



USAID
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USAID'S BUSINESS ENABLING PROJECT

FINAL REPORT 2011

10 January 2012

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USAID'S BUSINESS ENABLING PROJECT

FINAL REPORT 2011

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Cardno Emerging Markets USA, Ltd.

Submitted to:

USAID Serbia

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1. EXECUTIVE SUMMARY

The first year of USAID's Business Enabling Project was very successful, with all aspects of the Year 1 Work Plan accomplished. The project identified a clear set of priority reforms, conducted extensive research and analysis in those priority areas, obtained the Government of Serbia's buy-in and commitment to those reforms, and achieved some important intermediate results.

The project identified priority reforms by working diligently to understand the needs of the private sector and Government of Serbia (GoS). BEP helped business representatives and the GoS identify priorities that are based on the greatest obstacles to private sector growth and competitiveness, with quantitative and qualitative evidence to support the priorities. For example, BEP completed a survey of 1,000 Serbian businesses and a Standard Cost Model Study. BEP's support for evidence-based prioritization and advocacy will continue throughout the project. After conducting the analysis of the most important reforms, BEP discussed with GoS ministries the activities that the GoS is committed to undertake on a timely basis.

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.

The project's approach includes an emphasis on outreach and advocacy to push the GoS to undertake reforms. Thus, the project began outreach on reforms, particularly during meetings with counterparts. The project also prepared templates for documents that were approved by USAID, as well as handouts on the project and content for USAID Serbia's website. The project was publicly 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.

BEP also provided a substantial amount of technical assistance, training, analysis and public-private dialogue:

- BEP organized and facilitated five regional roundtables on inspections, two roundtables on the Decree for Conversion of Usage Rights in Land to Ownership Rights, four Access to Finance Roundtables,
- BEP completed and publicized the Standard Cost Model Study and Survey of Businesses.
- BEP implemented mechanisms to distribute current project information to stakeholders and spur dialogue on policy issues, including www.policycafe.rs, and www.bep.rs.
- BEP helped the Securities Commission develop and enact bylaws for implementation of the Capital Markets Law.
- BEP provided the Fiscal Council with training and technical assistance to meet its obligations to ensure fiscal discipline.
- BEP conducted a Review of the Public Debt Authority's (PDA) Debt Management System (TRASSET) and Submitted the Report to the Treasury and the PDA.
- BEP helped the GoS establish a Working Group for Inspections Reform.

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- BEP helped the GoS Office for Regulatory Reform and Regulatory Impact Assessment (RRO) develop a new Strategy for Regulatory Reform and Action Plan for 2012 to 2015.

2. 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 and as discussed below Cardno has proposed to eliminate this activity and use available resources to add new Tasks to Components 1, 2, and 3, and add a new cross-cutting activity (Public Sector Capacity Building).

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 First 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. In May, 2011, the Project entered into Joint Work Plans with its eight GoS counterparts and its overall Work Plan was approved by the GoS.

Current Status of Affairs

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.

The Project has excellent cooperation with its business association partners, experts, and most government partners. All partners greatly appreciate BEP's approach to identify priority reforms and specific solutions through diligent research and public private dialogue, as well as BEP's ability to tailor solutions to the needs and circumstances of each particular government partner. BEP's emphasis on outreach and transparency also is having a great impact; for example, inspections reform which was moribund for 10 years, has become a GoS priority after BEP's major outreach campaign and roundtables throughout Serbia.

Some of our GoS partners continue to be dogged by management issues, and are unable to timely complete tasks. For example, the Ministry of Justice is constantly behind schedule on developing bylaws and undertaking other tasks necessary to implement the Law on Enforcement on schedule. BEP's new cross-cutting activity "Capacity Building for GoS Partners" aims to improve this situation.

Key Achievements to Date

BEP is accomplishing all aspects of its Work Plan. Activities and achievements during 2011 included:

- **Work Organization:** BEP was organized for efficient delivery of technical assistance and streamlined administration with four components supported by three cross-cutting staff and an administrative team. This allows the component teams to focus on identifying and managing priority activities and delivering technical assistance. The component teams engage with Government of Serbia (GoS) and private sector counterparts on a daily basis and will manage delivery of technical assistance through grants and local and expatriate technical assistance. Dedicated resources will focus on the cross-cutting functions that apply to all three components: public outreach and communications; monitoring and evaluation; and grants management. Three components have been activated; the fourth component – Business Education Partnerships – is on hold pursuant to USAID's instructions.
- **Understanding the Needs of Principal Local Partners:** Rather than taking an aggressive lead in defining strategy and launching activities, BEP has, for sustainability, purposely taken one step back at its outset, to first identify the priorities of the private sector and GoS. While both private sector representatives and the GoS have previously set forth reform priorities, in many cases the priorities were lengthy lists often unsupported by evidence. BEP has helped business representatives and the GoS identify priorities that are based on the greatest obstacles to private sector growth and competitiveness, with quantitative and qualitative evidence to support the priorities. BEP's support for evidence-based prioritization and advocacy will continue throughout the project. After conducting the analysis of the most important reforms, BEP discussed with GoS ministries the activities that the GoS is committed to undertake on a timely basis. The meetings we had with GoS, private sector and expert partners are listed in Attachment 2 below. By proceeding in a demand-driven manner and supporting prioritization with substantial analysis, BEP will have a greater chance of success and our ongoing partnership with our local partners will help them become effective implementers of reforms.
- **Outreach Activities:** The project began outreach on reforms, particularly during meetings with counterparts. The project also prepared templates for documents that were approved by USAID, as well as handouts on the project and content for USAID Serbia's website.
- **Meetings with Other Donors:** A priority for BEP implementation is collaboration with other donors, both to avoid duplication and to achieve the scale of activities required for systemic impact. A series of meetings was initiated with other donors and GoS ministries, in order fully to map all projects current and planned that are related to BEP priorities.

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- **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.
 - **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, coorganized 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.

- **BEP completed and publicized the Standard Cost Model Study and Survey of Businesses.** The Standard Cost Modeling Study prepared by USAID BEP consultants showed that Government-mandated administrative requirements cost Serbian businesses €1.35 billion, which is 4.2 percent of Serbia's Gross Domestic Product (GDP). The Business Survey of 913 businesses is the first large-scale business survey in Serbia to focus on business environment issues and it will be repeated annually. BEP presented the results to all major Serbian business associations and to GoS representatives prior to public release of the results, and both the business associations and GoS agreed to use the results to develop short-term and medium-term priorities for reforms. On November 17, USAID BEP presented the findings of the Standard Cost Model study and Business Survey to over 120 attendees and 15 media outlets at an event in Belgrade. The event was opened by Deputy Prime Minister Verica Kalanovic and Deputy Chief of Mission in Serbia Lee Litzenberger. The event also included a film of business persons speaking about major constraints for doing business in Serbia, presentations by USAID BEP Chief of Party Joe Lowther and Expert Branko Radulovic, and a panel of economists Vladimir Gligorov, Jurij Bajec, Danica Popovic and Aleksandar Vlahovic. The event generated more than 70 media reports.
- **BEP implemented mechanisms to distribute current project information to stakeholders and spur dialogue on policy issues.** BEP launched www.policycafe.rs, an interactive website to disseminate research, data, and analysis on policy issues and provide a forum for online dialogue between stakeholders and experts on the issues. The BEP Project Website (www.bep.rs) is constantly updated with news about the project, grant opportunities, and other information.
- **BEP organized Access to Finance Roundtables in Novi Pazar, Nis, Subotica, and Sabac.** The main goal of the series of roundtables is to understand the problems that SMEs are facing in obtaining finance, and to provide businesses with more information on less-used financing products that are available at the market. The roundtables also provide valuable inputs from the businesses on the commonly used collateral, other sources of financing, technical capacity in financial planning, financial risk, and transaction costs. Businesses cited several obstacles including: high collateral requirements; short loan repayment periods; required bank guarantees; long loan approval periods; banks' poor understanding of business specifics; and liquidity problems.



- **BEP helped the Securities Commission develop and enact bylaws for implementation of the Capital Markets Law.** The bylaws address Investment Firms, Prospectus, Transparency and Disclosure, Market Abuse, and Investor Protection Fund, among other important issues. The Securities Commission and BEP developed the bylaws in compliance with the deadlines set forth in the Law on Capital Markets, and they were discussed with interested stakeholders. BEP helped the Securities Commission in its consultation with the Ministry of Finance, and the Ministry approved the bylaws. The Ministry of Finance issued the opinion that there are no objections regarding the constitutionality and legality of those bylaws, and they entered into force on December 3, 2011.
- **BEP provided the Fiscal Council with technical assistance to meet its obligations to ensure fiscal discipline.** The support is developing the human and institutional capacity of the Fiscal Council to facilitate good fiscal planning, accountability, and credibility of public finances in Serbia. The head of the Fiscal Council, Professor Pavle Petrovic, presented the Fiscal Council's opinion on the Budget Rebalance by relying on BEP analyses. BEP also assisted the Fiscal Council in econometric review and assessment of the new Fiscal Strategy that was prepared and submitted by the Ministry of Finance. This expert assistance included on-the-job training for the Fiscal Council staff to increase the capacity of the Fiscal Council to analyze important fiscal issues and communicate the analysis to the National Assembly and the general public.
- **BEP conducted a Review of the Public Debt Authority's (PDA) Debt Management System (TRASSET) and Submitted the Report to the Treasury and the PDA.** BEP prepared the recommendations on functionality, calculations, and efficiency of TRASSET use, as well as on organizational and process strengthening opportunities. The PDA intends to implement the recommendations outlined in the report with BEP's advisory assistance, which will ensure that the PDA will have more accurate and readily available reporting and would use the debt management system more efficiently.
- **BEP followed up the regional roundtables and national roundtables on inspections by helping the GoS establish a Working Group for Inspections Reform.** BEP helped to draft the Government Decision establishing the Working Group, which includes Deputy Prime Minister Kalanovic as Chairperson, Ministers Petrovic, Dulic, Ciric, and Ljajic, and State Secretary in the Ministry of Finance Nikezic. USAID BEP is providing technical assistance to the Working Group to develop the Inspections Reform Strategy.
- **BEP helped the GoS Office for Regulatory Reform and Regulatory Impact Assessment (RRO) develop a new Strategy for Regulatory Reform and Action Plan for 2012 to 2015.** The strategy was sent to all ministries and competent bodies of the Government of the Republic of Serbia, for comments, and it was posted on web-pages of the relevant institutions and organizations for public consultations. Furthermore, as a part of the public discussion process, BEP and RRO co-organized a roundtable on the Strategy. Deputy Prime Minister Verica Kalanovic opened the roundtable, and over 70 business representatives and experts discussed the draft.

Explanation on Deviation in Implementation of the Work Plan

There were no deviations from the Work Plan. The project is accomplishing all of activities, with the exception of activities relating to competition policy (uninterested counterpart) and microfinance (no interest by GoS, which caused the project to focus on SME finance). USAID has been notified of this situation with counterparts and approved the shifts in focus.

3. PERFORMANCE MANAGEMENT

PMP indicators applicable to Year 1 have been met, as set forth in Annex 3.

Component 4 of the Project has been eliminated pursuant to BEP's recommendations and USAID's agreement, and new tasks and activities have been added under the three components of the project.

Previous additions to the Work Plan and rationale include:

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- New activities under Component 1, Objective 1, Task 4 (Streamline Construction Permitting) to take advantage of opportunities to improve dissemination of urban and spatial plans.
 - A new Task under Component 2, Objective 2, Assistance to improve debt management systems, analysis, and capacity. Activities under this task would include TRASSET Review and MIS Strengthening and Assistance to Strengthen Organization and Skills Capacity of the PDA.

In December 2011, BEP proposed further additions to the work plan, with Component 4 to be deleted. The additions and rationale are as follows:

- A new Task under Component 1, Objective 1: Reduce the Burden of Employing Workers. This will help reduce the costs and risks that employers face when employing staff and will help increase flexibility in the labor market. BEP's Survey of Businesses, the Foreign Investors Council's White Book, and other studies demonstrate that wage taxes and contributions and labor policies are among the major obstacles to private sector competitiveness.
- A new Objective: Create Enabling Environment for Public Private Partnerships. A new Law on Public Private Partnerships (PPPs) and Concessions was passed in late 2011, and BEP has been asked to help the Government, local governments, and other stakeholders to implement the new law. The law has the potential to mobilize capital and other resources to solve some of the most important economic and social issues that Serbia faces.
- A new Activity under Component 1 Objective 2, Task 1: Assist Development of New SME Strategy. The Ministry of Economy and Regional Development has requested USAID BEP's help in developing a new strategy, and we believe that our assistance can greatly improve the strategy. SMEs and Entrepreneurs make up 99.8% of employees and drive economic growth. But they face more difficulties in dealing with regulations and accessing finance and do not receive proper attention from the GoS.
- A new Task under Component 2, Objective 2: Assistance to Improve Debt Management Systems, Analysis and Capacity. The Public Debt Authority (PDA) is under increasing pressure to accelerate reforms because of the growing risks that are associated with GoS financing and the potential adverse impact poor debt management can have on the economy – in terms of increased cost of capital, conflicts with monetary policy, and crowding out private sector financing. USAID BEP has received repeated requests to provide assistance in a number of critical areas, including improving capacity, analysis, debt management skills, and IT systems. In its initial Work Plan, USAID BEP included limited assistance to improve conditions for public listing of government debt under Objective 2, Task 1, but proposes to add a new Task 2 to improve debt management systems analysis and capacity.
- A new Objective under Component 3: Increasing Access to Finance for SMEs. Although the Contract Scope of Work and Project Work Plan included only minor assistance to increase access to finance for Small and Medium Enterprises (SMEs), BEP's dialogue with SMEs and its Survey of Businesses demonstrate that the lack of finance for SMEs is a major barrier to firm competitiveness and to economic growth in Serbia. USAID BEP has engaged in a study of barriers to access to finance and is preparing a white paper with recommendations across most of the supply and demand side policies, regulations, procedures and factors that impact access to finance. To implement these recommendations BEP proposes to add this new Task.
- A new Cross-Cutting Activity: Public Sector Capacity Building. This Activity will support human resource and operations improvements in Components' counterparts. A lack of capacity in our GoS partner institutions is a major barrier to proper implementation of the laws, regulations, and procedures that BEP works on. Management of organizations, implementation projects, and staff is substandard in most partners, and staff is ill-equipped to deal with development and implementation of strategies, legislation and procedures. Thus, USAID BEP proposes to focus on public sector capacity building through this new cross-cutting activity.

Deletions to the Work Plan and rationale include:

- We previously requested that USAID consider revising the project's work plan and scope of work to delete or scale back work in competition policy. USAID has agreed to eliminate this work.
- Component 4, Business-Education Partnerships. Pursuant to USAID's instructions, this

Component was not started and will be eliminated.

4. BUDGET EXECUTION

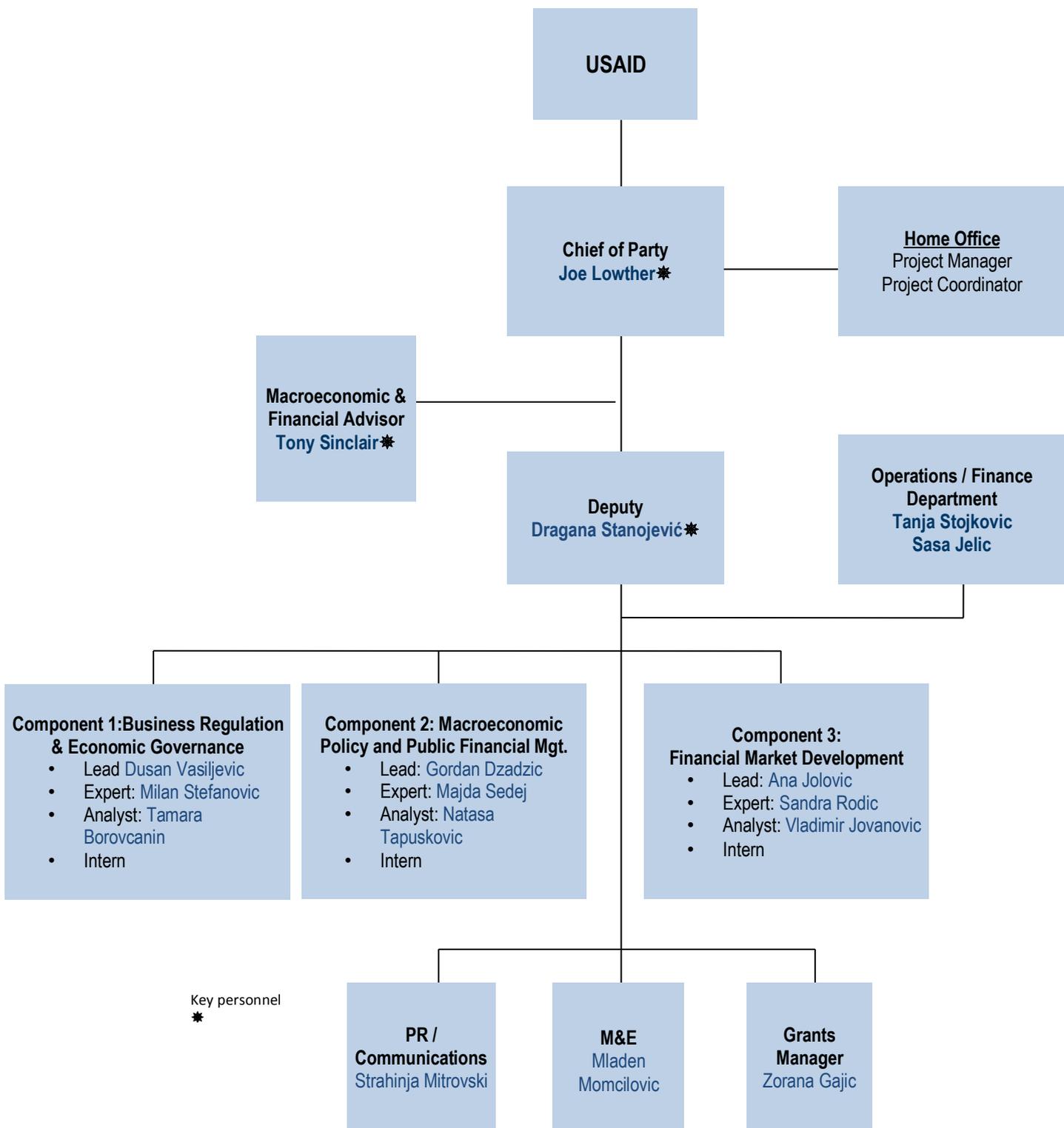
	BILLING TO DATE	TOTAL BUDGET	REMAINING BUDGET	PERCENTAGE COMPLETE
Salaries and Wages	\$ 667,731.69	\$ 3,775,847.61	\$ 3,108,115.92	17.68%
Fringe Benefits	\$ 58,769.85	\$ 257,266.33	\$ 198,496.48	22.84%
Overhead	\$ 398,859.37	\$ 2,179,488.59	\$ 1,780,629.22	18.30%
Travel, Transportation, and Per Diem	\$ 51,157.87	\$ 677,806.94	\$ 626,649.07	7.55%
Allowances	\$ 166,433.98	\$ 767,728.31	\$ 601,294.34	21.68%
Other Direct Costs	\$ 345,986.73	\$ 2,378,118.90	\$ 2,032,132.17	14.55%
Equipment and Supplies	\$ 58,030.18	\$ 203,257.20	\$ 145,227.02	28.55%
Participant Training	\$ 3,298.12	\$ 65,000.00	\$ 61,701.88	5.07%
Subcontracts	\$ 245,525.82	\$ 1,678,842.00	\$ 1,433,316.18	14.62%
Grants Under Contract	\$ 85,476.36	\$ 2,200,000.00	\$ 2,114,523.64	3.89%
G&A	\$ 229,316.69	\$ 1,697,747.70	\$ 1,468,431.01	13.51%
TOTAL ESTIMATED COST	\$2,320,407.89	\$15,881,103.59	\$13,560,695.70	14.61%
Fixed Fee	\$ 120,709.69	\$ 815,860.42	\$ 695,150.73	14.80%
TOTAL ESTIMATED COST PLUS FIXED FEE	\$2,441,117.58	\$16,696,964.00	\$14,255,846.42	14.62%

5. ADMINISTRATION AND PROJECT MANAGEMENT

The project organizational chart is attached as Annex 1.

In addition, BEP's intern program was approved by USAID and launched. BEP has two interns assisting the project: one working on strategic communications and administration, and the other assisting the three components with research tasks.

ANNEX 1: BEP WORK ORGANIZATION



Key personnel
*

ANNEX 2: LIST OF COUNTERPARTS/BENEFICIARIES

BEP entered into Joint Work Plans with the following GoS institutions:

- General Secretariat of the Government, 0113633481
- Ministry of Agriculture, Trade, Forestry and Water Management, office@minpolj.gov.rs , 0112120493
- Ministry of Environment, Mining and Spatial Planning, kabinet@mprpp.gov.rs , 0113617717
- Ministry of Finance, kabinet@mfin.gov.rs, 0113613245
- Ministry of Justice, kontakt@mpravde.gov.rs 0113616381
- Office for Regulatory Reform and Regulatory Impact Assessment, 0112855286
- Securities Commission office@sec.gov.rs 0113115118
- Fiscal Council (independent body), kabinet@fiskalnisanet.rs, 0113338205

Other counterparts:

- American Chamber of Commerce, pavic@amcham.rs, 011 308 8132
- Association of Consulting Engineers of Serbia, andrea@aces.rs 011 380 88 61
- Association of Serbian Banks, ubs@ubs-asb.com 011 302 0760
- Balkan Center for Regulatory Reform, office@bcrr.org.rs 0113232572
- Balkan Investigative Reporting Network (BIRN), office-at-birn.eu.com 011 6 5555 92
- Center for Liberal-Democratic Studies, office@clds.rs 011324 6666
- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), giz-serbien@giz.de
- Foundation for the Advancement of Economics (FREN), office@fren.org.rs 011 302 1069
- Foreign Investors Council (FIC), office@fic.org.rs 011 303 5550
- NALED-National Alliance for local Economic Dev. naled@naled-serbia.org 0113347634
- Regional Chamber of Commerce Novi Sad, 021 4802 072
- Securities Commission, office@sec.gov.rs 011 311 5118
- Serbian Association of Employers, info@poslodavci.org.rs 011 31 60 248
- Serbian Association of Managers- SAM, office@sam.org.rs 011 3087605
- Serbian Chamber of Commerce, kabinet@pks.rs 011 3300 902

ANNEX 3: 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 ¹	Yr 1: 2.33 Yr 2: -2.33 Yr 3: 2.47 Yr 4: 2.60 Yr 5: 2.74	2.34 (From new WEF GCI 2011-2012 Report) (to become updated baseline & targets to be updated)
	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	2011 Total Administrative Burden: RSD 99,68 billion (3.33% of GDP) ² (to become updated baseline & targets to be updated)
	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 due by the end of Q1 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 some time before the end of 2012.

¹ These as all other WEF GCI 2010-2011 values found in this PMP were used as PMP baselines in April 2011. Then these were the only ones available and were used as illustrative values. These were to be replaced with the WEF GCI 2011-2012 as these become available in autumn of 2011, as these are covering the period up to Spring 2011 and thus are more matching to the period of the BEP’s activities commencement at the beginning of 2011.

² Total Administrative Burden for 2011 as measured by the Standard Cost Model is RSD 99,68 billion (3.33% of GDP).

Objectives	Indicators	Data Collection Method	Schedule of Collection	Baseline Value/ Source	Targets Years 1-5	Status
	Improved Government Budget Balance as percentage of GDP	MoF (changed from "WEF GCI" due to the change of targets coming from the Law on Budget)	Annual	2010: -4.1 % (projected)	Yr 1: - 4.4% Yr 2: - 4.0 % Yr 3: -3.9 % Yr 4: -3.7 % Yr 5: -3.6%	-4.4 % (actual fiscal deficit) (to become updated baseline & targets to be updated) Factual value for 2011 due by the end of Q1 2012.
	Improved score in WEF GCI "Financial Market Sophistication" Indicator (Now called "Financial Market Development")	WEF GCI reports	Annual	2010: 3.9	Yr1: 3.9 Yr2: 3.95 Yr3: 3.98 Yr4: 3.99 Yr 5: 4	3.74 (From new WEF GCI 2011-2012 Report) (to become updated baseline & targets to be updated)
	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 due by the end of Q1 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	Number of commercial laws and regulations simplified and implemented in accordance with international standards as a result of USG assistance	Project Reports	Annual	2011: 3	2011: 3 2012: 10 2013: 10 2014: 10 1015: 10 2016: 3 ³	This is a new Indicator proposed by COTR.
	Reduction in inspections related costs to businesses	Standard Cost Modeling (SCM)	Annual	Baseline to be conducted by 15. September of Yr 1	TBD	Performed SCM calculation for this area was insufficient, hence a new indicator to be suggested with data coming from the Project Survey.
	Number of Professional Enforcement Officers	MoJ Data	Annual	N/A	Yr 2: 300	None.

³ Project will end 3 months into the 2016 fiscal year

Objectives	Indicators	Data Collection Method	Schedule of Collection	Baseline Value/ Source	Targets Years 1-5	Status
	trained, passed the exam, and ready to get appointed'					Trainings yet to commence.
	Number of days to enforce a judgment	World Bank Doing Business Report	Annual	2010: 635 ⁴	Yr 3: 530 Yr 4: 475 Yr 5: 417	635 (From the new WB DB Report for 2011) (same as the projected baseline hence no need for any change)
	Number of days dealing with constructions permits	World Bank Doing Business Report	Annual	2010: 279	Yr 5: 220	279 (From the new WB DB Report for 2011) (same as the projected baseline hence no need for any change)
	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	17% of businesses agree that there was improvement (From the new USAID BEP Project Survey 2011) (to become updated baseline & targets to be updated)
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	19% of businesses agree that there was improvement (From the new USAID BEP Project Survey 2011) (to become updated baseline & targets to be updated)
	Quality of regulatory environment introduced and	Project Survey	Annual	Baseline to be conducted	Yr 5 : Perception of the	No result reported.

⁴ This as all other WB DB 2010 values found here were taken as PMP baselines back in April 2011, for illustrative purposes, only to be replaced with the WB DB 2011 values that cover the period up to spring 2011, that became available in autumn 2011, and thus are more matching to the period of the BEP's activities commencement at the beginning of 2011.

Objectives	Indicators	Data Collection Method	Schedule of Collection	Baseline Value/ Source	Targets Years 1-5	Status
	sustained	(a.k.a. USAID BEP Business Survey)		by the end of September of Year 1	quality of the regulatory environment improves 25%	Proposed deletion of the indicator as too broad.
	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 12 round tables took place.
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	Old targets: 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: New targets: Yr 1: 10 Yr 2: 15 Yr 3: 20 Yr 4: 25 Yr 5: 30	17 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	23% of businesses agree that transparency and predictability increased (From the new USAID BEP Project Survey 2011) (to become updated baseline & targets to be updated)
4. Improve the Government's competition policy and capacity	Number of members of the Commission for the Protection of Competition, Administrative and	Project Reports	Quarterly	N/A	Y1: 25 Y2: 25	This activity has been canceled.

Objectives	Indicators	Data Collection Method	Schedule of Collection	Baseline Value/ Source	Targets Years 1-5	Status
to implement the policy	Supreme Courts judges trained in implementation of the Competition Law				Y3: 35	
	Improvement in WEF GCI "Anti-Monopoly Policy" addressing Competition	WEF GCI reports	Annual	2010: 2.76	Yr 5: 3.6	This activity has been canceled.
5. Improve corporate governance standards, policies and regulations	Number of Corporate Governance OECD Principles complied with in Serbian legislation	Project Survey/ OECD Reports	Annual	Baseline to be conducted by the end of November Yr1.	Target TBD by the end of September Yr1.	This indicator has been canceled. Replacement proposed.
	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 early 2012.
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	Fiscal Strategy Report (FSR) was produced in Oct 2011, before the BEP training took place. The FSR was later updated for the estimates of potential GDP. The GoS is yet to adopt this amended version as well as the Economic and Fiscal Program Report to be sent in Dec 2011 to the EC that contains this projection. Hence, the Y1 target has been met.
	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	The 2013 PEFA Assessment scheduled for November 2013.

Objectives	Indicators	Data Collection Method	Schedule of Collection	Baseline Value/ Source	Targets Years 1-5	Status
	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: ...containing research and analysis provided through BEP assistance that support changes in fiscal policy)	Project Report	Monthly	N/A	Yr5: 5	4
	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	1 (National Budget Forum) Indicator change proposed.
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 due before the End of Q1. 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. Public Debt Office to release data for 2011 before the end of Q1. 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	14.8 (New WEF GCI 2011-2012) (to become updated baseline and to change target accordingly)

Objectives	Indicators	Data Collection Method	Schedule of Collection	Baseline Value/ Source	Targets Years 1-5	Status
	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	3
	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 and awareness of macroeconomic reform and policy making? If yes, how would you grade it from 1 to 5 (where 5 is the best) "	Yr 5: 50% improvement from baseline assessment	20% of businesses agree that they have some awareness and understanding Indicator slightly changed and the source changed to USAID BEP Business Survey 2011 (to become updated indicator name, baseline & target)
	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	633
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	163
	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	25% of businesses agree that access to finance has improved (New USAID BEP Project Survey 2011) (to become updated baseline & targets to be determined)
	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	None. Promulgation of the new legislation

Objectives	Indicators	Data Collection Method	Schedule of Collection	Baseline Value/ Source	Targets Years 1-5	Status
					regulatory framework established Yr 3 : Establishment of the commodities exchange	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 trained and advised on changes and benefits brought by new securities laws	205 persons advised about securities law.
	Number of financial regulators trained in non-bank regulatory matters	Project Report	Annual	N/A	Annual levels: Will depend on training schedules agreed w/ counterparts and topics. 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.	No results. Pending due to MoF's lack of capacity to commence activities.
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%	15.3% (on 31 November 2011)
	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	Yr 3: Occurrence of issuance of public debt	None.

Objectives	Indicators	Data Collection Method	Schedule of Collection	Baseline Value/ Source	Targets Years 1-5	Status
				dealer network or other distribution mechanisms	through a primary dealer network or other distribution mechanisms	
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	Around 25% of businesses expressed agreement that there is awareness (New USAID BEP Project Survey 2011) (to become updated baseline & target to be updated)
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	Since compliance with IOSCO was not calculated previously BEP Component 3 Team has prepared in depth report on IOSCO compliance as of February Yr1. Compliance is currently evaluated to be around to 50%	Yr 5: Compliance improves to 60% or better	In progress. Due by the end of Q 1 2012
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	Framework for international partnership for curriculum and program development established	Project Reports	Annual	N/A	Yr 5 - International joint education partnerships	N/A

Objectives	Indicators	Data Collection Method	Schedule of Collection	Baseline Value/ Source	Targets Years 1-5	Status
activities					established on the undergraduate and graduate levels	
	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

ANNEX 4: REPORTS, SUCCESS STORIES AND OTHER RELEVANT DOCUMENTS

(Electronic version has already been sent to USAID)

1. Katalin Popov STTA report (Bulgarian Fee Schedule Analysis; PEO Fee Calculation and Expenditure Fee Matrix; Draft Fee Schedule (Assistance); Presentation to the MoJ Work Group)
2. Milos V. Milosevic STTA report: Renewing Draft Enforcement Bylaws and Updating the Enforcement Manual
3. Andreja Marusic STTA study: Inspections in Serbia, with main focus on market inspection, environment protection inspection, construction inspection and urban planning inspection
4. Branko Radulovic STTA study: Standard Cost Model
5. Milojko Arsić STTA report (Assessment of the Proposed Revised Republic of Serbia Budget for 2011; Analysis of the Fiscal Effects of Model of Decentralization Proposed to the National Assembly by the Group of MPs of United Regions of Serbia; Assessment of the Proposed Republic of Serbia Budget for 2012 and the Fiscal Strategy)
6. Sasa Randjelovic STTA report (Assessment of the Proposed Revised Republic of Serbia Budget for 2011; Analysis of the Fiscal Effects of Model of Decentralization Proposed to the National Assembly by the Group of MPs of United Regions of Serbia; Assessment of the Proposed Republic of Serbia Budget for 2012 and the Fiscal Strategy)
7. Slaven Mickovic STTA (Helped the MoF develop the methodology and modeling capacity to independently prepare reliable projections of the country's structural deficit in line with EU requirements. Increased the knowledge of the Fiscal Council, the Research Department of the NBS, and other stakeholders in output gap and structural deficit forecasting and other topics related to the budgetary framework of the EU Member States.)
8. Aleksej Miskovic STTA report (technical assistance and consultancy to the Securities Commission of the Republic of Serbia in drafting and implementing rules and regulations related to the new Capital Market Act)
9. Bojan Jelenkovic STTA report (Assessment of compliance by the Investment Fund Law with EU regulations and preparation of a report in the form requested by the GoS European Integration Office ("Transposition Table"). Delivery of recommendations for the new regulations or alternations of existing regulations in order to improve compliance with relevant EU regulations.)
10. Sandra Opacic STTA (Assistance for the implementation of the new Capital market act)
11. Business Survey 2011