports	Annual	No effective budgeting framework is in place	Budgets among ministries are better reflected of their strategic priorities. Reporting is much more credible. Yr 1: Fiscal Strategy Report contains estimates of potential GDP Yr2: FSR contains estimates of structural deficit Yr3: FSR contains estimates on tax expenditures	None. Initial results due before end 2011.
	PEFA Multi- Year Score perspective in fiscal planning , expenditure policy and budgeting	PEFA Assessment	Annual/ Results published every 3 years	2010: Scored C	Yr 5: Score B	None. The 2013 PEFA Assessment scheduled for November 2013.
	PEFA Assessment Score on predictability in the availability of funds for government expenditures	PEFA Assessment	Annual/ Results published every 3 years	2010: Scored C+	Yr 5: Score B	None. The 2013 PEFA Assessment scheduled for November 2013.
	Number of articles published in the area of fiscal policy... (added clarification:	Project Report	Monthly	N/A	Yr5: 5	None. Initial results due

Objectives	Indicators	Data Collection Method	Schedule of Collection	Baseline Value/ Source	Targets Years 1-5	Status
	...containing research and analysis provided through BEP assistance that support changes in fiscal policy)					before end 2011.
	Quality of public dialogue and debate on macroeconomic and fiscal issues	Project Report (Telephone survey by C2)	Annual	Baseline to be conducted by the end of Yr1. by reaching out to the set sample of the C2 GoS partners with a question: "Do you think that there is functioning public dialogue and debate on macroeconomic and fiscal issues improved this year ? If yes how would you grade it from 1 to 5 (where 5 is the best) "	Yr 5: 50% improvement from baseline assessment	None. Baseline to be conducted by the end of Yr1. The following survey to be done before end 2012. (Media branch took place in 7/11).
2. Improve public debt management and conditions for Government financing	Value of dinar denominated debt	Statistics Office	Annual	2010: Value of dinar debt is 14% of total borrowing	Yr 5: Proportion of borrowing increases to 20%	None.. Statistics Office stats for 2011 scheduled for Feb 2012.
	<i>Government initiates a public issue of debt</i>	Statistics Office /Project Report	Annual	<i>No Public Issuance has been done yet</i>	Yr 5: Public Issuance occurred	None. Statistics Office stats for 2011 scheduled for Feb 2012.
3. Improve macroeconomic policy and strategy	Improvements in WEF GCI on "Macroeconomic Environment" addressing Nation's Savings Rate	WEF GCI reports	Annual	2010: 7.2	Yr 5: 15	None. 2011 WEF GCI Scheduled for Jan 2012.
	Number of published studies and articles containing research and analysis provided through BEP assistance that support changes in macroeconomic policy	Project Report	Annual	N/A	Yr1: 2 Yr2: 5 Yr3: 8 Yr4: 8 Yr5: 6	None. Initial results due before end 2011.
	Quality of public dialogue and awareness of macroeconomic reform and policy making	Project Report (Telephone survey by C2)	Annual	Baseline to be conducted by the end of Yr1. by reaching out to the set sample of the C2 GoS partners with a question: "Do you think that there is functioning public dialogue	Yr 5: 50% improvement from baseline assessment	None. Baseline to be conducted by the end of Yr1. The following survey

Objectives	Indicators	Data Collection Method	Schedule of Collection	Baseline Value/ Source	Targets Years 1-5	Status
				and awareness of macroeconomic reform and policy making? If yes, how would you grade it from 1 to 5 (where 5 is the best) "		to be done before end 2012.
	Number of person hours of training of GoS staff on macroeconomic policy and public financial management topics	Project Reports	Annual	N/A	Yr1: 500 Yr2: 1000 Yr3: 1000 Yr4: 750 Yr5: 300	None. Initial results due in September 2011.
Component 3: Increased Financial Market Development						
1. Increase capital available to business through the creation of a regulatory framework for NBFIs	Number of person hours of training of journalists from publications that cover business (Source: Project Reports)	Project Report	Annual	N/A	Yr 1: 400 Yr.2: 800 Yr 3: 800 Yr 4: 800 Yr 5: 400	None. Trainings to commence in the Fall 2011.
	Improved access to finance	Project Survey (a.k.a. USAID BEP Business Survey)	Annual	Baseline to be conducted by the end of September of Yr1.	TBD	None. The Survey results are due by end of September 2011.
	Status of the legal and market framework for a commodities exchange	Project Report/MoF Report	Annual	Regulatory framework currently not in place	Yr 2: Commodities exchange law and regulatory framework established Yr 3 : Establishment of the commodities exchange	None. Promulgation of the new legislation expected in Yr2.
2. Strengthen integrity of the capital markets by helping the GoS to build capacity to ensure equity issuers and brokers comply with securities laws	Number of intermediaries trained and advised about upcoming securities laws	SEC and Project Report	Annual	Majority of intermediaries trained and advised	Annual levels: Will depend on the speed of implementation of new law and agreement w/ Securities Commission and MoF By end of project: Yr5: 75% of intermediaries	None. The results are due by January 2012.

Objectives	Indicators	Data Collection Method	Schedule of Collection	Baseline Value/ Source	Targets Years 1-5	Status
					trained and advised on changes and benefits brought by new securities laws	
	Number of financial regulators trained in non-bank regulatory matters	Project Report	Annual	N/A	<p>Annual levels: Will depend on training schedules agreed w/ counterparts and topics.</p> <p>By end of project: At least 75% of all staff from the Securities Commission, MoF, and NBS who carry out a regulatory function in the non-banking sphere.</p>	None. To be determined when the relevant intervention will take place.
3. Improve the GoS to access finance through the development of long term, liquid debt public market	Value of dinar denominated debt	Statistics Office	Annual	2010: Value of dinar debt is 14% of total borrowing	Yr 5: Proportion of borrowing increases to 20%	None.
	Issuance of public debt through a primary dealer network or other distribution mechanisms	MoF or Project Report	Annual	Currently no public debt issuance through primary dealer network or other distribution mechanisms	Yr 3: Occurrence of issuance of public debt through a primary dealer network or other distribution mechanisms	None.
4. Strengthened public-private dialogue on the financial sector and its role in economic development	Increased awareness of the role of the financial sector in economic development	Project Survey (a.k.a. USAID BEP Business Survey)	Annual	Baseline to be conducted by the end of September of Yr1.	Yr 5: 50% increase in awareness	None. The Survey results scheduled for end September 2011.
5. Strengthen the disclosure and transparency supporting new investment by assisting the GoS to implement required accounting, audit and disclosure standards	Compliance with IOSCO standards in areas of securities intermediaries and equity issuance improves	Project and IOSCO Reports	Annual	<p>Since compliance with IOSCO was not calculated previously BEP Component 3</p> <p>Team has prepared in depth report on IOSCO compliance as of February Yr1. Compliance is</p>	Yr 5: Compliance improves to 60% or better	The new compliance rate due January 2012.

Objectives	Indicators	Data Collection Method	Schedule of Collection	Baseline Value/ Source	Targets Years 1-5	Status
				currently evaluated to be around to 50%		
4. Business-Education Partnerships Developed (PENDING APPROVAL)						
1. Identify business education needs related to enterprise, financial sector and government management	Selection of coursework priorities, staffing and educational partnerships	Project Reports	Annual	N/A	Yr 2 - Educational priorities and partnerships with the business community established	N/A
	Number of universities selected to participate	Project selection criteria	Annual	N/A	Year 2 - 2 undergraduate programs selected Year 5 - 1 Masters program selected	N/A
2. Develop a framework for business education partnership activities	Framework for international partnership for curriculum and program development established	Project Reports	Annual	N/A	Yr 5 - International joint education partnerships established on the undergraduate and graduate levels	N/A
	Number of Serbian educators trained	Project Reports	Annual	N/A	Yr 5 - 50-75 educators trained	N/A
3. Create sustainable business education partnerships	Status of the joint advisory board	Project Reports	Annual	N/A	Yr 5 - Joint Advisory Board and Curriculum Resource Center established	N/A

