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FINAL PROJECT SUMMARY AND REPORT



USAID Privatization Project

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Date: December 15, 2000

Subject: Bosnia Privatization Project *Comprehensive Progress Report*

Per Task Order 09 (EPE-I-09-95-00079-00) issued under contract EPE-I-00-95-00079-00, the project is divided into five major objectives: (I) provide technical assistance in establishment of the Federation and Cantonal Privatization Agencies; (II) complete both the small-scale and mass privatization programs in the Federation; (III) assist in the development of policies for private sector participation of key strategic sectors such as energy and telecommunications; (IV) lay the groundwork for post-privatization corporate governance and capital markets development; and (V) supply appropriate and specifically requested technical assistance in the development of privatization policies in the RS. Recent developments, progress and implementation issues are discussed below.

A. GENERAL INFORMATION

1. Project identification

Title: USAID Privatization Project - Bosnia and Herzegovina
Contractor: PricewaterhouseCoopers
Contract Number: EPE-I-00-95-00079-00
TO Number: 09 (EPE-I-09-95-00079-00)
Contracting Officer: Theresa Pollitt
USAID Project Office: Sarajevo, Bosnia

2. Project Performance Dates

Period of Performance: June 1997 to October 2000
Start date: June 13, 1997
Report date and Number: December 15, 2000, Number 42

3. Project Management

Project Manager: Drew Schneider
Key Technical Advisors: Patrick Flanigan, Rashmi Kharbanda, Roger Staples

4. Project Description

The Privatization Project is designed to provide technical assistance to the Federation of Bosnia-Herzegovina and Republika Srpska to complete the rapid transfer of a majority of the government-owned assets and equities to private hands. The process of ownership transfer will be effected through public auctions, public tenders and public offering of shares. One of the main objectives of the program is to extinguish state liabilities held by its citizens. To that end, citizens will receive dematerialized claims or vouchers representing values in frozen foreign currency accounts, pension arrears (FBiH), military back-pay and further compensation for citizen contributions to the creation of state capital through employment. Claims or vouchers, as well as cash may be used to participate in the privatization sales mechanisms described above.

The project is tasked with assisting the Federal Privatization Agency and Cantonal Privatization Agencies (FBiH) and Directorate for Privatization (RS) in the development of appropriate legislation and regulation necessary to enable the privatization process. Further, the project works with payment bureaus in both entities to support the creation of transactions' processes, procedures and systems. In particular, the project is tasked with building an information technology system that will support:

- the creation and management of dematerialized citizen claim/voucher accounts;
- registries of enterprises included in privatization;
- transactions processing and clearing;
- post privatization shareholder databases (FBiH);
- the creation of privatization investment funds (FBiH).

SUMMARY OF ACHIEVEMENTS

This introductory section summarizes significant privatization achievements in BiH realized through the end of this contract. The section concludes with summary tables to highlight the achievements in the context of specific tasks included in the contract statement of work.

Legal Framework

A comprehensive legal framework for privatization and capital markets operations is currently in force in each entity of BiH. With the assistance of the USAID PP, the State-level and Entity-level governments have adopted a complete package of laws and regulations that establish the:

- legal basis for privatization
- allocation and distribution of privatization claims
- preparation of enterprises and banks for privatization
- conduct of enterprise, bank and various asset privatization transactions
- corporate governance practices for business companies
- formation and operation of investment funds
- registration of enterprises in courts
- registration of shareholdings
- operations of securities markets
- responsibilities of capital markets institutions.

Institutional Development

Each entity in BiH has established functioning institutions to administer and regulate privatization and capital markets operations. With the assistance of USAID PP the Federation Governments established:

- Agency for Privatization in F BiH (FPA)
- 10 Cantonal Privatization Agencies (CPAs)
- Privatization Management Boards at the Federal and Cantonal level
- the F BiH Securities Commission
- the F BiH Securities Registrar

Through USAID PP assistance the RS Government established the:

- Directorate for Privatization (DFP)
- RS Steering Committee for Privatization
- RS Securities Commission
- the RS Securities Registrar¹

Implementation Framework

With the assistance of USAID PP, the relevant implementing bodies for privatization in each entity have established comprehensive, documented business processes for each aspect of the privatization process. In the form of counterpart-accepted graphical maps and detailed step-by-step procedures, these business processes have been adopted for:

- identifying enterprises subject to privatization

¹ Through its announcement of an acting director on October 26, 2000, the RS Government formally established the Securities Registrar in Republika Srpska.

- preparing, reviewing and approving all necessary enterprise financial statements and privatization programs
- allocating privatization claims to citizens, including displaced persons and refugees
- printing and distributing individual privatization account statements
- preparing and issuing sales invitations
- implementing cash sales transactions
- participating in privatization investment funds
- implementing mass privatization subscriptions
- calculating privatization results
- recording ownership information

Following the acceptance of business processes by the counterpart organizations, USAID PP developed and delivered specific training for each component to develop the capacity of the privatization agencies and their implementing partners including the payments bureaus, capital markets institutions, and selected enterprise managers.

Information Technology Solutions

Through USAID PP assistance a comprehensive package of information technology solutions were developed, tested by the local counterparts, and deployed throughout the region to facilitate dematerialized privatization transactions in each entity. Using the accepted business procedures, legal framework and institutional capacity in BiH, USAID PP designed and developed custom software applications, specified and procured all necessary hardware and networking equipment, and facilitated the development of a complex telecommunications infrastructure.

Designed to exploit the payment bureaus' "physical" office and personnel infrastructure, these information systems automate and facilitate:

- the production of enterprise prospectus' and enterprise registries with all relevant company data
- the creation of citizens' privatization accounts and the production of account statements
- the transfer of privatization vouchers and claims among citizens' accounts
- the purchase of enterprise equity and assets with privatization vouchers and claims
- the calculation of individual results from the mass privatization public offerings
- the creation of enterprise shares with optimized nominal value
- the transfer of results to a secure holding system
- the transfer of shareholding data to the securities registrars.

Risk Management

As the privatization processes commenced, USAID PP developed a team of risk management advisors to monitor local implementers' compliance with the agreed upon business procedures. These two risk management teams, one located in each entity, observed privatization events ranging from auctions, tenders and claims transfer/subscription. For each type of privatization event, the risk management teams developed audit programs that clearly specify the inherent risks and identify the process through which compliance within these high-risk areas can be assessed. The audit programs have been developed for all privatization events, including the public offering of shares in F BiH and voucher offer in RS. The risk management teams have prepared detailed reports following each audited event, and have delivered these reports to the implementing counterparts as well as to the USAID Mission. In cases where improvement opportunities were identified, the reports outlined proposed actions to implement improvements. In many cases, follow up visits were scheduled to these specific event locations to assess how the suggestions were implemented.

Privatization Results

Through the course of the USAID Privatization Project, the BiH governments, with assistance from USAID PP, have achieved significant results in implementing the privatization process. By the end of the contract each entity had made significant progress towards completing the preparation of enterprises, the creation and maintenance of citizen accounts, the facilitation of privatization fund investment, and the execution of small- and large-scale privatization transactions. By the end of November 2000, each entity had initiated the public offering of shares.

Enterprise Preparation

In FBiH, according to the last comprehensive data we received, (dated June, 2000), the FPA had identified a total of 1,575 enterprises subject to privatization. At that time, the FPA reported that approximately 1,159 enterprises would be offered through its large-scale programs with the remainder offered through small-scale programs. As reported in June 2000, 502 enterprises had received approval on their opening balance sheets and privatization programs by the respective agencies. At that time the FPA reported that nearly 400 enterprises had not yet submitted privatization documents to the agencies for approval. In the 5 months that have passed since the last comprehensive report we believe that a significant number of new approvals have been issued, and that the agencies have received documentation from a large percentage of the companies that were delinquent as of the end of June.

In the RS, according to data provided at the end of October, 2000, the DFP had identified a total of 1,117 enterprises subject to privatization. At that time, the DFP reported that approximately 860 enterprises would be offered through its large-scale programs, with the remainder offered through its small-scale auction program. As reported in October, 1,048 enterprises had received approval on their opening balance sheets and privatization programs by the DFP. At that time, the DFP reported that only 17 enterprises had not yet submitted privatization documents to the DFP for approval.

Citizen Account Activity

Through October the FBiH Payment Bureaus (ZAP and ZPP) reported that they had opened 2,219,582 citizen accounts. According to this report, the ZAP and ZAP had processed a total of 654,276 claims transactions and 1,340,190 amendments to account information at the request of the account owners.

Through October the RS Payment Bureau (SPP) reported that they had opened 1,465,262 unique privatization accounts. According to this report, the SPP had processed a total of 504,987 voucher transactions and 143,000 amendments to account information at the request of the account owners.

Privatization Investment Funds

As recently reported by the Federation Securities Commission in November, there are ten (10) privatization funds in FBiH that have been licensed to collect citizen claims. As of November 2000, only two (2) of these ten (10) funds have collected the minimum threshold (200 Million KMs) in claims points to qualify for participation in the Public Offering of Shares. The deadline for collection of claims by PIFs is currently set for 45 days prior to the end of the first round of POS.

As recently reported by the RS Securities Commission in November, there are ten (10) privatization funds in the RS that have been licensed to collect vouchers. At the time of that report the DFP had verified that four (4) of these ten (10) had collected sufficient vouchers to meet the minimum threshold of 1 million vouchers (which are not denominated in KMs). The

DFP and RS Securities Commission expressed confidence that up to eight (8) funds would achieve this threshold by the deadline for collection, currently set for December 22, 2000.

Small Scale Results

On November 10 the FPA reported sales totaling 481.28 Million KM through its small scale program. Of the 3,805 objects offered for sale under the program, 1,540 objects were successfully sold while 1,430 items remained in the small scale inventory. Of the 1,540 successfully sold objects, 203 objects represent whole enterprises, while the remainder include business premises and enterprise assets.

The DFP's small scale program, referred to as auctions for enterprises with a book value of less than 300,000 KMs, produced similar results. Through November 10, the DFP reported sales of 7.69 Million KM. The DFP did not include proceeds received through direct negotiations for 22 enterprises that were concluded after two failed attempts at sale through auction. Of the 123 items offered for sale through this program, 92 sales were successfully completed. The DFP plans to conclude sales for the remaining inventory by the end of the year.

Large Scale Results

On October 30 FPA officials announced the start of Public Offering of Shares (POS) in FBiH. The initial wave of POS, which will be conducted in two or more waves, includes enterprise equity from 547 enterprises with an aggregate book value of 3.04 Billion KM. The first wave is scheduled to be concluded in February 2000. Through all waves of POS the FPA indicated it would introduce equity from a total of 1,029 enterprises with an aggregate value of 6.39 Billion KM.

The FPA announcement also indicated that an additional 7.13 Billion KM of equity from these enterprises would be offered through tender. International Donors will be assisting the privatization agencies to execute tender sales for 86 of these large scale enterprises.

On November 22 DFP officials launched the Voucher Offer in Republika Srpska. In contrast to FBiH, the DFP has structured the Voucher Offer as one all-inclusive wave of voucher privatization. The Voucher Offer includes enterprise equity from 860 enterprises with an aggregate book value of 2.37 Billion KM. The Voucher Offer is currently planned to continue through January 2001.

The DFP has also announced its intention to offer minority equity positions in large enterprises through auction sale. To date, the DFP has offered such equity for auction in 38 enterprises through a pilot initiative to assess the market for minority equity positions in large companies. Of these 38 auctions, the DFP has obtained 10.41 Million KM in proceeds from 12 successful auctions. Moving forward, the DFP plans to offer such minority equity positions through auction in approximately 700 additional enterprises. In addition, the DFP has announced its intention to offer equity through tender sale in an additional 98 enterprises. Of this portion, the International Donors have pledged to provide advisory services for the tender sale of equity in 52 enterprises.

On the next two pages of this document we provide a high level summary of the results achieved according to each of the individual tasks in the statement of work. In the remaining sections of this report we provide a chronological account of privatization developments in BiH throughout the period of performance, and we provide detail regarding achievements under each of the specific tasks outlined in the statement of work. Where possible we have provided references to soft-copy deliverables that may be found in the project documents CD-ROMs that were submitted to USAID.

Summary of Overall Achievements By Task (Federation of BiH)

Task Completion Assessment *	Task Number & Description	Achievement(s) / Indication(s) of Success	Issue(s) Outstanding			
	1.1 Assist in developing and enhancing the legal and regulatory framework for privatization.	<ul style="list-style-type: none"> Comprehensive legal and regulatory framework drafted and passed through appropriate levels of government. 	<ul style="list-style-type: none"> Ongoing legal efforts on labor, insurance and bankruptcy must be concluded to foster effective economic recovery. 			
	1.2 Strengthen the Federal and Cantonal privatization agencies.	<ul style="list-style-type: none"> FPA and all 10 CPAs established and implementing privatization. Competent staff to perform privatization tasks trained at each agency 	<ul style="list-style-type: none"> Some CPAs lack sufficient depth of professional resources to fulfill all obligations. 			
	1.3 Assist in enterprise preparation and identifying enterprises.	<ul style="list-style-type: none"> Privatization programs and OBS for over 500 enterprises approved. 1,575 enterprises identified as subject to privatization. 	<ul style="list-style-type: none"> Several enterprises remain subject to disputed asset arbitration. Several CPAs lack sufficient professional resources to complete preparation. 			
	1.4 Assist in the creation and utilization of citizen claim accounts.	<ul style="list-style-type: none"> 2,219,582 citizen claims accounts opened throughout the Federation of BiH Over 500,000 claims transactions recorded by contract end. 				
	1.5 Support the implementation of small scale privatization.	<ul style="list-style-type: none"> Proceeds in excess of 481.28 Million KM received from small scale privatization. 				
	1.6 Support the preparations for, and completion of, 1 st wave of the Public Offering of Shares.	<ul style="list-style-type: none"> First round of POS offering equity in 547 enterprises was launched on October 30, 2000. 	<ul style="list-style-type: none"> Ongoing supervision and systems maintenance will likely be required to conclude 1st wave of POS. 			
	1.7 Assist in design and implementation of IT systems to facilitate privatization.	<ul style="list-style-type: none"> Comprehensive information systems infrastructure designed, developed and implemented by USAID PP. Counterpart acceptance of all systems infrastructure. 	<ul style="list-style-type: none"> Ongoing system maintenance will likely be required to ensure smooth operation of systems. Payment Bureau dismantling may affect system operations. 			
	1.8 Complete compliance reviews of the high-risk areas of privatization.	<ul style="list-style-type: none"> Thorough compliance review program implemented for small scale privatization and claims transactions. 	<ul style="list-style-type: none"> Delays in POS prohibited USAID PP from completing compliance reviews of 1st wave of POS. 			
	1.9 Support the development and regulation of investment funds.	<ul style="list-style-type: none"> 10 PIFs licensed to collect citizen claims in FBiH. 2 PIFs completed collection of minimum subscription amount by October 30, 2000. 				
	1.10 Achieve the establishment of a third party share registry.	<ul style="list-style-type: none"> Share Registry formed, procedures in place, and staff trained. System hardware and software implemented successfully. 	<ul style="list-style-type: none"> Share Registry may require assistance to ensure smooth transfer of results of privatization to the registry. 			
	1.11 Develop a certification program for board-level officials of newly privatized companies.	<ul style="list-style-type: none"> Certification program completed and accepted by local implementing counterparts. 	<ul style="list-style-type: none"> Implementation of program will require oversight by the international community. 			
	1.12 Collaborate with USAID Public Education Team.	<ul style="list-style-type: none"> Full support of USAID Public Education program. 	<ul style="list-style-type: none"> Ongoing Public Education support for POS is necessary to ensure overall program success. 			
* Key		Indicates FULL completion of tasks envisioned in SOW.		Indicates PARTIAL completion of tasks envisioned in SOW.		Indicates LIMITED completion of tasks envisioned in SOW.

Summary of Overall Achievements By Task (Republika Srpska)

Task Completion Assessment *	Task Number & Description	Achievement(s) / Indication(s) of Success	Issue(s) Outstanding
	2.1 Assist in developing and enhancing the legal and regulatory framework for privatization.	<ul style="list-style-type: none"> Comprehensive legal and regulatory framework drafted and passed through appropriate levels of government. 	<ul style="list-style-type: none"> Ongoing legal efforts on labor, insurance and bankruptcy must be concluded to foster effective economic recovery.
	2.2 Strengthen the Directorate for Privatization at headquarters and in regional offices.	<ul style="list-style-type: none"> DFP and its regional offices established and implementing privatization. Competent staff to perform tasks trained at each location. 	<ul style="list-style-type: none"> Some regions lack sufficient depth of professional resources to fulfill all obligations.
	2.3 Assist in enterprise preparation and identifying enterprises.	<ul style="list-style-type: none"> Privatization programs and OBS for over 1,000 enterprises approved. 1,117 enterprises identified as subject to privatization. 	
	2.4 Implement Entity-wide voucher registration and support the voucher offer process.	<ul style="list-style-type: none"> 1,465,262 unique privatization accounts opened throughout RS. Over over 500,000 voucher transactions recorded by contract end. 	
	2.5 Support implementation of cash/coupon privatization.	<ul style="list-style-type: none"> Proceeds in excess of 7.5 Million KM received from sales of small enterprises. Frozen savings mobilized for sales. 	<ul style="list-style-type: none"> Issues regarding the implementation of tender sales remained outstanding as of contract end.
	2.6 Assist in rolling out voucher offer across the entity to emphasize transparency.	<ul style="list-style-type: none"> A single and comprehensive round of Voucher Offer for equity in 860 enterprises was launched on October 22, 2000. 	<ul style="list-style-type: none"> Ongoing supervision and systems maintenance will likely be required to conclude the Voucher Offer.
	2.7 Assist in design and implementation of IT systems to facilitate privatization.	<ul style="list-style-type: none"> Comprehensive information systems infrastructure designed, developed and implemented by USAID PP. Counterpart acceptance of all systems infrastructure. 	<ul style="list-style-type: none"> Ongoing system maintenance will likely be required to ensure smooth operation of systems. Payment Bureau dismantling may affect system operations.
	2.8 Complete compliance reviews of the high-risk areas of privatization.	<ul style="list-style-type: none"> Thorough compliance review program implemented for small enterprise privatization and voucher transactions. 	<ul style="list-style-type: none"> Delays in Voucher Offer prohibited USAID PP from completing compliance reviews of the Voucher Offer.
	2.9 Coordinate with principal advisors to develop and regulate investment funds.	<ul style="list-style-type: none"> 10 PIFs licensed to collect citizen claims in RS. 4 PIFs had completed collection of minimum subscription amount by October 30, 2000. 	
	2.10 Achieve the establishment of a third party share registry.	<ul style="list-style-type: none"> System hardware procured for eventual use in a third party share registry. 	<ul style="list-style-type: none"> Share registry officials were appointed in November 2000. Further assistance is required to develop the institution and infrastructure.
	2.11 Develop a certification program for board-level officials of newly privatized companies.		<ul style="list-style-type: none"> Legislative adoption of a suitable law on business companies is necessary to build the certification program.
	2.12 Collaborate with USAID Public Education Team.	<ul style="list-style-type: none"> Full support of USAID Public Education program. 	<ul style="list-style-type: none"> Ongoing Public Education support for Voucher Offer is necessary to ensure overall program success.
* Key	 Indicates FULL completion of tasks envisioned in SOW.	 Indicates PARTIAL completion of tasks envisioned in SOW.	 Indicates LIMITED completion of tasks envisioned in SOW.

OVERVIEW OF PRIVATIZATION PROJECT AIMS AND OBSTACLES

1. BOSNIA AND HERZEGOVINA

One of the most important questions impacting privatization in Bosnia and Herzegovina (BiH) was which government owned the "state-owned" companies and assets and thereby had the authority to privatize them. The answer to that question had to be found in the Dayton Peace Agreement (DPA) that created Bosnia and Herzegovina from the former Republic of Bosnia and Herzegovina which seceded from Yugoslavia. The DPA provided that the two entities of BiH, the Federation of Bosnia and Herzegovina and the Republika Srpska, had a great deal of autonomy and authority resulting in a decentralized government.² Specifically, the DPA provided that the Entities had the authority and responsibility to govern unless specifically designated to the State in the DPA. Privatization was not identified as a specific responsibility of the State in the DPA. Still, there were interested parties within BiH, as well as within the international community, which believed legislation at the state level was necessary to clarify the responsibilities for privatization of the governments in BiH. As a result, a state level law, the Framework Law on Privatization of Enterprises and Banks in Bosnia and Herzegovina was drafted, prepared and submitted to the BiH Parliament for consideration and passage. This law, failing passage by the BiH Parliament, was imposed by High Representative (OHR) in July 1998.

The Framework Law explicitly provides privatization responsibilities to the two entities and establishes some basic minimum requirements for privatization to follow in both entities. The most important requirement relates to eligibility of citizens of BiH to participate in the privatization program of one of the two entities. Representatives of the USAID Privatization Project participated in meetings between representatives of USAID, the U.S. Embassy, the U.S. Treasury Department, the OHR, the World Bank and the British Know How Fund and participated in drafting the language of the Framework Law.

2. FEDERATION OF BOSNIA AND HERZEGOVINA

The privatization project in the Federation of Bosnia and Herzegovina (FBiH) started in 1996 when an Expert Team was formed by the FBiH government in cooperation with USAID through the USAID Privatization Project under an earlier Task Order. The Expert Team was responsible for determining the goals and objectives of the program, keeping in mind the experiences of privatization programs of other countries and the unique situation in Bosnia.

The Expert Team, with USAID PP assistance, drafted a package of privatization laws that were submitted to the Government and then presented to the Parliament for consideration in the fall of 1996. These laws 1) established authority for the program, 2) addressed privatization of state-owned companies, 3) banks and 4) apartments, 5) addressed outstanding debt that the FBiH government owed to citizens, 6) provided a framework for companies to prepare their financial statements for privatization and 7) provided for restitution of, or compensation for, nationalized property. Only one of the laws, establishing the Agency for Privatization, was adopted and passed at that time, coming into force in October 1996.

² The country, Bosnia and Herzegovina, is referred to and understood as the "State" while the two parts of Bosnia and Herzegovina: the Federation of Bosnia and Herzegovina, and the Republika Srpska, are referred to as the "Entity or Entities". This terminology is often confusing to foreigners, counter-intuitive in the use of the word "State", and therefore can cause serious misunderstandings between foreigners and local government officials when incorrect terminology is used. In the context of this report, the terminology as it is understood within Bosnia and Herzegovina will be used, "State" refers to the country, "Entity or Entities" refers to the part or parts of Bosnia and Herzegovina.

That USAID Task Order terminated in June 1997 and was immediately followed by the current Task Order, expanding the technical assistance that USAID was providing for privatization to the FBiH. The new Task Order provided for implementation support over the next 18 months, assuming that the privatization laws would be passed by the FBiH Parliament and there would not be any other significant delays impacting implementation. During the summer of 1997 the Agency for Privatization in the FBiH (FPA) was established with the appointment of a director and deputy director as well as some professional and administrative staff. At the same time however, the other five laws languished in the legislative process with passage itself remaining uncertain because of political differences within the ruling coalition of HDZ and SDA pertaining to privatization.

During this time the USAID PP met with political leaders within the parliament and the government in order to try to assist the political parties resolve their differences. The USAID PP also worked with the FPA to establish the agency, determine necessary staffing and budget requirements, as well as develop a close working relationship that would prove invaluable upon implementation of privatization in the FBiH. In addition, the USAID PP completed a Sector Study on Electricity in FBiH, the first of several sector studies conducted and completed in the FBiH by the USAID PP. Other sectors where in depth studies were conducted were railroads, water, media and housing.

In October 1997 three laws on privatization were passed covering privatization of enterprises and apartments and citizens claims, coming into force in November 1997. The remaining two laws, addressing the opening balance sheets of companies and banks and the privatization of banks were still blocked in parliament. The adoption of the three laws provided momentum for the program and the technical assistance, which was on the verge of being withdrawn by USAID because of the delay in passing the laws, could now be applied within the context of a legal framework. By March of 1998 two remaining laws of the original package that was first submitted to parliament in the fall of 1996 were passed, coming into force in April 1998. The law on restitution of property was never passed.

The enactment of the privatization package of laws provided additional momentum for the implementation of the program in the FBiH. In addition, progress being made in Republika Srpska created a competitive environment between the two entities to demonstrate to USAID and other donors that the entity governments were committed to privatization and economic reform. The USAID Privatization Project in FBiH focused on building the institutional capacity within FBiH through the Federation Privatization Agency (FPA) and the 10 Cantonal Privatization Agencies (CPAs).

The privatization program in FBiH was a decentralized program, providing much of the responsibility and authority to the 10 CPAs. The CPAs had authority over all of the enterprises within the canton while the FPA had authority for those enterprises whose assets resided across multiple cantons. The Privatization Project formed a Cantonal Advisory Team (CAT) dedicated to the 10 CPAs and working in the field with our counterparts at the CPAs. The CAT provided training to staff at the CPAs, exchanged information across the project and was critical in strengthening the capacity of the CPAs so that they would be able to meet their responsibilities.

Each privatization agency, both the FPA and the 10 CPAs, were structured similarly with a management board overseeing the staff of the agency. The CPAs' management boards and key staff were appointed by the cantonal government. In those cantons where the population was mixed between Bosniaks and Bosnian Croats, the appointments were made along ethnic lines. This proved to be a tremendous obstacle in several of the cantons towards forming a functioning agency. The most difficult cantons in this respect were the cantons based in Travnik and Mostar.

A similar situation developed in the FPA, where the staff and the management board were appointed along ethnic lines as well. Although this division did create problems within the staff of the agency, the most critical problem developed within the management board of the FPA. The procedures adopted by the management board required that any decisions must be taken with the unanimous support of the members of the management board. This allowed any individual member of the board to hold the privatization program hostage to his particular agenda. The president of the management

board was eventually removed by the OHR in 2000 as a result of the obstructionist actions he had taken over the course of his tenure in this position since 1996.

One of the major issues facing the FBiH was the tremendous amount of outstanding liabilities it had towards BiH citizens. These liabilities related to unpaid wages during the war, frozen foreign currency accounts in banks, restitution claims and eventually, pension payments in arrears. The World Bank, among other international donors and institutions, were concerned that these liabilities would undermine the FBiH's efforts to establish a sound economic base from which to build and grow a sustainable economy. As a result, the Expert Team decided to extinguish these claims by allowing citizens to use their claims towards the purchase of property being privatized in the mass privatization program (MPP).

After a significant amount of investigation and research was conducted to determine the nature and magnitude of these claims and the institutions involved, the USAID Privatization Project recommended that a "dematerialized" MPP be adopted in order for the MPP to have the capability to efficiently exchange claims for property. Ultimately, approximately 2.2 million accounts were established containing over 17 billion Konvertable Marks (KM) in claims, based on data originating from over 15 different government institutions and banks. The magnitude of the information required that an information system be established to support the MPP. The Federation Privatization Agency, along with the USAID Mission in Bosnia and the USAID Privatization Project, approached other donors to solicit their support for the information system hardware and software development necessary to implement the MPP. After repeated efforts, no other donor expressed any willingness or interest in providing this support to the FBiH. Finally, in September 1998 a major modification to the USAID Task Order addressed the information system needs and extended the Task Order from November 1998 through to June 1999.

The USAID Privatization Project worked with the FPA and CPAs, as well as the Payment Bureau (ZPP/ZAP), the Securities Commission and the Share Registrar, to address numerous issues across multiple disciplines. Comprehensive legal frameworks and operational procedures were completed which covered every aspect of the privatization process. Regulations, ordinances and bylaws were enacted providing detailed instructions to enterprises and agencies. Procedures were adopted providing step by step directions to the agencies and payment bureau offices to conduct auctions, tenders and a public offering of shares. As the details of the program were considered and defined, it was critical that the infrastructure supporting the program be defined and developed at the same time.

The development of the privatization system was based on combining defined privatization processes and information technology specifications. Every single activity related to privatization was mapped out and approved by our counterparts in the privatization agencies resulting in the more rapid acceptance of the privatization systems. Upon acceptance, the installation of the privatization system covered over 80 sites across the Federation providing for maximum accessibility to the participants in the program.

Another component of the program was the choice that citizens had to participate in the program. Citizens could purchase their apartments, transfer their privatization account balances to someone else, invest them in property or enterprises being sold through auctions, tenders or the public offering of shares (POS), or invest them in a Privatization Investment Fund (PIF). The USAID Privatization Project was instrumental in the assistance it provided to the FPA related to PIFs, by contacting and providing information to institutions which later established PIFs in the Federation. The project contacted prospective institutions and later organized several seminars for interested institutions with speakers from the Federation and the international community, and experts from other emerging and developed markets. Vital to this was the project assistance to the Federation Securities Commission in establishing the comprehensive framework for the creation, licensing and regulation of PIFs. Similar to our work with the agencies, we were able to develop a close working relationship with the president and members of the Securities Commission allowing us to address difficult technical issues effectively.

A Federation Securities Registrar was established with the assistance of the USAID Privatization Project, to provide a mechanism to receive the results of privatization as well as register other private sector companies with shareholders. The Registrar is an important institution that maintains information, which allows shareholders to trade shares in companies with the assurance that the trades will be executed successfully. The USAID Privatization Project assisted in the development of this institution, provided training through experts working with the staff of the Registrar and assisted the Registrar in addressing its information technology requirements.

One of the most important aspects impacting the success of the program was the ability of our counterparts' staff to execute the program, conduct auctions, tenders and public offerings, and operate the system supporting the program. The USAID Privatization Project conducted comprehensive training covering all aspects of the program implementation both directly and indirectly through train-the-trainer programs. Training focused on the staff at each of the privatization agencies as well as the payment bureau offices in order to ensure that they could implement the program successfully as well as further train other staff within the agencies, enterprises and other institutions involved in the implementation of the program.

In addition, the USAID Privatization Project formed a Risk Management Team (RMT) to identify areas in the program that could pose a risk to its success, both in terms of concept and execution. The RMT reviewed the program and provided input to its development and subsequently attended auctions and tenders and POS sites to identify issues in the implementation and execution of the program. After each activity, the attending RMT drafted a report on their observations which was provided to the implementing agency and USAID. These reports proved to be extremely useful, as the implementing agencies often corrected any mistakes that were made and/or ensured that the same errors were not repeated in future activities.

Although the project was scheduled to end in June 1999, resources were still available, as the project was managed carefully to ensure that resources were used towards achieving results outlined in the scope of work. In the spring of 1999 it was clear to USAID that additional time was needed for the project to assist the Federation and therefore a no-cost extension was negotiated and signed, extending the project from June 1999 through to September 1999. After the CTO extended the project 30 days to the end of October 1999, USAID modified the contract in the area of the Share Registrar, committed additional resources and extended the project to February 29, 2000. The final modification and extension to the project occurred in March 2000, again after a 30 no-cost extension, extending the project to October 31, 2000 and focusing the scope of work on the tasks remaining to complete privatization in the Federation.

By the final close of the task order, most elements outlined in the statement of work had been achieved through close cooperation of USAID PP and the Federation and Cantonal governments, as well as their implementing partners, the payments bureaus and capital markets institutions. Perhaps the most persuasive evidence of success came on October 30, 2000 when the FPA announced the commencement of Public Offering of Shares in FBiH, offering equity in over 500 state enterprises in the initial wave.

3. REPUBLIKA SRPSKA

The privatization project in Republika Srpska (RS) started much later than in the Federation of Bosnia and Herzegovina (FBiH). When Milorad Dodik was chosen by the RS National Assembly to become the Prime Minister in late 1997, one of his first actions as the head executive was to change the course of privatization. In cooperation with the international community, PM Dodik elected to terminate activity on the then-current RS privatization program in order to adopt a more transparent and fair legal framework for privatization. In response to this change of direction, USAID pledged financial and technical support to the RS under the USAID Privatization Project.

Beginning in April 1998, USAID Privatization Project began to dedicate some key advisors and equipment to the RS Government for the purpose of building a privatization project. Between April

and June of 1998, the RS Government, in cooperation with USAID and the British Know How Fund (BKHF), established a Directorate for Privatization (DFP) staffed with expert teams comprising local academicians. The DFP and Expert Teams worked quickly to re-write RS privatization laws that embraced the principles of fairness and transparency. This comprehensive package of laws was completed by the end of June 1998, and in July 1998 the laws were passed unanimously by the RS National Assembly.

Implementation of the new privatization laws started in July 1998. In July, USAID Privatization Project deployed additional advisors to the RS and allocated a portion of its existing budget to provide ongoing technical and financial support to DFP. In the early stages of project implementation, the USAID PP was directed by the USAID Mission to focus primarily on the supply-side (enterprise preparation) of the project, while the BKHF assumed responsibility for development of the demand side (vouchers) of the project. Support in the development and installation of information systems was also to be provided by the USAID PP once the BKHF had completed the regulatory and procedural guidelines for demand-side implementation.

During the remaining months of 1998, the USAID PP provided technical assistance to the DFP and Expert Teams in the development of a regulatory framework for the supply-side of the program. This assistance included the development of by-laws (regulations) to outline the process under which enterprises would prepare Privatization Programs (including Opening Balance Sheets) and the process under which enterprises would prepare and submit documentation to support the results of previously executed ownership transformation (Markovic Privatization). Once these by-laws and methodologies were approved by the RS Government in August 1998, the USAID PP hired several local accountants, developed and delivered training to these local accountants on the by-laws and methodologies, and deployed the accountants into the field to begin assisting enterprises to implement the process. In addition, the USAID PP advisors also assisted the DFP and Expert Teams in the development of by-laws for auctions, tenders and negotiated sales. These by-laws were completed and approved by the Government during the months of September and October 1998.

The rapid progress achieved in the RS began to slow down as a result of the September 1998 National Elections in Bosnia. A Serb Nationalist was elected President, and many seats on the National Assembly were won by the hard-line Nationalist party. As a result, the executive regime of PM Dodik began to destabilize, and the Government began to lose focus on privatization. Without political and financial support from the Government, the DFP was unable to sustain the momentum in privatization that had been achieved during the Spring and Summer months. While USAID continued to support to the DFP through USAID PP, the DFP was unable to hire the local civil servant staff that were necessary to continue meaningful implementation program. As a result, the privatization process slowed significantly for several months beginning in the Fall months of 1998.

The negative impact of the elections was compounded further by events that transpired during the early months of 1999. The OHR's decision to remove the Serb Nationalist President, the OHR's decision to keep the Brcko Municipality an independent district, and primarily, the NATO air campaign against Serbia over Kosovo, all further complicated the implementing environment for Privatization in the RS. Beginning in late March 1999, at the instruction of the US embassy, all international advisors from USAID PP that were dedicated to assisting the RS program were evacuated from the territory of the RS and relocated to Sarajevo. Despite the political circumstances that complicated privatization in the RS, some progress was achieved by USAID PP.

In an effort to expedite progress, USAID and the BKHF agreed in February to shift responsibility for procedural development of demand-side implementation to the USAID PP. Prior to February, BKHF had been unable to deploy sufficient resources to the region to assist the DFP in this aspect of the privatization process. With responsibility for demand-side implementation, the USAID PP was in a position to construct procedures for establishing vouchers accounts, and procedures for voucher transaction processing. This responsibility also enabled USAID PP to significantly influence the design of the demand-side information technology infrastructure.

Beginning in February 1999, the USAID PP began to develop procedures and process design maps for the creation of the supply-side and demand-side of RS privatization. The USAID PP also began to develop procedures and process design maps for all privatization transactions, including voucher privatization, auctions and tenders. The USAID PP also worked with personnel from the RS Expert Teams and DFP to complete conceptual designs of the enterprise registry databases and voucher transactions system.

When the NATO air-strikes began in late March, the USAID PP continued this procedural and design work in coordination with local USAID PP staff that remained in the RS. Through these local staff, the documents were discussed and revised in coordination with the DFP and the Expert Teams. In May 1999, the USAID PP established a temporary office in the city of Jajce on the border between the RS and the FBiH. From this office, the USAID PP international advisors worked with project local staff and, occasionally, the RS counterparts, to complete the development of the procedural and design documents that would guide further implementation. The USAID PP worked on the RS privatization under this arrangement between May and August 1999.

By late August 1999, as the political situation in the RS began to stabilize and the Kosovo conflict settled, the USAID PP was allowed to re-deploy full-time resident international advisors to the RS. By September 1999 most of the procedural and design work related to the RS privatization program was completed and approved by the RS Government. Between July and September 1999 the DFP had also started a pilot sales program, offering 24 small, state-owned enterprises through auction. Also beginning in September 1999, the USAID PP initiated privatization software development and procurement of a first-wave of computer hardware to build out the technical infrastructure for privatization.

Between September and November 1999, the DFP struggled to meet the increasing demands of implementing the privatization procedures. While the RS Government has committed reasonable budgetary support to the DFP, the DFP struggled to train new staff and in particular, seemed reluctant to delegate appropriate responsibility to the various departments that were established within the DFP. While the USAID PP continued to prepare deliverables according to the implementation schedule, the DFP was unable to complete multiple tasks simultaneously. The USAID discussed these concerns with the RS Government, and in early December 1999, received a commitment from PM Dodik to personally oversee weekly meetings to monitor progress against the implementation plan.

Once PM Dodik assumed responsibility of monitoring the project, the pace of privatization changed dramatically. By the end of December, nearly 900 state-owned enterprises had submitted Privatization Programs and Opening Balance Sheets to the DFP for review and approval. In early December, the DFP announced the commencement of Registration for Privatization (Registration), the first step in clarifying the demand-side of voucher privatization. During December, USAID PP and the DFP installed computer hardware and software throughout registration sites in the country to enable the Registration Process to begin. The process began on January 3rd, 2000 and ended May 19th.

The USAID PP established the RS Risk Management Teams in December 1999 to begin reviews of ongoing small-enterprise auctions and to review compliance with the Registration procedures at registration sites throughout the entity. Beginning in February 2000, USAID PP also retained 4 consultants to work with the DFP to review and approve Enterprise Privatization Programs. By the end of March, the DFP had completed a preliminary review of documents from over 600 enterprises and had issued approvals on over 100 Enterprise Programs.

In light of the political and organizational complications, USAID issued a final extension to this task order to provide very limited support in strategic areas to facilitate ongoing privatization. Under the revised task order, USAID PP focused on developing the outstanding components of the RS privatization infrastructure and continued to monitor compliance with business procedures through the USAID PP risk management teams.

Developments on the demand side of privatization proceeded rapidly during the first 10 months of 2000. The DFP-led process for registration of citizens for participation in voucher privatization achieved considerable success, with 1,420,498 persons registering, including 93,689 registered at points within the FBiH. The list of persons eligible for registration was created by the USAID PP according to procedures specified by the DFP which involved combining current RS citizenship records with a list of pre-war residents to ensure that refugees and displaced persons had full and fair access to the privatization process. As of October 2000 1,459,395 persons received accounts totaling 48,314,752 privatization vouchers.

As the registration process was underway, USAID PP began the design and development of computer systems to support trading in vouchers, subscription to Privatization Investment Funds (PIFs), and subscription to Voucher Offer (Public Offering of Shares). This system includes computers at 53 sites for customer service across the RS and the Brcko District, linked to 16 regional data centers and a main data center in Banja Luka. The system went live for voucher trading and PIF subscription on 1 August. Voucher transactions between individuals have been very limited to date, presumably because of a high tax imposed on such transactions. PIF subscriptions have proven more popular, with over 7,556,000 vouchers subscribed to 10 prospective investment funds by 23 October.

The Voucher Offer is currently underway and the event began on 22 November. The USAID PP has developed software to support Voucher Offer subscription and results calculation and has provided this system to trained DFP staff. An additional computer system has been provided to hold a permanent record of the results of Voucher Offer. All software and demand side infrastructure was complete prior to commencement of Voucher Offer by the DFP.

The USAID PP RMT proceeded from performing reviews of the registration for voucher privatization process to conducting reviews of the auction events held across the RS. These reviews focused on assessing compliance with privatization laws, regulations and business procedures, as well as, the fairness, transparency and efficiency/effectiveness of the privatization processes implemented. Detailed audit reports depicting the results of the RMT reviews, including suggestions as to how to improve the level of compliance and efficiency/effectiveness of the privatization processes, were submitted to the DFP and USAID Mission. In addition to performing reviews of privatization processes implemented, the RMT was extensively involved in training local counterparts (i.e. Payment Bureau personnel) with respect to their role in the registration and voucher privatization processes. Furthermore, the RMT assisted the USAID PP IT team in testing of privatization software prior to rollout to local counterparts.

Due to delays in the approval of the tender procedures and lack of public interest in the only tender event announced (in mid-Sept) prior to our contract end, the RMT was unable to perform reviews of the tender process. However, detailed audit procedures were developed to assist in future reviews. Audit procedures related to voucher offer were also developed.

In summary, during the final extension to the task order, USAID PP assisted the local counterparts in the RS in achieving most of the major objectives of the extension. USAID PP designed, developed and implemented a comprehensive package of software applications and system hardware to facilitate voucher-based mass privatization. Using this infrastructure, the DFP completed its registration process, consolidated all citizen account information, printed and distributed voucher account control excerpts for nearly 1.5 million citizens, and is currently processing account transactions and appeals at nearly 100 physical sites throughout the RS. These voucher transactions, as well as the cash auctions, have been implemented in the presence of USAID PP risk management advisors who have provided the DFP and its implementing partners with guidance on improving the effectiveness and transparency of the operations. The DFP has completed its review and approval of an overwhelming majority of enterprises subject to Privatization, and it recently published its final list of enterprises, including an allocation of the equity within these enterprises among the various sales mechanisms. The RS is now prepared, both technically and operationally to complete mass privatization with limited assistance and oversight from the international community.

STATUS AND RESULTS

This section is presented by task as defined in the task order. Caption under each task is presented as appropriate with regard to:

- Status of Deliverables as defined in the task order.
- Key Achievements in the Area
- Any issues of importance that remain unresolved

1.0 FEDERATION BOSNIA AND HERZEGOVINA

1.1 Assist in the development and adoption of all relevant legislation, regulations, instructions, procedures, and amendments related to privatization

Status of Deliverables as defined in the task order.

The USAID Privatization Project assisted the Expert Teams appointed by the F BiH Government and Ministries, as well as other Government and Parliament officials, FBiH Privatization Agency (FPA), FBiH Securities Commission (FSC) to ensure that key legislation necessary to complete the enabling environment for privatization and post-privatization activities was drafted, passed and implemented. Wherever it was required and appropriate for ensuring the most efficient and comprehensive results the USAID PP coordinated its activities with other USAID projects, the World Bank, GTZ, OHR and other relevant international organizations. The tables below provide an overview of all the legislation provided:

GENERAL LEGAL AND INSTITUTIONAL FRAMEWORK FOR PRIVATIZATION

Law / Regulation	Status	CD ROM Reference
Framework Law on Privatization of Enterprises and Banks in Bosnia and Herzegovina – <i>imposed by High Representative</i>	Published in the Official Gazette of BiH, No 14/98 of July 27, 1998	CD2/Translation/Laws and Regulations/Adopted/Framework Privatization Law OHR
Framework Law on Privatization of Enterprises and Banks in Bosnia and Herzegovina – <i>passed by State Parliament of BiH</i>	Published in the Official Gazette of BiH, No 12/99 of August 2, 1999	Not available
Law on Policy of Direct Foreign Investments in Bosnia and Herzegovina – <i>imposed by High Representative</i>	Published in the Official Gazette of BiH, No 4/98 of March 20, 1998	Not available
Law on Privatization of Enterprises	Published in the Official Gazette of F BiH, No 27/97, of November 28, 1997	CD2/Translation/Laws and Regulations/Adopted/Law on Privatization of Enterprises
Amendments to the Law on Privatization of Enterprises	Published in the Official Gazette of F BiH, No 8/99 of March 5, 1999	CD2/Translation/Laws and Regulations/Adopted/Amendments to the Law on Sale of Enterprises
Law on Sale of Apartments with Tenancy Rights	Published in the Official Gazette of F BiH, No 27/97 of November 29, 1997	CD2/Translation/Laws and Regulations/Adopted/Law on Sale of Apartments with Tenancy Rights

Law / Regulation	Status	CD ROM Reference
Amendments to the Law on Sale of Apartments with Tenancy Rights	Published in the Official Gazette of FBiH, No 11/98 of April 3, 1998	CD2/Translation/Laws and Regulations/Adopted/Amendments to the Law on Sale of Apartments
Law on Privatization of Banks	Published in the Official Gazette of F BiH, No 12/98 of April 8, 1998	CD2/Translation/Laws and Regulations/Adopted/Law on Privatization of Banks
Law on Recognition of Public Documents in the Territory of the Federation of Bosnia and Herzegovina	Published in the Official Gazette of F BiH, No 4/98 of February 18, 1998	CD2/Translation/Laws and Regulations/Adopted/Law on Recognition of Official Documents
Law on Agency for Privatization	Published in the Official Gazette of FBiH, No 18/96 of October 1, 1996	CD2/Translation/Laws and Regulations/Adopted/Law on FPA
Laws on Cantonal Agencies for Privatization	Published in the Official Gazette of relevant Canton, over 1997 and 1998	CD2/Translation/Laws and Regulations/Adopted/Law on CPAs
Ordinance on Establishing the Unit for Privatization of Banks	Published in the Official Gazette of F BiH, No 22/98 of June 2, 1998	CD2/Translation/Laws and Regulations/Adopted/Ordinance on Banks

PRIVATIZATION SUPPLY/PREPARATION

Law / Regulation	Status	CD ROM Reference
Law on Opening Balance Sheet of Enterprises and Banks	Published in the Official Gazette of F BiH, No 12/98 of April 8, 1998	CD2/Translation/Laws and Regulations/Adopted/Law on OBS
Amendments to the Law on Opening Balance Sheet of Enterprises and Banks	Published in the Official Gazette of F BiH, No 40/99 of September 29, 1999	CD2/Translation/Laws and Regulations/Adopted/Law on OBS
Law on Foreign Debt of the Federation of Bosnia and Herzegovina	Published in the Official Gazette of F BiH, No 41/98 of October 22, 1998	CD2/Translation/Laws and Regulations/Adopted/Law on External Debt
Ordinance on Revision of Previously Performed Ownership Transformation	Published in the Official Gazette of F BiH, No 1/98 of January 15, 1998	CD2/Translation/Laws and Regulations/Adopted/Ordinance on Revision
Amendments to the Ordinance on Revision of Previously Performed Ownership Transformation	Published in the Official Gazette of F BiH, No 16/99 of May 4, 1999	CD2/Translation/Laws and Regulations/Adopted
Instructions on Method of Applying, Necessary Data and Documentation, and on Revision Procedure of Previously Performed Ownership Transformation	Published in the Official Gazette of F BiH, No 9/98 March 25, 1998	CD2/Translation/Laws and Regulations/Adopted
Amendments to the Instructions on Method of applying Necessary Data and Documentation, and on Revision Procedures of Previously Performed Ownership Transformation	Published in the Official Gazette of F BiH, No 21/99 of June 3, 1999	CD2/Translation/Laws and Regulations/Adopted
Instructions on the Contents and Form of the Revision Report and the Decision on the Results of Revision of Previously Performed Ownership Transformation	Published in the Official Gazette of F BiH, No 10/98 of March 10, 1999	CD2/Translation/Laws and Regulations/Adopted/Instructions of Contents of Markovic's Auditing DOCS

Law / Regulation	Status	CD ROM Reference
Ordinance on Methodology for Preparation of Privatization Program and Opening Balance Sheet of Enterprises	Published in the Official Gazette of F BiH, No 10/98 of March 31, 1998	CD2/Translation/Laws and Regulations/Adopted/ Ordinance on OBS Methodology OG 10-98
Amendments to the Ordinance on Methodology for Preparation of Privatization Program and Opening Balance Sheet of Enterprise	Published in the Official gazette of F BiH, No 26/98 of June 25, 1998	CD2/Translation/Laws and Regulations/Adopted/ Ordinance on OBS Methodology Amendment
Amendments to the Ordinance on Methodology for Preparation of Privatization Program and Opening Balance Sheet of Enterprise	Published in the Official Gazette of F BiH, No 49/99 of December 10, 1999	CD2/Translation/Laws and Regulations/Adopted/ Ordinance on OBS Methodology Amendments OG 26-98
Instructions on Shape and Content of Forms Reporting Data from Opening Balance Sheet	Published in the Official Gazette of F BiH, No 26/98 of June 25, 1998	CD2/Translation/OBS Samples
Amendments to the Instructions on Shape and Content of Forms Reporting Data from Opening Balance Sheet	Published in the Official Gazette of F BiH, No 3/99 of February 2, 1999	CD2/Translation/OBS Samples
Amendments to the Instructions on Shape and Content of Forms Reporting Data from Opening Balance Sheet	Published in the Official Gazette of F BiH, No 32/99 of July 31, 1999	CD2/Translation/OBS Samples
Ordinance on Method of Managing the Assets Awaiting Settlement in Cases Two or More Enterprises Having Identical Claims to Same Intangible Assets, Same Liabilities and Same Capital in Their Balance Sheets, and on Method and Audit Procedure for These Enterprises	Published in the Official Gazette of F BiH, No 22/98 of June 2, 1998	CD2/Translation/Laws and Regulations/Adopted/ Ordinance on Assets Awaiting Settlement
Ordinance on Registration of Real Estate and Right to Real Estate in Public Registers in Privatization Process	Published in the Official Gazette of F BiH, No 45/99 of November 9, 1999	CD2/Translation/Laws and Regulations/Adopted/ Ordinance on Land Registry
Instructions for Enforcement of the Ordinance	Published in the Official gazette of F BiH, No 45/99 of November 9, 1999	Not available
Instructions on Banks Opening Balance Sheet Preparation	Published in the Official Gazette of F BiH, No 23/98 of June 11, 1998	Not available
Instructions on Mandatory Elements of Temporary Rules of Joint Stock Companies	Published in the Official Gazette of F BiH, No 26/98 of June 25, 1998	CD2/Translation/Laws and Regulations/Adopted

PRIVATIZATION DEMAND/CLAIMS

Law / Regulation	Status	CD ROM Reference
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Law / Regulation	Status	CD ROM Reference
Law on Determination and Realization of Citizens Claims in the Privatization Process	Published in the Official Gazette of F BiH, No 27/97 of November 28, 1997	CD2/Translation/Laws and Regulations/Adopted/Law on Determination and Settlement of Citizen's Claims
Amendments to the Law on Determination and Realization of Citizens Claims in the Privatization Process	Published in the Official Gazette of F BiH, No 8/99 of March 5, 1999	CD2/Translation/Laws and Regulations/Adopted
Law on Claims in Privatization Process that are Based on Difference Between Pension Amounts Received and Pension Amounts to be Received by Beneficiaries of the Rights Stemming from Pension and Disability Plan	Published in the Official Gazette of F BiH, No 41/98 of October 22, 1998	CD2/Translation/Laws and Regulations/Adopted/Law on Retirement Claims
Instructions on Determinations and Realization Claims on the Unique Accounts	Published in the Official Gazette of F BiH, No 1/98 of January 15, 1998	CD2/Translation/Laws and Regulations/Adopted
Amendments to the Instructions on Determinations and Realization Claims on the Unique Accounts	Published in the Official Gazette of F BiH, No 18/98 of May 11, 1998	CD2/Translation/Laws and Regulations/Adopted
Amendments to the Instructions on Determinations and Realization Claims on the Unique Accounts	Published in the Official Gazette of F BiH, No 27/98 of July 6, 1998	CD2/Translation/Laws and Regulations/Adopted
Instructions on Determinations and Method of Transfer of Citizens' Claims whose Foreign Currency Savings Accounts are Maintained at Banks whose Organizational Units Have Ceased to Operate in the Territory of the Federation	Published in the Official Gazette of F BiH, No 6/98 of March 9, 1998	CD2/Translation/Laws and Regulations/Adopted/ Instructions on Foreign Currency Savings
Ordinance on Realization of Claims of Persons Who Had Foreign Currency Savings in the Banks in the Territory of the Federation of Bosnia and Herzegovina but did not have residence in the Territory of the Federation of Bosnia and Herzegovina	Published in the Official Gazette of F BiH, No 44/99 of October 30, 1999	Not available
Instructions on Settlement of Citizens' Claims on the Basis of Earned and Unpaid Salaries of RB&H Army, Croatian Council of Defense and Police Members in Purchase of Apartments with Existing Tenancy Rights	Published in the Official Gazette of F BiH, No 32/98 of August 17, 1998	CD2/Translation/Laws and Regulations/Adopted/ Instructions on Settlement of Citizen's Claims
Decision on aggregate amount available to determine the citizens' general claim point value in privatization process	Published in the Official Gazette of F BiH, No 2/99 of January 18, 1999	Not available

Law / Regulation	Status	CD ROM Reference
Decision on determination of general claim point value in privatization process	Published in the Official Gazette of F BiH, No 9/99 of March 11, 1999	Not available
Decision on Total Amount of Citizens' Claims on the Basis of Earned and Unpaid Salaries of R BiH Army, Croatian Council of Defense and Police Members	Published in the Official Gazette of F BiH, No 14/99 of April 21, 1999	Not available
Instructions on the Form and Contents of the Transfer Order and Statement from Unique Account	Published in the Official Gazette of F BiH, No 21/98 of May 31, 1998	CD2/Translation/Laws and Regulations/Adopted/Instructions on Transfer Order
Amendments to the Instructions on the Form and Contents of the Transfer Order and Statement from Unique Account	Published in the Official Gazette of F BiH, No 47/98 of December 26, 1998	CD2/Trans/Laws lation and Regulations/Adopted/Instructions on Transfer Order
Decision on the Amount of Fee Charged for Delivery of the First Statement from the Unique Account	Published in the Official Gazette of F BiH, No 31/98 of August 10, 1998	CD2/Translation/Laws & Regulations/Adopted
Amendment to the Decision on the Amount of Fee Charged for Delivery of the First Statement from the Unique Account	Published in the Official Gazette of F BiH, No 3/99 of February 2, 1999	CD2/Translation/Laws & Regulations/Adopted
Decision on Fees Based on Transaction of Claims in the Unique Account	Published in the Official Gazette of F BiH, No 20/98 of May 21, 1998	CD2/Translation/Laws & Regulations/Adopted

PRIVATIZATION TRANSACTIONS

Law / Regulation	Status	CD ROM Reference
Regulations on Procedures for Sale of Assets and Shares or Holdings in an Enterprise	Published in the Official Gazette of F BiH, No 19/98 of May 14, 1998	CD2/Translation/Laws and Regulations/Adopted/Rules on Sale OG 19-98
Amendments to the Regulations on Procedures for Sale of Assets and Shares or Holdings in an Enterprise	Published in the Official Gazette of F BiH, No 15/99 of April 31, 1999	CD2/Translation/Laws and Regulations/Adopted/Rules on Sale OG 15-99
Amendments to the Regulations on Procedures for Sale of Assets and Shares or Holdings in an Enterprise	Published in the Official Gazette of F BiH, No 32/99 of July 31, 1999	CD2/Translation/Laws and Regulations/Adopted/Rules on Sale OG 3-00
Amendments to the Regulations on Procedures for Sale of Assets and Shares or Holdings in an Enterprise	Published in the Official Gazette of F BiH, No 36/99 of September 6, 1999	CD2/Translation/Laws and Regulations/Adopted/Rules on Sale OG 32-99
Amendments to the Regulations on Procedures for Sale of Assets and Shares or Holdings in an Enterprise	Published in the Official Gazette of F BiH, No 48/99 of December 3, 1999	CD2/Translation/Laws and Regulations/Adopted/Rules on Sale OG 36-99
Amendments to the Regulations on Procedures for Sale of Assets and Shares or Holdings in an Enterprise	Published in the Official Gazette of F BiH, No 3/2000 of February 4, 2000	CD2/Translation/Laws and Regulations/Adopted/Rules on Sale OG 48-99

Law / Regulation	Status	CD ROM Reference
Instructions on the Format and Contents of the Forms Required in the Process of Sale of Assets and Shares or Holdings in an Enterprise	Published in the Official Gazette of F BiH, No 33/98 of August 20, 1998	CD2/Small Scale/Instructions to Article 95
Amendments to the Instructions on the Format and Contents of the Forms Required in the Process of Sale of Assets and Shares or Holdings in an Enterprise	Published in the Official Gazette of F BiH, No 21/99 of June 3, 1999	CD2/Small Scale/Instructions to Article 95
Instructions on Selection, Appointment and Licensing of Auctioneers	Published in the Official Gazette of F BiH, No 22/98 of June 2, 1998	CD2/Translation/Laws and Regulations/Adopted/Instructions on Auctioneers
Regulations on the Procedure of Concluding an Enterprise Management Contract and Leasing Property of Enterprises in Privatization Process	Published in the Official Gazette of F BiH, No 5/98 of March 2, 1998	CD2/Translation/Laws and Regulations/Adopted/Lease Regulations
Decision on the List of Enterprises in Sectors of Power, Transport and Communication (except road transport), Water Supply, Exploitation of Mines and Forests, Public Media, Lottery and Military Industry	Published in the Official Gazette of F BiH, No 41/98 of October 22, 1998	Not available
Decision on the Methods, Deadlines and Agencies Responsible for Privatization of Enterprises in Sectors of Power, Transport and Communication (except road transport), Water Supply, Exploitation of Mines and Forests, Public Media, Lottery and Military Industry	Published in the Official Gazette of F BiH, No 11/99 of April 3, 1999	Not available
Decision on the Method of Sale in Privatization Process (minority state owned shares)	Published in the Official Gazette of F BiH, No 51/99 of December 24, 1999	CD2/Transaltion/Laws and Regulations/Adopted
Table of fees	Published in the Official Gazette of F BiH, No 22/98 of June 2, 1998	CD2/Transaltion/Laws and Regulations/Adopted

CAPITAL MARKETS LEGAL AND INSTITUTIONAL FRAMEWORK

Law / Regulation	Status	CD ROM Reference
Law on Securities	Published in the Official Gazette of F BiH, No 39/98 of October 15, 1998	CD1/Corporate Governance/Relevant Laws/Laws on Securities
Amendments to the Law on Securities	Published in the Official Gazette of F BiH, No 36/99 of September 6, 1999	CD1/Capital Markets/Laws/Amendments/Amendments Law on Securities
Law on Securities Commission	Published in the Official Gazette of F BiH, No 39/98 of October 15, 1998	CD1/Capital Markets/Laws//Laws on Securities Commission

Law / Regulation	Status	CD ROM Reference
Amendments to the Law on Securities Commission	Published in the Official Gazette of F BiH, No 36/99 of September 6, 1999	CD1/Capital Markets/Laws/Amendments/Amendments Law on Sec Comm
Law on Securities Registrar	Published in the Official Gazette of F BiH, No 39/98 of October 15, 1998	CD1/Capital Markets/Laws/Laws on Securities Registrar
Amendments to the Law on Securities Registrar	Published in the Official Gazette of F BiH, No 36/99 of September 6, 1999	CD1/Capital Markets/Laws/Amendments/Amendments Law on Registrar
Law on Fund Management Companies and Investment Funds	Published in the Official Gazette of F BiH, No 41/98 of October 22, 1998	CD1/Capital Markets/Laws/Amendments Law on PIFs
Amendments to the Law on Securities Registrar	Published in the Official Gazette of F BiH, No 36/99 of September 6, 1999	CD1/Capital Markets/Laws/Amendments/Amendment on Law on Sec Reg
Law on Business Companies	Published in the Official Gazette of F BiH, No 23/99 of June 21, 1999	CD1/Corporate Governance/Relevant Laws/ Law on Business Companies USAID LRRP ver 7-99

REGULATIONS ON PRIVATIZATION MANAGEMENT COMPANIES AND PRIVATIZATION FUNDS

Law / Regulation	Status	CD ROM Reference
Regulations On Conditions And Procedures Of Licensing The Establishment Of The Privatization Management Companies, Licensing The Management Of The Privatization Funds, And Licensing The Establishment Of The Privatization Funds	Published in the Official Gazette of F BiH, No 29/99 of July 19, 1999	CD1/Capital Markets/Laws/PIF Regs/PIF Licensing Regs ENG Gazetted
Amendments to the Regulations On Conditions And Procedures Of Licensing The Establishment Of The Privatization Management Companies, Licensing The Management Of The Privatization Funds, And Licensing The Establishment Of The Privatization Funds	Published in the Official Gazette of F BiH, No 44/99 of October 30, 1999	CD1/Capital Markets/Laws/PIFRegs/PIF Licensing Reg Amendment 1
Instructions On Obligatory Elements Of Contracts Between Privatization Management Company And The Securities Registrar	Published in the Official Gazette of F BiH, No 29/99 of July 19, 1999	CD1/Capital Markets/Laws/PIF Regs/PIF Mgt Contract with Professional Intermediary

Law / Regulation	Status	CD ROM Reference
Model Contract on Privatization Investment Fund Management	Published in the Official Gazette of F BiH, No 29/99 of July 19, 1999	CD1/Capital Markets/Laws/PIF Regs/PIF Mgt Contract with Professional Intermediary
Instructions On Obligatory Elements Of The Contract Between A Privatization Management Company And Depository	Published in the Official Gazette of F BiH, No 29/99 of July 19, 1999	CD1/Capital Markets/Laws/PIF Regs/PIF Mgt Contract with Professional Intermediary
Regulation On The Format And Contents Of The Prospectus For The First Share Issue Of A Privatization Fund	Published in the Official Gazette of F BiH, No 32/99 of July 31, 1999	CD1/Capital Markets/Laws/PIF Regs/PIF Prospectus Reg ENG Gazetted
Regulation on Public Promotion of Privatization Management Companies and Privatization Investment Funds	Published in the Official Gazette of F BiH, No 42/99 of October 19, 1999	CD1/Capital Markets/Laws/PIF Regs/PMC & PIF Promotion Gazetted
Regulation on Inspection of Business Operations of Privatization Management Companies and Privatization Investment Funds	Published in the Official Gazette of F BiH, No 48/99 of December 3, 1999	CD1/Capital Markets/Laws/PIF Regs/PIF Reg Inspection
Regulation on Contents and Publishing of Report on Business Operations of Privatization Management Company and Privatization Investment Fund	Published in the Official Gazette of F BiH, No 49/99 of December 10, 1999	CD1/Capital Markets/Laws/PIF Regs/PMC & PIF-Consolidated Report
Regulation on Conditions and Procedure for Terminating Privatization Investment Fund Management Contract	Published in the Official Gazette of F BiH, No 54/99 of December 31, 1999	CD1/Capital Markets/Laws/PIF Regs/PIF Mgt Contract Termination Reg
Regulation on Conditions and Procedure for the Revocation of a Privatization Investment Fund Management License	Published in the Official Gazette of F BiH, No 54/99 of December 31, 1999	CD1/Capital Markets/Laws/PIF Regs/PIF Mgt Licence Revocation Reg
Regulation on Depository Banks of Privatization Investment Funds	Adopted by FSC in February 2000, awaiting publishing	CD1/Capital Markets/Laws/PIF Regs/Depository Banks

SECURITIES REGISTRAR REGULATIONS

Law / Regulation	Status	CD ROM Reference
Regulation on Registration and Transfer of Securities with Securities Registrar	Published in the Official Gazette of F BiH, No 32/99 of July 31, 1999	CD1/Capital Markets/Laws/Registres/Registrar Regs

1.2 Work to strengthen the Privatization Agencies at both the Federation and Cantonal levels

Status of Deliverables as defined in the task order.

Assistance to FPA

The USAID PP supported the establishment and development of the Federation Privatization Agency.

The USAID PP project managers provided both structural planning and training activities with the FPA leadership and met weekly to discuss implementation of work plans.

Through these weekly meetings the USAID PP kept abreast of outside and political impediments to progress and thus was able to help the FPA lobby the F BiH Government and donor community for appropriate assistance.

The USAID PP also initiated privatization retreats where the international community gathered to discuss and coordinate its activities with regard to privatization and political obstacles to its implementation. These retreats were held on a semi-annual basis and finally grew into a formalized coordinating body, the International Advisory Group on Privatization, chaired by the USAID and including members from EC, GTZ, World Bank, BKHF, IMF, EBRD and OHR.

The USAID PP also took the lead to facilitate the first (and several following) inter-entity meetings on privatization. The first meeting was held in Vienna in October 1998, led by a professional facilitator/arbitrator. Subsequent meetings occurred in Sarajevo and Neum. All meetings were designed to assist in coordination across entities discussion of common problems, and proposed outreach to assist participation of displaced persons in privatization without requiring movement across the inter-entity boundary line. These meetings have resulted in positive and effective actions including the establishment of satellite offices of each entity's privatization program in the capital of the other entity.

The USAID PP assistance to the FPA was suspended by the US Ambassador Thomas J. Miller in December 1999 due to a lack of progress. This suspension remained in effect through August 2000. Following the lifting of this suspension, USAID PP immediately deployed remaining software applications and provided the last elements of training necessary to deploy the comprehensive package of information systems, and enabling the entity to conduct mass privatization.

Assistance to CPAs

The USAID PP supported the establishment and operations of the Cantonal Privatization Agencies (CPAs) throughout the territory of the Federation BiH. The Cantonal Advisory Team (CAT) assisted the CPAs in all the stages of preparation for and implementation of privatization activities. The CAT team assisted the CPAs in identifying and establishing their organizational and operational needs and structure. Through joint efforts and daily contact, the CAT members helped the CPAs develop and implement their workplans especially in the initial stages of the CPA operation. The CAT team also carried the major part in training CPA staff in different areas of privatization implementation, such as: citizen's claims accounts establishment and utilization, enterprise preparation, small-scale privatization and large-scale privatization. CAT members prepared and delivered presentations of comprehensive manuals and procedures prepared by other USAID PP teams, addressing all stages and activities of privatization implementation. The team particularly focused on getting the CPAs trained and ready for implementing small-scale auction and tender sales, and maintained the supportive advisory role up to the suspension of the assistance in December 1999. The CAT teams were not redeployed following the lifting of the suspension in August 2000.

All the activities of the Cantonal Advisory Team were coordinated with the Department for Cantonal Relations at the Federation Privatization Agency through regular contacts and monthly activities planning meetings.

The team also facilitated the feed back function, reporting back to the USAID PP, but also to the FPA on situation in the field, and issues and developments in each particular area.

The table below gives an overview of deliverables provided by the USAID PP teams in the area of assistance to CPAs, and their status.

Deliverable	Status	CD ROM Reference
Assist in establishment of Cantonal Privatization Agencies	Completed between April - June 1998.	Not Applicable
Assist the CPAs in defining workplans, staffing and budgeting needs	Activity initiated upon official establishment of a CPA and continued throughout the duration of the project.	Not Applicable
Equip the CPAs with designated computer equipment	Completed between May-July 1998 for all Cantons except HNK (Mostar). HNK received equipment on July 1999 (see Outstanding Issues).	Not Applicable
Prepare CPAs for implementing privatization	Activities executed throughout the duration of the project	Not Applicable
Train CPA staff on privatization processes in general and on the privatization program in BiH.	Training conducted through seminars for CPA staff and continued on as needed bases throughout the duration of the project	Not Applicable
Train CPA staff on preparation and approval of enterprise opening balance sheet and privatization program	CPA staff trained on how to develop OBS and PP, and also to asses and approve those submitted to them by enterprises	Not Applicable
Train CPA staff on small scale process maps and procedures	Training delivered at all CPAs. For more detail on SSP process maps and procedures see Task 1.5	Not Applicable
Present Manual and Procedures for Public Offering of Shares	During the period from October 11-19, 1999 conducted presentations at all the CPAs. For more details on POS Manual and Procedures see Task 1.6	Not Applicable
Assist the CPAs in implementing privatization	Activities executed throughout the duration of the project	Not Applicable
Assist the CPAs in preparing enterprises for privatization.	Activities executed throughout the duration of the project. They included support and assistance to CPA and FPA in preparing selected enterprises.	Not Applicable

Deliverable	Status	CD ROM Reference
Assist the CPAs in preparing to conduct small scale sales (auctions and tenders)	Assistance given through wide seminars for CPA staff (training for auctioneers, auction and tender commissioners, mock auctions) and also through targeted specific help depending on particular CPA needs (auction centers, tender contract samples). For more on preparation for SSP sales see Task 1.5	Not Applicable
Assist the CPAs in implementing sales and monitoring small-scale sales.	Assistance given to CPAs on as needed basis. Monitored implementation of sales and provided advice and support where needed. Reported back to relevant USAID PP teams, FPA, and USAID on any irregularities. For more on SSP sales and proposed adjustments and measures see Task 1.5	Not Applicable

Key Achievements in the Area

All ten CPAs are established and operating. The USAID PP team worked with the FPA to have the CPAs established as soon as the legal requirements were met. Each CPA, or its nominated Director, received assistance in all the steps of establishing the office, such as securing appropriate premises and developing workplans and staffing needs. Once a CPA secured the premises with satisfactory safety standards, the USAID PP delivered the USAID donated equipment to each CPA. Each CPA received one computer, one printer, UPS unit, fax, and a copier).

CPA staff trained for executing their day-to-day activities in implementing small scale and large-scale privatization sales. The training entailed both seminars and individual sessions-discussions and workshops with CPA staff as needed. The seminars provided introduction to privatization issues and procedures in general, and more specific issues and procedures of the privatization program in F BiH (establishment and utilization of citizen claims accounts, preparation and approval of enterprise opening balance sheet and privatization program). More specific, operational, topics related to implementing privatization sales and executing particular CPA tasks (small scale, large-scale and Public offering of shares procedures), were dealt with through individual workshops and meetings with CPA staff.

The USAID PP CAT team coordinated their activities with the CPAs and FPA in preparing pilot enterprises for privatization. Based on the findings of the pilot project, the USAID PP worked with the FPA to amend the relevant legislation in ways that would simplify the procedure enterprises need to follow in obtaining necessary documentation.

The USAID PP team assisted the CPAs in securing an appropriate auction center in each canton. In addition, the USAID PP trained the specialized staff, auctioneers and auction commissioners, for functions in conducting auction sales. CPAs nominated the candidates who attended the training. Following the training the candidates for auctioneers took an USAID PP designed exam as a basis for obtaining the auctioneer's license. In the end, 47 auctioneers were licensed. As the time gap between

the training and the beginning of actual sales was large, the USAID PP in coordination with the FPA and the CPAs conducted a refresher course for auctioneers closer to the date when small scale auctions began.

In addition to training the auction commissioners who represented CPAs at auctions, the USAID PP supported the CPAs in educating auction commissioners who represented sellers in the process – enterprises and municipalities.

As a part of preparations for conducting auctions, the USAID PP prepared and ran a series of mock auctions. The mock auctions were an opportunity for the CPA staff to go through all the steps of conducting an auction, from public announcement of auction, registration processes, bidding, and signing contracts for successful sales.

The USAID PP conducted separate training for tender commissioners from CPAs. Similar to the auctioneer commissioners earlier, the tender commissioner candidates were nominated by the CPAs. The training included theoretical aspects of selecting tenders as the appropriate method of sale, conducting tenders and case studies for determining and applying tender criteria in the process of selecting the best bid.

The USAID PP CAT team continued to support the CPAs in conducting auctions and tenders. Together with the USAID PP Risk Management team, CATs monitored the sales and the implementation of sale procedures. Any irregularities in the process were reported back to the USAID PP, FPA, respective CPAs and the USAID. Based on the findings of those two teams the USAID PP proposed solutions and steps to improve small-scale sale results.

1.3 Assist the relevant agencies in completing and reviewing enterprise documentation for privatization and determining the universe of enterprises (or assets and parts) to be privatized through each available method

Status of Deliverables as defined in the task order.

The USAID PP assisted enterprises and privatization agencies in preparations for the implementation of privatization. As noted under Task 1.2, the USAID PP assisted the Cantonal and the Federation Privatization Agency in preparing enterprises under their respective jurisdiction. This assistance entailed training of FPA and CPA staff in preparation of enterprise opening balance sheet and privatization program, as well as the process of agencies' approval of the same.

The USAID PP together with the CPAs also coordinated and conducted training of enterprise managerial and accounting staff in activities related to enterprise preparation for privatization. This training mainly focused on development of enterprise opening balance sheet, assessing the appropriate privatization method and preparing the privatization plans for enterprises.

As noted under Task 1.2, the USAID PP CAT team also supported the CPAs and the FPA in providing direct help to enterprises. This was done through enterprise visits. The visits aimed at guiding the enterprises through the process and mapping out the path, and observing the obstacles faced by enterprises. As a result, the teams informed relevant agencies, governmental bodies and international community of the existence of those obstacles and proposed possible solutions.

The USAID PP conducted analysis of the data on enterprises provided by the FPA, and originating from the Federation Statistics Bureau and the Payment Bureau. The available data was from years 1996, 1997 and 1998. The findings of the analysis were submitted to the FPA.

The USAID PP provided additional support to the FPA and the F BiH government in the area of determining the group of strategic enterprises (enterprises from Article 3 of the Law on Privatization of Enterprises). As part of this support and in efforts to assist in determining the scope and the

importance of the strategic sector privatization, the USAID PP conducted targeted studies in the sectors of rail, water, and media.

Deliverable	Status	CD ROM Reference
Procedures for Enterprises Participating in F BiH Privatization Program	Delivered to FPA	CD1/Enterprises/Procedures/Procedures for Enterprises
Manual for Enterprises Participating in F BiH Privatization Program	Delivered to FPA	CD1/Enterprises/Manuals/Manuals for Enterprises
Business Procedures for Enterprise Register Software V1.0; with User Manual	Delivered to FPA	CD1/Information Technology/Enterprises registry/Business procedures
Training in use of Enterprise Registry Software Application, V 1.0	Delivered to FPA and CPAs	CD1/Information Technology/Enterprises registry/User documentation
Business Procedures for Enterprise Register Software V2.0; with User Manual and relevant training	Delivered to FPA and CPAs	CD1/Enterprises/Manuals
Business Procedures for Enterprise Register Software V2.1; with User Manual and relevant training in use	Delivered to FPA and CPAs	CD1/Information Technology/Enterprises registry/User documentation
Business Procedures for Enterprise Register Software V3.0; with User Manual and relevant training in use	Delivered to FPA and CPAs	CD1/Enterprises/Manuals
Business Procedures for Central Enterprise Register Software	Delivered to FPA	CD1/Information Technology/Enterprises registry/Business proced.
Set of reports based on 1996 enterprise data	Delivered to FPA	Not available
Set of reports based on 1997 enterprise data	Delivered to FPA	Not available
Set of reports based on 1998 enterprise data	Delivered to FPA	Not available

Key Achievements in the Area

The USAID PP assisted the privatization agencies in determining the scope of enterprises (or assets and parts) to be privatized. As part of these activities, project team conducted analysis of the enterprise data made available by the Federal Statistics Bureau and the Payment Bureau, with the goal of estimating the number of enterprises that need to go through privatization. The USAID PP also analyzed this data and compiled reports on:

- assessing the workload of each privatization agency to determine the specific agency staffing needs;
- estimating the volume of state capital for privatization for the purposes of determining the general point value; and
- determining the number of enterprises and state capital volume for each privatization method.

The reports were created and submitted to the FPA as integral part of the support in enterprise preparation for privatization.

The USAID PP provided support in preparing enterprises for privatization. This was done through training both enterprise and the CPAs in completing and reviewing enterprise documentation (revision, opening balance sheets, privatization programs). Through pilot programs coordinated with the CPAs the USAID PP offered direct assistance to the enterprises in their preparations for privatization. As part of the support activities USAID PP looked into and hired local professionals to provide targeted, short-term professional support to the agencies in the areas of accountancy and legal support. While this assistance was available for over one year, only one Agency used the assistance for less than five enterprises. This activity was terminated with the withdrawal of USAID support to the privatization process in the F BiH in December 1999.

The USAID PP developed and distributed the manual and procedures for enterprises participating in privatization thus providing detailed guidelines for enterprises and all relevant agencies in preparing necessary documents for participating in the privatization process.

The USAID PP developed business procedures for development of cantonal and central Enterprise Register software. These procedures include following functionalities:

- collection and processing of enterprise documentation (financial statements, opening balance sheet, privatization program, revision findings)
- complete information system support to the privatization agencies for all privatization methods including automated procedures for auction and tender scheduling, public offering of shares and automated standard reports

Any issues of importance that remain unresolved

Continued indifference toward the privatization process from many enterprises, and the enterprise management's fear of losing control, and in some cases, the lack of funds in enterprises may continue to cause delays in the preparation of remaining enterprises for privatization.

1.4 Assist the Federal Privatization Agency and Payments Bureau in the creation and utilization of citizen claim accounts.

Status of Deliverables as defined in the task order.

The USAID PP assisted the F BiH Government Expert Team, the FPA and other relevant governmental bodies in drafting legislation relevant to establishment and utilization of claims. Based on the adopted legislation, the project team developed detailed procedures dealing with establishment of citizens' unique claims accounts and utilization of claims.

As noted under Task 1.3, the provided analysis of privatization assets and proposed methods for determining value of general claims.

Our team supported the FPA throughout the process of defining and developing of the Claims Registry System. We also provided support in obtaining and consolidating databases on specific types of claims received from the relevant institutions (Ministry of Interior, Ministry of Defense, Pension Funds, banks). The system development and related activities are described in more detail under Task 1.7.

The USAID PP teams provided guidance and assistance to the FPA in developing specifications for purchase and shipment of initial unique citizens' claims account statement forms with a printer from Germany.

Our team supported the FPA and the Payment Bureau in coordination of their activities to establish cooperation between the two institutions and ensure the functioning of the claims transactions process

using the Payments Bureau infrastructure. As part of those activities, we trained the Payment Bureau staff designated to work on the privatization related tasks (administrators, tellers).

The USAID PP provided support and guidance to the FPA in their communication with the PTT/HPT (postal and telecom agencies) in defining and establishing the appropriate telecommunication connections.

Deliverable	Status	CD ROM Reference
Instructions on Establishment and Utilization of Claims in the Unique Accounts	Published in the Official Gazette of F BiH, No 1/98 of January 15, 1998	CD2/Translation/Laws & Regulations/Adopted/Instructions on claims
Process Maps for Claims Establishment and Utilization	Delivered to the FPA in February 1999	CD1/Claims/Process Maps
Procedures for Establishment and Utilization of Claims – Procedure 1.1 – 1.6 (opening of accounts, assignment of claims, loading databases)	Delivered to FPA in April 1999	CD1/Claims/99-04-23 Procedures 1.1-1.6
Procedures or Establishment and Utilization of Claims – Procedure 1.7 – 1.9 (claims transactions, reporting)	Delivered to FPA in June/July 1999	CD1/Claims/Procedures 1.7 & 1.9
Training for Payment Bureau Tellers in Conducting Privatization Tasks	Conducted in July 1999	CD1/Training/1999-07 Payment Bureau Teller Training/Teller Training –July 1999
Training Refresher for Payment Bureau Tellers	Conducted in September 1999	CD1/Training/1999-07 Payment Bureau Teller 1999 Training/Follow –up Activities Sept 20-99

Key Achievements in the Area

The USAID PP drafted and guided the FPA to adopt the Instructions on Establishment and Utilization of Citizens' Claims. The Instructions further develop the claims establishment and utilization process based on the Law on Privatization of Enterprises. They also define in detail roles, tasks and responsibilities of different institutions active in the process.

We also developed Procedures for Establishment and Utilization of Citizens' Claims in the Privatization Process in F BiH. The Procedures are based on the Law on Privatization of Enterprises and the Instructions for Establishment and Utilization of Claims. They provide precise, step-by-step definition of tasks that must be accomplished by each of the subjects (ministries, banks, pension funds, privatization agencies, payment bureau, citizens) in privatization for the process to be implemented successfully. The Procedures deal with business elements of all the stages of the process: data loading and matching, opening of unique citizen claims accounts, printing and distribution of initial statements, processing appeals and updates in personal information and claims balances, processing transactions and relevant reporting. As a part of this comprehensive Procedure document the USAID PP developed all the required official forms to be used in the process and designed proposed reports.

The Procedures were adopted by the FPA Management Board and, in addition to defining the business process, they also represent the definition of the business requirements of the process used as the foundation for development of the Claims Registry Information System.

The USAID PP assisted and provided guidance to the FPA and the Payment Bureau throughout the process of establishment of the Claims Registry System. Activities in this area entailed defining the data format for the institutions to follow in order to facilitate automatic data loading and database matching, loading the initial data and the subsequent updates, opening the unique citizen claims accounts, and printing of unique accounts initial statements. As a part of the support activities, the USAID PP developed a proposal later followed by the FPA and the Payment Bureau on improving the claims data delivered by the F BiH institutions.

Our team also assisted the FPA in facilitating the pre-printing of the initial statement forms by a specialized company in Germany, and transporting the blank forms to the Federation.

We provided the FPA with the claims data analysis necessary for the determination of the KM value of a single general claim point.

The Project developed and conducted training for the Payment Bureau staff working on the privatization tasks (appeals processing, claims transactions, reporting, help desk and customer services, and database administration).

1.5 Support the relevant privatization agencies in the completion of small scale privatization.
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Status of Deliverables as defined in the task order.

As noted under Task 1.1 the USAID PP supported the FPA and the relevant governmental bodies in securing the appropriate legislative framework for the implementation of the small scale privatization. The following legislative acts were developed based on the Regulations on Procedures for Sale of Assets and Shares or Holdings in Enterprise: Instructions on the Format and Contents of Forms Required in the Process of Sale of Assets and Shares or Holdings in Enterprise; Instructions on Selection, Appointment and Licensing of Auctioneers; Regulation on Procedure for Concluding Enterprise Management Contract and Leasing of Enterprise in Privatization Process; and the Table of Fees in the Privatization Process.

The USAID PP developed and submitted to the FPA the comprehensive Manual for Small Scale Privatization and the Procedures for Small Scale Privatization based on the above listed legislation. Both the Manual and the Procedures define the small scale processes in more detail, addressing issues specific to implementers of the process.

Our team provided CPAs with all the tools needed for implementing small scale sales. We trained FPA and CPA staff on the small scale privatization tasks and processes. Following the initial training of all the relevant CPA staff, we provided continuous support in all preparation activities for small scale sales. The Project maintained the guidance and support throughout the implementation process up to the point of withdrawal of USAID support to privatization process in the Federation in December 1999. We also monitored small scale sales and provided analysis on the sale results based on the data provided by the FPA.

Our team trained auction and tender implementation teams – auctioneers, auction commissioners and tender commissioners representing CPAs. We also supported CPAs in training auction commissioners coming from enterprises/sellers in the process.

The deliverables provided in the area of small scale privatization are given in the table below:

Deliverable	Status	CD ROM Reference
Manual for Small Scale Privatization	Adopted by FPA in April 1998	CD2/Small Scale/SSP/Manual
Small Scale Process Maps	Delivered to the FPA in	CD2/Small

	April 1998	Scale/SSP/Process Maps
Instructions to Article 95 of the Regulation on Procedures for Sale of Assets and Parts or Holdings in Enterprises	Adopted by FPA in April 1998	CD2/Small Scale/Instructions to Article 95 of Rules
Procedures for Small Scale Privatization	Delivered to FPA in March 1999	CD2/Small Scale/SSP Procedures
Amendments to Procedures for Small Scale Privatization	Delivered to FPA in May 1999	CD2/Small Scale/SSP Procedures/99-05-21 Amendments to Procedures
Auctioneer Training for Auction Sales in Small Scale Privatization	Conducted in July 1998 and June 1999 (refresher course)	CD2/Training/ Procedures 1998-07 Auctions/ Auctioneer
Training for Auction Commissioners from CPAs	Conducted in July 1999	CD2/Training/ Procedures 1998-07 Auctions/ Commissioners
Training for Tender Commissioners from CPAs	Conducted in October 1998 and October 1999 (refresher and lessons learned)	CD2/Training/ Procedures 1999-11 Tender Commissioners
Mock/Pilot Auction Design	Delivered to FPA in May/June 1999	CD2/Risk Management Team/Mock Auction Report's
Developed Small Scale Software Application	Delivered to FPA in April 1999	Not available

Key Achievements in the Area

Based on the Procedures for Small Scale privatization, the USAID PP Business and IT teams defined and developed the Small Scale Software Application. This application is used by the CPAs in conducting small scale sales and processing sale results. The activities related to the development and deployment of the software are described in more detail under Task 1.7.

Additionally, our team developed and conducted training for specialized staff needed in conducting small scale sales.

This training covered both the implementation of auctions and tenders which are being implemented successfully in all ten cantons.

At the request of USAID PP, the FPA provided the Project with the data on results of the small scale sales. The USAID PP team analyzed this data and forwarded the results to the FPA, providing suggestions as to how to improve the sales.

1.6 Support the relevant privatization agencies and Payments Bureau in the preparation and completion of subscriptions for the first wave of the Public Offering of Shares.

Status of Deliverables as defined in the task order.

As listed under the Task 1.1 the USAID PP assisted the F BiH Government, the Federation Privatization Agency and relevant institutions in securing legal framework for large scale privatization. This assistance included providing draft regulations and instructions for a successful implementation of large scale sales and public offering of shares (POS).

Based on the defined legal framework the USAID PP further developed the large scale privatization processes for the needs of the FPA, CPAs and other participating institutions. The USAID PP

developed the Manual and the Procedures for POS defining the roles, tasks and responsibilities of each of the institutions participating in the process. The Procedures for POS also provide algorithms for calculating the results of the POS subscription and determining the nominal value of shares and percentage of ownership resulting from the POS. The USAID PP also developed tools for the FPA to construct, maintain and transfer to an independent Share Register the list of new shareholders.

The USAID PP guided and assisted the FPA in the efforts to assess and prepare the universe of enterprises to be privatized through the methods of tender and the POS. For this purpose the USAID PP teams provided the FPA with the tools for reviewing the data on enterprises and determining the ratio between the starting value of the enterprises and the outstanding citizens claims. Tasks 1.3 and 1.7 provide more detailed description of the specific assistance provided in determining, analyzing and maintaining enterprise data.

The USAID PP advised the FPA on the development of regulation for tenders of large enterprises and determining the portion of state capital from large/strategic enterprises that should be reserved for POS from those enterprises going through tender sales.

Deliverable	Status	CD ROM Reference
Large Scale Privatization Process Maps	Developed as integral part of Privatization Program Process Maps and delivered to FPA in January 1999	CD2/Large Scale/Process Maps
Public Offering of Shares Process Maps	Delivered to FPA in July 1999	CD2/Large Scale/Process Maps
Manual for Public Offering of Shares in the Process of Privatization of Enterprises in F BiH	Delivered to FPA in September 1999, and to CPAs in October 1999	CD2/Large Scale/Procedures POS/99-12-25 POS Procedures ENG Final
Procedures for the Public Offering of Shares in the F BiH	Delivered to the FPA in January 2000	CD2/Large Scale/Procedures POS
Design for Mock Public Offering of Shares	Delivered to the USAID Mission Sarajevo in February 2000	CD2/Large Scale/Mock POS
Instructions for Sale of Shares or Equity Units in Enterprises	Delivered to FPA in October 1999, to USAID Mission Sarajevo in February 2000	CD2/Large Scale/Tender in LSP

Key Achievements in the Area

The USAID PP analyzed the POS process as initially defined and developed a proposal for implementing the POS as a two-round pro-rata subscription process. The FPA accepted this proposal and based on it, amended the Rules on Sale of Assets, Shares and Equity Units of Enterprises.

The USAID PP also analyzed different approaches in selecting the possible locations for conducting the POS subscription. Following the USAID PP proposal, the FPA amended the Rules on Sale so that the offices of the Payment Bureau are responsible for all types of subscription in the POS.

Based on the relevant legislation the USAID PP developed a comprehensive Manual for POS. The Manual addresses the roles and responsibilities of each of the parties involved in the implementation of the public offering of shares. The Manual was adopted by the FPA and delivered to all the cantonal privatization agencies.

The USAID PP further developed the Procedures for Public Offering of Shares. The Procedures provide a detailed overview of activities and steps to be accomplished by each party involved in the implementation of the public offering of shares. In addition, the Procedures develop and describe the algorithms used in the process to calculate the results of the POS subscription, determine the number

of shares and their nominal value, as well as the percentage of ownership received by successful subscribers. They also develop each activity and step to the level of detail needed for development of the information system module needed to support the POS implementation.

As described in more detail under Task 1.7, and based on the business procedures for POS, the USAID PP team developed the IT module supporting all the stages of the POS: subscription of shares, calculation of POS results and creation of list of new shareholders. The POS module also includes all algorithms for conducting these calculations.

Using the business procedures and the POS application modules as the basis, the USAID PP developed a Design for Mock POS. The mock POS enables the FPA to organize and conduct a mock public offering of shares and test all the procedures and systems prior to the live subscription period.

The USAID PP drafted and submitted to the FPA the regulation for conducting tenders of large enterprises. The USAID PP further provided guidance to the FPA and comments to the materials on large enterprise tenders prepared by the GTZ.

As an integral part of the post POS support, the USAID PP developed and submitted to the FPA the procedures and the relevant IT support needed for maintenance of the list of new shareholders that will be transferred to an independent Securities Registrar.

The Mock POS could not be implemented because of all delays in the preparation of enterprises for privatization and the suspension of USAID PP activities which delayed the installation of POS software.

<p>1.7 Assist in the analysis, design, construction, testing, and user acceptance of IT systems required to support the mutually agreed to business processes that enable the operations of the privatization program.</p>

Status of Deliverables as defined in the task order.

The USAID PP provided IT related support and assistance to the FPA in two major areas: claims registration and processing, and privatization program processing.

The USAID PP provided support and assistance to the FPA and the Payment Bureau at all the stages of the claims registration and processing. Based on the business requirements defined by the USAID PP business teams, the IT segment of the project designed and built the information technology systems to support the creation and utilization of the citizens' claims in the privatization process in the F BiH. As requested by the Task Order the USAID PP facilitated the FPA's inclusion in the system. The FPA now has three data entry sites successfully included within the privatization network.

The USAID PP also defined the required format of the data provided by institutions outside the FPA, and assisted the FPA in final formatting, analysis and matching of this data. Using the final set of data the citizens' claims accounts were opened to all the eligible citizens and initial statements printed and distributed. More details on the process of distribution and use of claims is also given under Task 1.4.

The USAID PP conducted training of all the relevant Payment Bureau staff needed for successful operation and maintenance of the Claims Registry system.

The USAID PP business and IT teams jointly defined requirements for the development of the IT systems needed for processing sales in the F BiH privatization process, and also for analyzing and maintaining all the relevant data needed for the success of those sales. The USAID PP developed systems for analyzing and maintaining enterprise data at both CPAs and the FPA level, capturing

information on existing shareholders in enterprises, processing small scale sales, as well as for public offering of shares and maintaining post privatization data on shareholders.

Deliverable	Status	CD ROM Reference
Wide Area Network Establishment	WAN established and running with 125 data entry points	Not applicable
Claims Registry System: (creation of Unique Citizens' Accounts and claims transaction processing)	System became live on September 23, 1999	CD1/Info. Techn/Claims Registry and POS/Claims Registry/ User Docum.
Claims Registry System: Privatization Investment Fund Module	Completed, tested, documented and implemented in April 2000	CD1/Information Technology/Claims Registry and POS/Claims Registry/ User Documentation..
Privatization Processing System: Small Scale Privatization Module	Delivered to FPA and CPAs in November 1999	CD1/Information Technology/Claims Registry and POS/Claims Registry/ User Document.
Privatization Processing System: Cantonal Enterprise Register	Delivered to FPA and CPAs in April 1999; updated in February 2000	CD1/Information Technology/Claims Registry and POS/Claims Registry/ User Documentation..
Privatization Processing System: Central Enterprise Register	Delivered to FPA in February 2000	CD1/Information Technology/Claims Registry and POS/Claims Registry/ User Documentation..
Existing Shareholder Database	Delivered to FPA and enterprises in May 1999	CD1/Information Technology/Claims Registry and POS/Claims Registry/ User Documentation..
Privatization Processing System: Public Offering of Shares Module	Completed, tested documented and installed in September 2000	CD1/Information Technology/Claims Registry and POS/Claims Registry/ User Doc.
Post Privatization Shareholder Database	Completed, tested and documented, delivered to USAID and available for implementation	CD1/Information Technology/Claims Registry and POS/Technical-Docum./12 POS Data Model
Technical Training of Payment Bureau Staff	Relevant Payment Bureau staff trained to operate and maintain Claims registry System	CD2/Training/ 1998-06/Payment Bureau
Help Desk Establishment and Training	Help Desk operational and relevant staff trained	Not applicable
FPA Inclusion within Claims System Network	FPA connected into the network in November 1999	Not applicable

Key Achievements in the Area

The USAID PP established the infrastructure needed for successful operation of the privatization claims processing system in the F BiH. This entailed procurement, installation and maintenance of

the necessary hardware. The USAID PP established the Wide Area Network with total of 125 data entry points at 83 remote sites utilizing 24 local area networks. The USAID PP also worked with the FPA and the Payment Bureau to secure the telecommunications needed for successful operation of the system.

In November 1999 the FPA was included within the claims system network. The FPA has three data entry sites.

As noted under Task 1.3, the USAID PP IT team built the Claims Registry System based on the USAID PP developed business procedures. The system components facilitate the establishment of the Unique Claims Accounts (UCAs) and processing of privatization claims transactions.

The USAID PP assisted the FPA in establishing the UCAs. The USAID PP analyzed the data received from the relevant institutions, formatted and matched the data based on previously proposed and with FPA agreed methods to create the final database of UCAs in the privatization process in the F BiH. In April 1999 2,046,196 UCAs were opened for eligible citizens. The USAID PP proceeded to provide the FPA and the Payment Bureau with guidance in the process of printing and distributing 1.911.750 initial statements.

The USAID PP built the Claims Transactions System and delivered it to the FPA and the Payment Bureau. The system provides the modules for processing claims transactions between two UCAs and between a UCA and cumulative account in a sales transfer. The System became operational on September 23, 1999.

The USAID PP conducted training for all the Payment Bureau staff to work on privatization tasks. In particular, the USAID PP provided ongoing support and technical training to FPA and Payment Bureau to support claims processing and correction. Training and support was also provided in the area of Database Administration.

In addition the USAID PP designed, installed and trained the Payment Bureau team to provide help desk services. The help desk became live in June 1999. It provides a problem contact point and support to the Payment Bureau staff, covering difficulties with hardware, software, telecommunications and procedures.

The USAID PP built the software to facilitate capturing information on the existing shareholders in enterprises (the Markovic shareholders). The software with the user manuals was delivered to the FPA, CPAs and distributed to 600 enterprises in May 1999.

The USAID PP developed software to create and maintain database of enterprises participating in the privatization program. The Cantonal Enterprise Registry was completed and distributed to the CPAs in April 1999. The USAID PP trained the relevant CPA staff on use of the software. Following regulatory changes later in the year, the Cantonal Enterprise Registry software was revised and re-installed in February 2000. The USAID PP also built the Central Enterprise Registry to reside and be used at the FPA. The programming was completed and software installed in February 2000.

Based on the USAID PP developed business procedures for small scale privatization sales, the USAID PP IT team built the small scale module to facilitate the auction and tender sales in the process of small scale privatization in F BiH. The software provides tools to prepare and conduct sales and provide reports on the sale results. The software was delivered and distributed to all the CPAs. In November 1999, additional work was completed to connect the FPA to the Cantonal Agencies to facilitate data transfer for enterprise preparation and small scale reporting.

The USAID PP programmed, tested and documented the Public Offering of Shares module of the privatization system and installed the software in September 2000. The POS module facilitates the transfer and processing of claims in the POS and calculation of the subscription results for multiple

POS waves. It also provides algorithms for calculating number of shares, nominal value of shares and participation in ownership resulting from successful POS.

The USAID PP programmed, tested and documented the Shareholder Database module. This module maintains a secure database of information on new shareholders that received shares of the privatized companies. This database will be delivered to an independent Share Registry upon completion of the privatization process. The module was completed and is available for installation in the Payment Bureau..

The USAID PP built the Privatization Investment Fund module to be incorporated into the Claims Registry System. The PIF module facilitates utilization of PIF accounts within the system. The software was programmed, tested, and installed in April 2000. Daily statements are provided to PIFs detailing claims subscribed. Where PIF management companies are unable to reach the threshold required for PIF establishment claims will be returned to subscribers.

Any issues of importance that remain unresolved

The ability of the Payment Bureau to independently continue operation of the wide area network and to administer software programs gives cause for concern. This is in spite of extensive training and support mainly due to lack of readiness on the Payment Bureau side to take on the responsibility in full. These issues may be further complicated by the Payment Bureau dismantling that will be implemented in early 2001. A separate file server for operation of the Shareholder database module is identified but not yet transported to the Payment Bureau (or Federal Privatization Agency).

1.8 Complete compliance reviews on high-risk areas of the privatization program

Status of Deliverables as defined in the task order.

The USAID PP Risk Management team conducted reviews of claims processing and small- scale sales in view of compliance with the FPA approved business procedures. The team provided reports on each of the attended events.

Deliverable	Status	CD ROM Reference
Audit reports on auction and tender events	Reports provided after each visit and submitted to FPA, relevant CPA and USAID	CD2/Risk Management/Auction-Reports and Tender-Reports
Audit reports on privatization transactions processing at Payment Bureau offices	Reports provided after each visit and submitted to relevant counterparts and USAID	CD2/Risk Management/ZPP-ZAP Reports-Audit Reports
Reports on Multi-Cantonal Enterprises	Reports submitted to FPA and USAID	CD2/Risk Management/Multicantonal Enterprise Reports
Reports on status of enterprise preparation for privatization	Reports submitted to FPA and USAID	CD2/Risk Management/Multicantonal Enterprise Reports

Key Achievements in the Area

The team visited the Payment Bureau sites in all 10 cantons and reviewed the level of compliance of the claims transactions processing with the established regulations and procedures. The USAID PP provided comprehensive reports from each of the visits, specifying any noted inconsistencies and providing suggestions for overcoming the obstacles and/or improving the efficiency of the process.

The USAID PP RMT attended a sample of small-scale auction and tender sales in each canton in order to assess the compliance of the CPA executive staff with the prescribed auction/tender regulations and procedures. Additionally, a sample of large-scale tenders conducted were reviewed. The audit reports on each of the attended events provide assessment of the level of compliance as well as suggested means and activities to overcome noted irregularities, or improve efficiency of the process. All the reports were delivered back to the affected CPA, the FPA and the USAID.

Over the course of the contract, the RMT was also involved in the development of privatization business procedures, training of local counterparts involved in implementation/conducting of privatization, assessment of the readiness of local counterparts regarding implementation of privatization and testing of privatization software prior to rollout.

Any issues of importance that remain unresolved

Due to the delay in conducting the POS, the USAID PP RMT was not able to conduct any audit reviews on public offering of shares processes. However, detailed audit procedures were developed for future compliance reviews.

1.9 Support, with appropriate regulatory safeguards, the development of investment funds.

Status of Deliverables as defined in the task order.

The USAID PP worked with the Federation Government and Securities Commission on establishing a comprehensive legal framework for establishment and operation of Privatization Management Companies and Privatization Investment Funds.

In addition, the USAID PP assisted the Federation Securities Commission in identifying and informing potential domestic and international founders of privatization management companies and investment funds.

The USAID PP developed procedures for establishment and utilization of PIF claims accounts with the Payment Bureau.

Deliverable	Status	CD ROM Reference
Rules on Creating and Maintaining Books and Records of Privatization Management Company and Privatization Fund	Delivered to FSC in May 1999	CD1/Capital Markets/Laws/PIF Regs/PIF Books and Records REG
Regulation on Publishing Reports of Material Events for Financial Operations of Privatization Management Company and Privatization Investment Fund	Delivered to FSC in August 1999	CD1/Capital Markets/Laws/PIF Regs/PMC&PIF – Material Events Final
Regulation on Contents, Publishing of Reports, and Manner of Informing Shareholders of Privatization Investment Fund of Sale and Purchase of Securities in assets of Privatization Investment Fund	Delivered to FCS in February 1999	CD1/Capital Markets/Laws/PIF Regs/PMC&PICF – Consolidated Report
Regulation on Method of Reporting on Use of Privatization Claims	Delivered to F BiH in February 1999	CD1/Capital Markets/Laws/PIF Regs/PIF MGMTM.-Use of Claims
Regulation on Disclosure of	Delivered to FSC in	CD1/Capital

Deliverable	Status	CD ROM Reference
Acquisition of Privatization Investment Fund Shares	February 1999	Markets/Laws/PIF Regs/PIF MGT. – Acquisition of PIF shares
Regulation on Procedures for Transformation of Privatization Investment Funds into Investment Fund	Delivered to FSC in February 1999	CD1/Capital Markets/Laws/PIF Regs/PIF MGT. – PIF Transformation
Regulation on Share of Securities Listed on Stock Exchange in Privatization Investment Fund Assets	Delivered to FSC in February 1999	CD1/Capital Markets/Laws/PIF Regs/ PIF MGT. – Listed securities in PIF Portfolio
Regulation on Conditions and Procedure of Sale of Privatization Fund Shares Below Their Nominal Value	Delivered to FSC in February 1999	CD1/Capital Markets/Laws/PIF Regs/ PIF MGT. - Sale of PIF Shares
Regulation on Passage, Contents and Publishing of Decision on Increase of Statutory Capital of Privatization Investment Fund	Delivered to FSC in September 1999	CD1/Capital Markets/Laws/PIF Regs/ PMC&PIF – Decision on increase
Regulation on Mode of Proceeding in Event of Illiquidity of Privatization Investment Fund	Delivered to FSC in September 1999	CD1/Capital Markets/Laws/PIF Regs/ MC&PIF – Liquidity Final
Regulation on Conditions and Procedures for Issuing and Revoking a Depository License	Delivered to FSC	CD1/Capital Markets/Laws/PIF Regs/ Depository – Licensing Procedure
Instructions on Obligatory Elements of a Contract Between Privatization Management Company and Professional Intermediary	Delivered to FSC in February 1999	CD1/Capital Markets/Laws/PIF Regs/ PIFMGT.-Contract with professionally Intermediary
Regulation on Proceeding in Event of Illiquidity of Privatization Investment Fund	Delivered to FSC in September 1999	CD1/Capital Markets/Laws/PIF Regs/ MC&PIF – Liquidity Final
Regulation on Keeping Registry of Persons from Articles 29 and 121 of the Law on Funds Management Companies and Investment Funds	Delivered to FSC in February 2000	CD1/Capital Markets/Laws/PIF Regs/ Keeping the Registry
Regulation on Methodology for Determining Net Asset value of Privatization Investment Fund	Delivered to FSC in February 2000	CD1/Capital Markets/Laws/PIF Regs/ PIF NAV Methodology
PIF Claims Registry Procedures	Developed as integral part of Claims Procedures (see Task 1.4)	CD1/Capital Markets
Conference "Privatization Investment Funds in F BiH"	Held in August 1999	CD2/Training/1999-08 PIF Conference
Conference "Founding PIFs in BiH"	Held in October 1999	CD2/Training/1999-10 Founding PIF's

Key Achievements in the Area

The USAID PP supported the Federation BiH Securities Commission throughout the efforts to create a complete and comprehensive legal framework for operation of Privatization Investment Funds in the

specific conditions of the F BiH privatization program. The USAID PP teams provided draft regulations covering all the aspects of PIF operation and obligations.

The USAID PP team also provided comments to laws regulating operation of management companies and investment funds, as well as laws and regulations regulating other aspects of business operation affecting the operation of management companies and investment funds operations.

As noted under Task 1.4, the USAID PP team developed the procedures dealing with opening unique claims accounts and processing claims transactions in the privatization process in F BiH. As an integral part of these procedures the USAID PP team also developed procedures for opening and maintaining the privatization investment funds' claims accounts in the process. The procedures also define processing claims transactions in and out of the PIF accounts and reporting needs for such accounts.

The USAID PP provided ongoing support to the Federation Securities Commission (FSC) in the areas of training and learning about experiences from other countries in the region on issues of regulating and operating capital market in transition economies. The FSC also received support and training in areas of business operation of PIFs and their transition and future operation as investment funds. In conjunction with the USAID Legal and Regulatory Reform Project, the USAID PP participated in seminars on issues of regulation of capital markets in F BiH, operation of PIFs and other capital markets institutions, general development and implementation of capital market operations. In addition, the USAID PP provided financial support for the FSC visit to Slovenia. This visit provided the FSC with a possibility to learn about experiences and practical implications of PMC/PIF industry from its Slovene counterparts and Fund Management Companies.

The USAID PP worked with the FSC on securing both domestic and international interest in founding privatization management companies and investment funds in F BiH. In August 1999, the USAID PP organized the "Privatization Investment Funds in F BiH" conference, attracting the attention of primarily domestic potential founders. The conference focused on defining the role of privatization investment funds in a privatization process and the specifics of PIF operation in the F BiH privatization program. The USAID PP organized the second PIF conference in October 1999. The conference "Founding Privatization Investment Funds in F BiH" was of international character and it attracted over 20 potential founders from outside BiH. The conference provided a comprehensive definition of the regulation and specifics of the PIF operation within the F BiH privatization program. In addition, it provided insight into experiences and lessons learned from other countries where PIFs participated in privatization process.

In January 2000, the USAID PP hosted an introductory tour of potential international investors to selected enterprises. The tour aimed to provide the potential investors with an insight of the enterprise potential that will be made available in the privatization process in F BiH. It also aimed to help the enterprises' management understand the approach and interests of international investors and ways to ensure such support.

Following the start of the claims trading period in the F BiH, the USAID PP identified the need to introduce a transparent trading market for privatization claims. The USAID PP advised the FPA to undertake steps in this direction and submitted to the FPA draft Trading Rules for Privatization Claims in February 1999. The USAID PP also developed a proposal on banks as agents in trading privatization claims and submitted it to the F BiH Ministry of Finance in July 1999.

Any issues of importance that remain unresolved

The issues of regulating and ensuring transparency of the process of trading privatization claims remains unresolved. Despite efforts by the USAID PP, no interest to resolve this issue has been shown by the FPA and other F BiH responsible institutions.

1.10 By working with Federation institutions, achieve the establishment of an independent third party share registry.

Status of Deliverables as defined in the task order.

As noted under Task 1.9, the USAID PP reviewed the Law on Business Companies and other relevant laws and regulations affecting the operation of the Share Registrar. The USAID PP provided comments to the reviewed legislation, suggesting changes in provisions that will ensure effective operation of the Securities Registrar.

Based on the defined legal framework the USAID PP drafted Securities Registrar operational documentation and acts, defining structure and duties within the registrar itself.

The USAID PP assisted the Securities Registrar in the process of identifying and securing the appropriate share registry system software. For this purpose the USAID PP conducted an international tender for securing such software and provided professional guidance in evaluating the received bids. The USAID PP also worked with the Securities Registrar to define the Registrar's hardware needs.

Following the international tender, USAID PP entered into a contractual relationship with Pragma Corporation to install USAID share registry software and customize the software for the F BiH legal and business requirements. As of October 31, 2000 this software has been deployed and customized according to the legal framework and business requirements. This process has involved documentation, programming, testing, and training of Securities Register IT staff to ensure the ability to utilize the system.

Deliverable	Status	CD ROM Reference
Contract on Maintenance of Privatization Fund Registers for Privatization Management Company	Delivered to F BiH Securities registrar in October 1999	Not available
Summary of Securities Registrar Duties	Delivered to F BiH Securities Registrar in April 1999	CD1/Capital Markets /RegistrarDeliv/RegDuties
Securities Registrar Organization Chart	Delivered to F BiH Securities Registrar in April 1999	CD1/Capital Markets /RegistrarDeliv /Registrar Org Chart
Securities Registrar Budget Proposal	Delivered to F BiH Securities Registrar in April 1999	CD1/Capital Markets /RegistrarDeliv/Budget Assumpt
Summary of Duties of Securities Registrar Staff	Delivered to F BiH Securities Registrar in April 1999	CD1/Capital Markets /RegistrarDeliv/RegrStaffDuties
Securities Registrar Workplan	Completed October 2000	CD1/Capital Markets /RegistrarDeliv
Securities Registrar Business Requirements	Delivered to F BiH Securities Registrar in August 1999	CD1/Capital Markets /RegistrarDeliv/ Business Requirements Manual
Registrar Software	Conducted international tender and evaluated bids. Proposed winner submitted for USAID approval	CD1/Capital Markets/Registrar IT/....

Deliverable	Status	CD ROM Reference
Registrar Hardware	Purchased needed computers, printers, un-interruptable power supplies, operating system and development tools.	CD1/Capital Markets/Registrar IT/....
Implement Software	USAID provided software has been amended to Bosnian language, legal, and operational requirements. It has been documented, tested and installed ant the securities registry premises	CD1/Capital Markets/Registrar IT/....

Key Achievements in the Area

The USAID PP provided comments and suggested amendments to the existing Capital Market laws from the viewpoint of successful operation of the F BiH Securities Registrar. The suggested changes were submitted to the F BiH Securities Registrar and the F BiH Securities Commission in August 1999.

The USAID PP worked with the FSC and F BiH Securities Registrar to further define issues such as registration and transfer of securities with Securities Registrar (regulation published in July 1999) and Registrar privatization (resolution on need to legally define the privatization process passed by FSC in April 1999).

The USAID PP worked with the Securities Registrar to define the organizational structure and duties of the Registrar. The USAID PP assisted the Securities Registrar in developing and submitting to the USAID the workplan used for determining the Registrar activities. The USAID PP also developed and proposed to the Registrar the summary of duties of the Registrar, its organizational structure and duties of it staff, and the budgetary needs of the Registrar.

Further, the USAID PP developed the Securities Registrar business requirements and delivered them to the Registrar in August 1999. These business requirements provide a comprehensive overview of the Registrar operations.

The USAID PP assisted and guided the F BiH Securities Registrar in the process of defining the Registrar software requirements. The USAID PP reviewed and analyzed the USAID developed Romanian registrar software package, and provided recommendations on use of this software. In August 1999 the USAID PP developed and announced a Request for Information (RFI) aimed at finding what other registrar software systems are available. Based on the RFI and incorporating inputs from the British Know How Fund, the USAID PP advertised a Request for Proposal (RFP) in October 1999. The request for proposal requested bids from interested parties able to offer software packages suitable to be used by the F BiH Securities Registrar. The bids were evaluated and bidder proposal submitted to the USAID for final approval.

The USAID PP worked with the Securities registrar to define the Registrar needs for hardware. Based on these assessments the USAID PP defined the Registrar hardware procurement needs and plans. Two PCs and a printer were purchased to facilitate Registrar start-up activities. To support share registry software operations additional computers, file servers and printers were provided

The USAID PP provided comments to the planned agenda of the World Learning Program for the Registrar Tour planned for February 2000.

On USAID advice USAID provided software was obtained. Pragma corporation was sub-contracted and has modified the software to the business requirements specified by securities registry

management. Modifications take account of language, legal requirements, documentation needs, and operating skills. The software is tested and installed at the securities registry.

At the request of the Securities Registry staff a capital markets expert has made a series of visits, the last ending on 22 October 2000. The issues addressed have included provision of advice on registry operation in the absence of an operating capital market, capture and handling of Markovic shareholder information, purpose and use of a securities depository, and general operating requirements.

Any issues of importance that remain unresolved

The identified needs for changes to capital markets laws have been submitted the F BiH Securities Commission but have not received any response. The extent and timing of the required support by the FSC cannot be determined.

Final choice of Securities Registrar software remains un-resolved. The Registrar intends to use a comprehensive capital markets system provided by Slovenia. In addition to the share registry, as provided by USAID, this software suite includes depository and share trading systems. The Securities Registry management recognizes that the imminent public offering of shares is likely to cause a demand for their services in advance of the Slovene software being installed. For this reason they are likely to utilize the USAID provided share registry software in the immediate future.

The issue of ensuring a regulated and transparent claims trading system remains unresolved. No intermediaries have stepped forward to provide an impetus to formalizing the claims trading mechanism.

1.11 Develop a certification program for members of supervisory and management boards of newly privatized companies.

Status of Deliverables as defined in the task order.

The USAID PP developed a training and certification program for the members of the boards of newly privatized companies in the F BiH. The training program is based on the available, previously conducted USAID funded training in this area and tailored to the specifics of the BiH framework for corporate governance and post privatization financial accountability and disclosure.

Deliverable	Status	CD ROM Reference
Training Materials for Members of Boards of Newly Privatized Companies in F BiH	Delivered to F BiH Securities Commission in February 2000	CD1/Corporate Governance/Corporate Governance Training Materials/Outline
List of Potential Implementers	Delivered to the F BiH Securities Commission in February 2000	CD1/Corporate Governance/Corporate Governance Training Materials/Outline

Key Achievements in the Area

The USAID PP developed the set of training materials for the members of boards of newly privatized companies in F BiH. The USAID PP solicited inputs from the USAID Legal and Regulatory Reform Project and used materials available from previously conducted training in this area in other emerging economies. The set of corporate governance training materials includes the following items:

- Training program outline that explains the purpose of the training, recommended length of the training session, target audience and a detailed list of topics.

- Six modules with appropriate attachments that cover the following topics:
 - Module 1: Corporate Governance in a Changing Environment
 - Module 2: Corporate Structure and Decision-Making Mechanisms
 - Module 3: Shareholder Relations and Communications
 - Module 4: Financial Reporting and Information Systems
 - Module 5: Business and Financing Policy
 - Module 6: Legal and Regulatory Environment for B&H Business (includes also a detailed list of all the FB&H and the RS laws that relate to corporate governance)
- Teaching notes for all six modules;
- A list of discussion questions for all six modules that can facilitate interaction with trainees and prompt their active participation in the training session following the presentation of each module.
- Two case studies that provide an illustration of and exercises for recognition of key corporate governance principles discussed in the modules. The case studies include Motores, Inc. and Swarzedzkie Fabryki Mebli (SFM).
- Teaching notes for the two case studies.
- A set of Gazetted laws in the FB&H and the RS that pertain to corporate governance.
- A set of background materials, including various articles and a list of Internet sites that can be used for further research of corporate governance issues.
- A sample test that can be used by the local trainers who will be implementing the training to examine those board members who had completed the training, provided that the Securities Commission decides to use the testing as a method for certification of board members.
- A compact disk (CD) that contains all the above mentioned training materials in English and Bosnian. This will allow the Securities Commission to implement changes in the training materials, should that prove necessary.

Any issues of importance that remain unresolved

The USAID PP has highly recommended to the F BiH Securities Commission to implement the training prepared. Considering that the presentation of the training is not within the USAID PP mandate, the USAID PP cannot guarantee that the training materials will be put to best use.

1.12 Coordinate and collaborate with the USAID Public Education team to identify and track attitudes toward privatization and understanding process.

Status of Deliverables as defined in the task order.

The USAID PP coordinated and provided input for all the activities of the USAID Public Education and Information Project related to privatization and at all the stages of the privatization process. For this purpose the USAID PP provided information and comments to all the materials and activities prepared by the USAID Public Education and Information Project.

The public education materials that were reviewed fall into the following types of materials:

- Newspaper templates published weekly in the F BiH daily newspapers
- Scripts for television show "Privatization Times" that airs bi-weekly
- Bulletin "Privatization News" issued monthly or bi-monthly
- Newspaper "Privatization Times"
- Public Service Announcements
- Brochures
- Posters and leaflets
- Press releases
- Privatization surveys

The table below provides list of deliverables organized by topic and type of material.

Privatization

Topics	Material Type	CD ROM Reference
Privatization and its benefits – General Market economy	· Newspaper templates No. 19, 20, 21, 41, 42, 43, 44, 101 · TV script No. 20, 21, 23, 24	CD2/Public Education
Review of relevant privatization legislation	Bulletin “Privatization News,” May 1998	CD2/Public Education
Privatization model in the FB&H Beginning of privatization and updates	Newspaper templates No. 19, 20, 21, 31, 39 TV scripts No. 8, 9, 25 Brochure “Your Participation in Privatization in the FB&H”	CD2/Public Education
The role of FPA and CPAs	Newspaper template No. 92	CD2/Public Education
Participation of displaced persons and refugees in the FB&H privatization program	Brochure, May 1999	CD2/Public Education
Registration for participation in the RS privatization program	Newspaper template No. 90 TV script No. 50	CD2/Public Education
Privatization in Brcko	Newspaper template No. 70	CD2/Public Education

Claims

Topics	Material Type	CD ROM Reference
Establishment of the central claim information system at the Payment Bureau	· Bulletin “Privatization News,” March/April, 1998 · Press release, May 19, 1998	CD2/Public Education
Loading of data on citizens’ claims and opening of claim accounts	· TV script No. 27, 28, 33 · Bulletin “Privatization News,” March/April, 1998	CD2/Public Education

Types of claims and eligibility criteria	<ul style="list-style-type: none"> · Newspaper templates No. 18, 70, 90 · TV scripts No. 8, 9, 26, 34 · Bulletin "Privatization News," March and May, 1999 · PSA, April 9, 1998; January 26 and 29, 1999 	CD2/Public Education
Unique citizens' statements	<ul style="list-style-type: none"> · Newspaper templates No. 18, 87a · TV scripts No. 8, 9, 29, 30, 33, 42 · Bulletin "Privatization News," February and March, 1999 · Newspaper "Privatization Times," No. 1, 2 · PSA, May 12, 1998; January 29, 1999 · Leaflet that accompanied UCA statements, January 26, 1999 · Mock-up of the statement form 	CD2/Public Education
The format, completion and submission of Z1 form for correction of claim account data	<ul style="list-style-type: none"> · Newspaper template No. 74 · Bulletin "Privatization News," March 1999 · Newspaper "Privatization Times," No. 1, 2 · PSA, March 25, 1999 · Mock-up of the Z1 form 	CD2/Public Education
The format, completion and submission of P1 and P2 form for payments with claims	<ul style="list-style-type: none"> · Newspaper templates No. 78, 79, 84, 86a · TV scripts No. 37, 41, 42, 44 · Bulletin "Privatization News," March 1999 · PSA No. 16 · Posters and leaflets · Mock-up of the P1 and P2 forms 	CD2/Public Education
Use of proxy	<ul style="list-style-type: none"> · Newspaper template No. 76 · Bulletin "Privatization News," March 1999 	CD2/Public Education
Inheritance of claims	<ul style="list-style-type: none"> · Newspaper template No. 69 · Newspaper "Privatization Times," No. 1 	CD2/Public Education
Trading of claims/vouchers	<ul style="list-style-type: none"> · PSA, April 8 and May 4, 1999 	CD1/Capital Markets/Trading claims

Options for investing claims	<ul style="list-style-type: none"> · Newspaper templates No. 75, 77 · TV script No. 36, 37, 38, 40 · Newspaper "Privatization Times," No. 1 · PSA, May 14, 1999 	CD2/Public Education
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Apartment privatization

Topics	Material Type	CD ROM Reference
Procedures for purchasing apartments	<ul style="list-style-type: none"> · Newspaper templates 8, 9, 12, 88 · TV scripts No. 4, 7, 16, 17, 32, 43 · Bulletin "Privatization News," March/April, 1998 · Brochure No. 2 	CD2/Training/1996-12 Apartment sale/English
Calculation of apartment sale price	Newspaper template No. 11 TV scripts No. 5, 6, 26	CD2/Training/1996-12 Apartment sale/English

Preparation of enterprises for privatization

Topics	Material Type	CD ROM Reference
Establishment of the information system for registration of enterprises at the cantonal privatization agencies	Press release, April 24, 1998	CD2/Public Education
Procedures for preparing enterprises for privatization	TV scripts No. 18, 19	CD1/Enterprises
The concept of shares	TV script No. 13	CD2/Public Education
Privatization of banks	Bulletin "Privatization News," February 1999	CD2/Public Education
Pilot projects	Bulletin "Privatization News," Sept. 1998	CD2/Public Education

Small-scale privatization

Topics	Material Type	CD ROM Reference
Training and examination of auctioneers	<ul style="list-style-type: none"> · Bulletin "Privatization News," March/April and September, 1998 · Press release, September 8, 1998 	CD2/Training/1998-07 Auctions
Description of small-scale privatization program	<ul style="list-style-type: none"> · Newspaper templates No. 22, 23, 24 · TV scripts No. 10, 11, 12, 30, 44 · Bulletin "Privatization News," July 1998 · Brochure No. 3 	CD2/Public Education
Participation in auctions and tenders Alternative methods of sale	<ul style="list-style-type: none"> · Newspaper templates No. 25 · TV script No. 35 · Bulletin "Privatization News," May 1999 	CD2/Public Education

Privatization investment funds (PIFs)

Topics	Material Type	CD ROM Reference
The role of PIFs and reasons for investing in them	· Newspaper templates No. 26, 27, 28, 29, 30, 93 · TV scripts No. 14, 25, 46 · Brochure, December 99	CD2/Public Education
Establishment and management of PIFs	· Newspaper templates No. 26, 27, 28, 29, 30 · TV script No. 23	CD2/Public Education
Regulations on privatization management companies (PMCs) and PIFs	· Bulletin "Privatization News," November/December, 98	CD2/Public Education
Selection of PIFs to invest in	· Newspaper template No. 94, 97	CD2/Public Education
Founding of PIFs by demobilized soldiers	· Press release, January 4, 1999	CD2/Public Education

Large-scale privatization

Topics	Material Type	Cd ROM Reference
Description of the large-scale privatization program	· Newspaper template No. 91 · TV scripts No. 13, 45 · Bulletin "Privatization News," September 1998 · Brochure, December 1999	CD2/Public Education
Public offering of shares (method of sale)	· Newspaper templates No. 99, 100 · TV script No. 10, 25, 47 · Brochure, December 1999	CD2/Public Education

Capital markets

Topics	Material Type	CD ROM Reference
General information on the importance and role of capital markets	· TV script No. 22, 23, 49 · Newspaper template No. 46, 47, 48, 49, 50 · Bulletin "Privatization News," January 1999	CD2/Public Education
Capital market regulation in FB&H	· TV script No. 23 · Bulletins "Privatization News," November/December 1998; January 1999	CD2/Public Education
Securities Commission	· Newspaper templates No. 47, 48, 49, 50 · TV script No. 23	CD2/Public Education
Securities	· Newspaper templates No. 26, 27, 28, 29, 30, 47, 48, 49, 50 · TV scripts No. 22, 23	CD2/Public Education
Shareholder rights	· Newspaper templates No. 78, 79, 95 · TV script No. 25	CD2/Public Education
Investor protection	· Newspaper templates No. 26, 27, 28, 29, 30	CD2/Public Education

The role of the stock exchange	Newspaper templates No. 51, 52	CD2/Public Education
Professional intermediaries (brokers, dealers)	Newspaper templates No. 51, 52	CD2/Public Education

Privatization surveys

Topics	Material Type	CD ROM Reference
Public opinion on privatization	Questionnaire, September 1999	CD2/Public Education
Public opinion on privatization	Questionnaire, January 98	CD2/Public Education

Additional deliverables

Additional deliverables include documents prepared by the USAID PP and delivered to the USAID Public Education and Information Project:

Topics	Material Type	CD ROM Reference
List of Topics to be Addressed in the Public Education Materials Prior to the Completion of Privatization Program in the F BiH		CD2/Public Education
Critical Dates and Events in the Privatization Process That May Require Public Education Activities		CD2/Public Education
Article on the auctioneer training and the auctioneers who were licensed within the scope of preparation for the small-scale privatization		CD2/Public Education
Opinion paper on issues regarding old frozen foreign currency savings and the use of claims awarded on this basis		CD2/Public Education

Key Achievements in the Area

The USAID PP has established and maintained a very co-operative relationship with the counterpart USAID Public Education and Information Project over time and held numerous working meetings to discuss and raise privatization issues that were relevant to public education activities. The USAID PP also provided the counterpart with the regular updates on the status of privatization program.

The USAID PP assisted the USAID Public Education and Information Project in surveying the success rate of public education materials delivery to the Payment Bureau branches and sub-branches in the F BiH and reported findings to the counterpart. The USAID PP also delivered additional public education materials to these sites, as well as to the CPAs within the scope of its regular activities.

The USAID PP provided the public education project with suggestions of contact information for various refugee associations to be used as a media vehicle in providing information on privatization to refugees living abroad.

Any issues of importance that remain unresolved

The USAID PP has identified those privatization topics and issues that would have to be addressed in the future public education materials either because they were not covered to date or the message had to be reinforced. All these open issues and explanations were laid out in the document "The List of Topics to be Addressed in the Public Education Materials Prior to the Completion of Privatization Program in the FB&H," as mentioned in the deliverables section above. This document was delivered to the USAID Public Education and Information Project.

2.0 REPUBLIKA SRPSKA

2.1 Assist in the development and adoption of all relevant legislation, regulations, instructions, procedures, and amendments related to privatization in Republika Srpska (RS).

Status of Deliverables as defined in the task order:

The USAID Privatization Project assisted the Local Expert Teams, the Directorate for Privatization (DFP), and the RS Government's Steering Committee for Privatization (Steering Committee) to draft a comprehensive package of laws and regulations for the privatization of state capital in enterprises in the RS. Wherever it was required and appropriate for ensuring the most efficient and comprehensive results the USAID PP coordinated its activities with other USAID projects, the British Know How Fund, the World Bank, GTZ, OHR and other relevant international organizations. The tables below provide an overview of all the legislation that was developed. Instructions and Procedures are covered in relevant remaining sections of this report that discuss USAID PP support on specific aspects of implementation.

GENERAL LEGAL AND INSTITUTIONAL FRAMEWORK FOR PRIVATIZATION

Law / Regulation / Amendment	Status	CD Rom Reference
Proposed Privatization Strategy Paper – Prepared by Donors in consultation with RS Government.	Final Paper – Circulated 4/98	not available on soft copy
Resolution on adopting the framework for transformation of ownership in the RS (RS Government Resolution)	Decree Issued	not available on soft copy
Final Adopted Version of the Law on Privatization of State Capital in Enterprises	Gazette No 24/98	2.1. Legislation
Final Adopted Version of Law on Opening Balance Sheet in Course of Privatization of State Capital in Enterprises	Gazette No 24/98	2.1. Legislation

REGULATIONS AND DECISIONS PERTAINING TO VOUCHER PRIVATIZATION

Law / Regulation / Amendment	Status	CD Rom Reference
RS Government Decision on Defining Criteria for Additional Voucher Allocation Data	Gazette No 36/99	2.1. Legislation
Regulation on Distribution and Utilization of Vouchers and Coupons in Course of Privatization of State Capital in Enterprises	Gazette No 28/98	2.1. Legislation
Rules for Voucher Offer	Gazette No 33/98	2.1. Legislation

REGULATIONS AND DECISIONS PERTAINING TO ENTERPRISE PREPARATION

Law / Regulation / Amendment	Status	CD Rom Reference
(Regulation) Methodology for Preparation of Program for Privatization of State Capital in Enterprises	Gazette No 28/98 and 37/99	2.1. Legislation
(Regulation) Methodology for Preparation of Opening Balance Sheet in Course of Privatization of State Capital in Enterprises	Gazette No 28/98 and 37/99	not available on soft copy
Regulation on Defining and Adjusting the Structure of Permanent Capital of Enterprises	Gazette 28/98 and 4/99	2.1. Legislation
Regulation on Defining the Methodology for Evaluation of the Enterprise Capital Value	Gazette No 24/99	2.1. Legislation
Regulation on Issue of New Shares in Course of Privatization	Gazette No 24/99	2.1. Legislation
Criteria for Selection of Strategic Enterprises	Gazetted	2.1. Legislation
Decision on Defining Enterprises of Strategic Importance in which State Capital is to be Privatized through Separate Privatization Programs	Gazette No 11/99 and 28/99	2.1. Legislation

REGULATIONS AND DECISIONS PERTAINING TO CASH PRIVATIZATION (AUCTIONS, TENDERS AND DIRECT SALES)

Law / Regulation / Amendment	Status	CD Rom Reference
Initial Rules Of Sale – Auction and Dutch Auction	Gazette 33/98	2.1. Legislation
Amendments to the Rules Of Sale – Auction and Dutch Auction	Gazette 11/99	not available on soft copy
Initial Rules Of Sale – Tender Sale	Gazette 33/98	not available on soft copy
Proposed Amendments to Rules Of Sale – Tender Sale Proposed by USAID PP in November 1999	Draft Submitted to DFP for Review	2.1. Legislation
Working Draft – Regulation on International Tender for Selection of Consultants to Prepare and Implement Privatization of Strategic Enterprises in RS	Jointly prepared by DFP and USAID PP	2.1. Legislation
Working Draft – Rules for conducting tender for Preparation of Special Privatization Programs	Jointly prepared by DFP and USAID PP	2.1. Legislation
Initial Rules of Sale – Direct Sale	Gazette 33/98	not available on soft copy

Key Achievements in the Area:

The general legal framework for Privatization in the RS was completed during the Spring of 1998. The RS Government and Parliament jointly worked with international donor organizations to draft and approve the general Law on Privatization of State Capital, and the Law on Preparation of Financial Statements for Privatization (Opening Balance Sheet). In addition the consortium of advisors and local authorities established the Law on Securities, the Law on Privatization Investment

Funds, the Law on Central Registry, and the Law on Enterprises. The USAID PP did not have any role in the development of capital markets related laws or regulations during that period. As such, references to these documents are excluded from this report.

Following the development of the general legal framework for privatization, the USAID PP and the local counterparts developed regulations pertaining to the privatization supply- and demand-side, as well as the regulations for each type of transaction (Rules Of Sale).

With respect to the supply side of privatization, the USAID PP and the local counterparts succeeded in developing and facilitating government approval of regulations (methodologies) for the preparation of privatization programs, opening balance sheets, and revision of existing internal shareholdings (Markovic Privatization). These methodologies were revised during 1998 and 1999. During 1999, the local counterparts, with assistance from the USAID PP also completed and adopted regulations pertaining to the valuation of capital subject to direct sale, and the issuance of new shares in the course of privatization. Final regulations, each of which have been adopted by the RS Government, and approved by the USAID PP advisors, are currently in place.

With respect to the demand side of privatization, the British Know How Fund (BKHF) took the lead in supporting counterparts to develop the regulatory structure for voucher distribution and utilization. Since these documents are paramount to the implementation of privatization, and the design/development of information systems (which is a USAID PP responsibility under the task order), the USAID PP did participate in policy discussions related to this regulatory framework. Final regulations, each of which have been adopted by the RS Government, and approved by the USAID PP advisors, are currently in place.

With respect to the various methods for privatization transactions, the USAID PP and the BKHF jointly advised the local counterparts to develop the regulatory structure for auctions, tenders and direct sale. Initial drafts of each of these documents were adopted by the RS Government without final agreement by the USAID PP advisors. Subsequent to the initial adoption, the USAID PP worked with the local counterparts to revise the rules for auction and through this effort, a final draft of auction rules was prepared which incorporated provisions insisted upon by the USAID PP advisors. This amended set of auction rules was adopted by the RS Government and now governs the implementation of auctions. Similar efforts to revise the rules for tender sale and direct sale have not yet proven to be successful.

2.2 Work to strengthen the directorate for Privatization at Headquarters and in the Regional Offices.
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Status of Deliverables as defined in the task order:

USAID PP has delivered technical assistance to the DFP in each of the aspects outlined in the task order where it was possible to deliver the assistance. In some cases, this technical assistance was not completed because prerequisites for completing the assistance were not met by the local counterparts. For example, in order to complete training of tender commissioners, the RS Government was to adopt tender rules that conformed to international best practices by March 31, 2000. Since this was not achieved, USAID PP was unable to deliver training for tender commissioners.

The status of detailed procedures for use of vouchers and coupons, cash sales, enterprise preparation, and voucher offer are discussed separately in the corresponding areas of this report that follow.

Deliverable	Status	CD Rom Reference
Organization Chart of the Directorate for Privatization (4 Phases)	November 1998	2.2. Assistance to DFP
Responsibilities of Directorate for Privatization Officers	November 1998	2.2. Assistance to DFP
Operations Budget – Directorate for Privatization (4 Phases)	November 1998	2.2. Assistance to DFP
Implementation Plan for Privatization	November 1998	not available on soft copy

Key Achievements in the Area:

The DFP functioned without adequate budget support between April 1998 and August 1999. During that period of time the USAID PP, along with the USAID Mission, met repeatedly with the RS Government Officials, other donors, and the DFP management to address budget support issues and to identify sources of funding. Beginning in September 1999, the DFP received an appropriation from the RS Government Budget to support operational costs of privatization and the management of the Privatization Directorate. In addition, limited proceeds from cash sales during the Summer and Fall of 1999 provided supplementary assistance to the DFP's budget. Moving forward, the DFP seems to have support from the RS Budget and should continue to have sufficient financing for its operations.

As seen above (referenced deliverables 2.2.1 – 2.2.3), the USAID PP worked with the DFP management to develop an organization plan for DFP operations, a description of responsibilities for key officers of the DFP, and a comprehensive budget requirements summary for operations in all distinct phases of privatization. These deliverables were accepted by the counterparts. Although implementation of the organizational structure has been slow, the DFP is gradually building its own structure to competently handle the increasing complexity of the privatization agenda.

A comprehensive set of operating procedures and process flow maps has been completed by the USAID PP and approved by the RS Privatization Steering Committee. These procedures, which are discussed further in the corresponding substantive sections of the report, cover the preparation of enterprises, the distribution and utilization of vouchers and coupons, auctions, tenders and direct sale, voucher offer, and confirmation of ownership (transfer of information to the post privatization database).

The USAID PP developed and delivered training for conducting auctions and the oversight of auction commissions (discussed further in the section on cash sales), as well as preparation of enterprises (discussed further in the section on enterprises). The USAID PP also developed and delivered training for registration operators (discussed further in the section on registration). Further training, specifically on tenders, and transfer of information to share registry institutions, has not been completed as the necessary requirements for this training have not been achieved by local counterparts.

The USAID PP consultants worked together with the RS authorities to address problems arising from the status of land in the privatization program. The RS Constitution limits privatization of land to non-agricultural areas outside urban zones. The legal framework for Privatization allows for the privatization of land not restricted by the constitution. For the privatization of agricultural and urban zone land, the RS will need to adopt a Constitutional Amendment, which is unlikely in the near term. The RS has formally acknowledged that the privatization does guarantee a permanent land usage right for land associated with an enterprise undergoing privatization. The value of this permanent usage right is incorporated into the methodology for preparing Opening Balance Sheet, and thus reflected in the financial statements that are reviewed by potential investors.

The USAID PP financed the development of an office for the DFP in Sarajevo, F BiH. This office was established in December 1999, and has been used extensively as an arm for distribution of public education materials as well as a site for registration for participation in privatization. The office was equipped with the necessary technical infrastructure and office furniture.

The USAID PP has also been actively assisting the DFP in its ongoing efforts to plan its implementation of the overall privatization project. This assistance has taken the form of periodic detailed work plans for individual aspects of the implementation, as well as regularly updated weekly matrices of tasks and responsibilities for the DFP and each of its implementing partners. These weekly task matrices are provided in 6 week increments and provided to the RS Privatization Steering Committee for approval and adoption.

2.3 Assist the Directorate for Privatization in completing and reviewing enterprise documentation for privatization and determining the universe of enterprises subject to privatization

Status of Deliverables as defined in the task order:

According to RS Government data, the DFP has collected privatization programs and opening balance sheets from 1,100 enterprises as of October 20, 2000. The DFP has also approved the opening balance sheets and privatization programs for 1,048 enterprises as of October 20, 2000. The USAID PP provided significant assistance to the DFP in order to identify enterprises, gather the relevant documentation and approve the programs.

Specific forms of assistance to the DFP in enterprise preparation included:

- Initial training and deployment of trainers to the field to assist enterprises in completing documentation obligations;
- Development of forms and procedures to accompany regulations (methodologies);
- Direct assistance to enterprises and Directorate for Privatization in completing documentation and reviewing submitted programs.

Specific deliverables related to this aspect of our technical assistance are highlighted in the tables below.

ENTERPRISE PREPARATION – FORMS AND RELATED INSTRUCTIONS

Deliverable	Status	CD Rom Reference
Application for Revision of Previously Executed Ownership Transformation Form (Markovic Privatization)	November 1998	2.3. Determining Enterprise Universe for Privatization
Opening Balance Sheet Form	November 1998	2.3. Determining Enterprise Universe for Privatization
Related Tables	November 1998	2.3. Determining Enterprise Universe for Privatization
Program of Privatization of State Capital (Form P-1)	November 1998	2.3. Determining Enterprise Universe for Privatization
Instruction for Unique Procedure of Performing the Revision of Previously Executed Ownership Trans.	December 1998	2.3. Determining Enterprise Universe for Privatization
Decision on Structure of Permanent Capital	March 1999	2.3. Determining Enterprise Universe for Privatization
Authorization	March 1999	not available on soft copy

Manual for Preparation of Enterprises to Participate in the Privatization Process in Republika Srpska (USAID PP Document)	February 2000	2.3. Determining Enterprise Universe for Privatization
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ENTERPRISE PREPARATION – INITIAL TRAINING AND INSTRUCTION (1998)

Deliverable	Status	CD Rom Reference
Train the Trainer Workshop for Enterprise Preparation – USAID PP Sponsored	August 1998	not available on soft copy
Enterprise Training Instructors Report	November 9, 1998	2.3. Determining Enterprise Universe for Privatization
Enterprise Training Instructors Report	December 7, 1998	2.3. Determining Enterprise Universe for Privatization
Enterprise Training Instructors Report	December 12, 1998	2.3. Determining Enterprise Universe for Privatization
Enterprise Training Instructors Report	January 1, 1999	2.3. Determining Enterprise Universe for Privatization
Final Cleansed List of Enterprises Determined to Be Subject to Privatization by Training Instructors	January 1, 1999	not available on soft copy

ENTERPRISE PREPARATION – PROCEDURES AND OTHER PROCEDURAL DOCUMENTS

Deliverable	Status	CD Rom Reference
Original Draft – Procedures and Process Maps for Implementation of Enterprise Preparation Process in course of Privatization in Republika Srpska	August 1998	not available on soft copy
Final Draft – Procedures and Process Maps for Implementation of Enterprise Preparation Process in course of Privatization in Republika Srpska	November 9, 1998	2.3. Determining Enterprise Universe for Privatization
Proposed Detailed Procedures for Revision and Approval of Privatization Programs	December 7, 1998	2.3. Determining Enterprise Universe for Privatization

ENTERPRISE PREPARATION – DIRECT SUPPORT TO ENTERPRISES AND DFP (1999 – 2000)

Deliverable	Status	CD Rom Reference
Enterprise Technical Consultants – Field Report 1	December 3, 1999	2.3. Determining Enterprise Universe for Privatization
Enterprise Technical Consultants – Field Report 2	December 6, 1999	2.3. Determining Enterprise Universe for Privatization
Enterprise Technical Consultants – Field Report 3	December 20, 1999	2.3. Determining Enterprise Universe for Privatization

Enterprise Technical Consultants – Final Report	January 12, 2000	2.3. Determining Enterprise Universe for Privatization
Enterprise Legal Assistants – Municipal Institutions	January 12, 2000	not available on soft copy
Form of Reporting for Enterprise Legal Assistants	December 1999	2.3. Determining Enterprise Universe for Privatization
Form of Reporting for Enterprise Technical Consultants	December 1999	2.3. Determining Enterprise Universe for Privatization

Key Achievements in the Area:

The USAID PP has provided significant technical assistance to the DFP in order to facilitate the completion of enterprise preparation. Upon completion of the regulatory framework for enterprise preparation, the USAID PP consultants prepared and delivered a train-the-trainer seminar for local experts who were subsequently retained to provide direct training to enterprise management. This group of experts provided training to enterprise managers between November and December 1998. In addition, this group of experts revised the initial list of enterprises created by the DFP, adjusting the list to reflect the status of non-functioning enterprises, and to include other enterprises that were state-owned but not included on official RS Government books.

The USAID PP drafted and facilitated Government Approval of comprehensive procedures and process diagrams for the enterprise preparation process, beginning with the circulation of blank forms, and ending with the population of the enterprise registry and circulation of an enterprise prospectus for voucher privatization. These procedures are in force at the Directorate for Privatization.

The USAID PP drafted a manual for enterprise preparation that is distributed on a case-by-case basis from the DFP to enterprises requesting guidance on following the regulated methodologies for completing programs and opening balance sheets. The USAID PP consultants drafted detailed procedures for DFP review and approval of submitted programs and opening balance sheets.

The USAID PP retained 12 accountants and 2 lawyers to provide direct assistance to enterprises in December 1999. This assistance was a critical factor in securing programs and opening balance sheets from over 900 enterprises. During the month of December 1999, these consultants and attorneys visited and assisted over 450 enterprises. The DFP has commented that the quality of programs and opening balance sheets submitted by these 450 enterprises that USAID PP consultants assisted were thorough and professionally prepared.

The USAID PP's team created a roadmap of contacts in municipalities throughout the RS to whom requests for supporting documentation must be directed. Since each municipality is inconsistent in terms of which official institution maintains different types of supporting documentation, such as asset leases and land records, this roadmap was necessary to assist enterprises in figuring out where to go for different types of supporting documents.

The USAID PP consultants and an attorney worked between January 2000 and May 2000 at the DFP to support the DFP in its review and approval of submitted programs and opening balance sheets. This assistance was geared primarily towards building professional competency among internal DFP staff, but the consultants have also taken some programs themselves to review and facilitate the resolution of outstanding issues that obstruct final approval of the programs and opening balance sheets.

Finally, the USAID PP participated in several discussions with the DFP management to develop a method for identifying all enterprises subject to privatization, and to prepare programs for those enterprises that continue to obstruct the preparation process. The USAID PP recommendations were drafted in memorandum format and submitted to the DFP and the RS Privatization Steering Committee.

The USAID PP also provided comprehensive software and hardware support for the development of an enterprise registry. These aspects of technical assistance are discussed further under Task 2.7.

2.4 Implement entity-wide establishment of voucher registration for all eligible participants and support the development of a voucher offer process that supports maximum public access to bid collection centers

Status of Deliverables as defined in the task order:

In January, 2000 the RS commenced operations in citizen's registration and planned to complete the registration process in March 2000. However, due to requests by the OHR and the USAID Mission, the RS agreed to extend the registration process through May 19th in selected areas of BiH. Specific deliverables completed to assist with voucher registration are presented in the table below.

Deliverable	Status	CD Rom Reference
Proposed Procedures (Initial Draft) for institutions involved in implementation of registration of eligible individuals	June – 1999	2.4. Voucher Registration
Final Procedures for institutions involved in implementation of registration of eligible individuals	Approved by RS Steering Committee September 1999	2.4. Voucher Registration
Presentation to DFP of Registration Procedures	July 1999	2.4. Voucher Registrat.
Operations and Logistics Plan – Registration for Participation in Voucher Privatization, RS	Approved by DFP October 1999	2.4. Voucher Registration
Seminar Materials (Training) of Registration Site Operators (War Veterans and SPP clerks)	Conducted December 1999	2.4. Voucher Registration
Final Registration Implementation Plan	December 1999	2.4. Voucher Registrat.

Key Achievements in the Area:

The USAID PP has provided significant assistance to the DFP in planning, developing and maintaining the process of registration. Beginning in March 1998, the USAID PP drafted a comprehensive set of operating procedures and process diagrams for the registration process.

These procedures were submitted in draft form to the DFP in June 1999, and final drafts were prepared in cooperation with the DFP between July and September 1999. The final procedures and process diagrams were adopted by the Privatization Steering Committee in October 1999.

Following the adoption of the procedures and process diagrams, the USAID PP developed an operations and logistics plan for the registration process. This plan covered all aspects of the implementation of registration, including site preparation, hardware/software deployment, staffing, budget, project management, and training. The operations and logistics plan was completed and submitted to the DFP in November 1999 and subsequently adopted by the RS Privatization Steering Committee and the DFP.

Upon adoption of the operations and logistics plan, the USAID PP developed and hosted training on the registration process and associated technology infrastructure operations in December 1999. This training was delivered to over 300 operators chosen by the DFP to operate the registration system and execute all procedures. The training program was concluded with testing that was developed and administered by the USAID PP.

Registration officially started on January 3rd, 2000. The process was initially envisioned to last only 45 days. However, at the conclusion of this 45 day period, the RS authorities agreed to extend the registration in various sites through May 19th, 2000. By the end of the registration process 1,420,498 people were registered while 99% of the citizens of Republika Srpska confirmed their participation in voucher privatization. Registration was conducted on 75 permanent and 175 mobile registration sites in RS and 5 permanent sites in Federation of BiH.

Upon completion of the registration process, DFP provided final database for opening Unique Privatization Accounts (UPAs). The final database includes information from both registration process and records from various ministries on who is entitled to additional number of vouchers. UPAs are administered by the RS Payment Bureau (SPP) and can be operated by the account owners only in the SPP branch/sub branch where the account is maintained.

2.5 Support the implementation of cash/coupon privatization

Status of Deliverables as defined in the task order:

The USAID PP has provided significant technical assistance to the DFP in organizing and executing auctions (both standard and Dutch auction format). The USAID PP developed a comprehensive set of implementing procedures for auctions, including the process of converting frozen foreign currency accounts into privatization coupons, and completed thorough training for auctions personnel.

With respect to Tenders and Direct Sale, the DFP and the RS authorities completed tender regulations in accordance with international standards, but did not complete the regulations within the timeframe that was necessary to receive further USAID PP assistance in training. Specific deliverables completed by USAID PP are presented in the tables below.

AUCTIONS – INSTRUCTIONS, PROCEDURES, FORMS AND SUPPORTING DOCUMENTS

Deliverable	Status	CD Rom Reference
Obligatory technical requirements to be met by any auction center	Gazette No 14/99	2.5. Cash and Coupon Privatization
Decision on Conditions for Obtaining and Revocation of Auctioneers' License and Methods of Work	Gazette No 14/99	2.5. Cash and Coupon Privatization
Auctioneers' License	Gazette No 14/99	2.5. Cash and Coupon Privatization
Forms (9 Forms Included)	Approved by DFP	2.5. Cash and Coupon Privatization
Contract on Joint Participation in Auction	Approved by DFP	2.5. Cash and Coupon Privatization
Sales Contract (of Auction or Dutch Auction Object)	Approved by DFP	2.5. Cash and Coupon Privatization
Support Staff Schedule	Approved by DFP	2.5. Cash and Coupon Privatization
Instruction for Minutes Keeping	Approved by DFP	2.5. Cash and Coupon Privatization
Instructions for the Clerk in Charge of Registration for Participation in Auction	Approved by DFP	2.5. Cash and Coupon Privatization
Instructions for Application Registration Clerk	Approved by DFP	2.5. Cash and Coupon Privatization
Opening Speech	Approved by DFP	2.5. Cash and Coupon Privatization

		Privatization
Mock Auction Program	Approved by DFP	2.5. Cash and Coupon Privatization
Comments on the work of individual groups in Mock Auction	Approved by DFP	2.5. Cash and Coupon Privatization
Training Materials – Auctioneer's Training	Approved by DFP	not available on soft copy
Training Materials - Auction Commission's Training	Approved by DFP	2.5. Cash and Coupon Privatization
Changes in new rules used for training purposes	Approved by DFP	2.5. Cash and Coupon Privatization
Work Plan - Auctioneer Exam	Approved by DFP	2.5. Cash and Coupon Privatization
Auctioneer Test	Approved by DFP	2.5. Cash and Coupon Privatization
Auctioneer Test - Table of Answers	Approved by DFP	2.5. Cash and Coupon Privatization
Auctioneer Test - Scoring – Practical Section	Approved by DFP	2.5. Cash and Coupon Privatization
Use of Price Schedule	Delivered to DFP	2.5. Cash and Coupon Privatization
General Schematic of the Cash Auction Process	Delivered to DFP	2.5. Cash and Coupon Privatization
Proposed Distribution of the form - "Application for Participation in Auction"	Approved by DFP	not available on soft copy
Analysis of course of realization of Pilot Project as of 8/31/99	Approved by DFP	2.5. Cash and Coupon Privatization
Overview of operational costs of implemented auctions (Pilot Project)	Approved by DFP	2.5. Cash and Coupon Privatization
Algorithm for budget generation (financing sales)	Approved by DFP	2.5. Cash and Coupon Privatization
Proposed elements: Cash Sales Information System – Auction and Dutch Auction sub-system	Internal document	2.5. Cash and Coupon Privatization
Approved Maps and Procedures for Implementing Auction and Dutch Auction in Course of Privatization	Approved by DFP	2.5. Cash and Coupon Privatization

TENDERS & DIRECT SALE - INSTRUCTIONS, PROCEDURES, FORMS AND SUPPORTING DOCUMENTS

Deliverable	Status	CD Rom Reference
Tender confidentiality agreement	Delivered to DFP	2.5. Cash and Coupon Privatization
Contract for Preparation of Special Privatization Program	Delivered to DFP	2.5. Cash and Coupon Privatization
Forms (7 Forms Included)	Delivered to DFP	2.5. Cash and Coupon Privatization
Maps and Procedures for Implementing Tender Sale - (Based on Working Draft Proposal of November 18, 1999)	Delivered to DFP	2.5. Cash and Coupon Privatization
Maps and Procedures for Implementing Direct Sale	Delivered to DFP	2.5. Cash and Coupon Privatization

USE OF FROZEN FOREIGN CURRENCY – ESTABLISHING COUPON ACCOUNTS

Deliverable	Status	CD Rom Reference
Instructions for Banks - Frozen Foreign Currency Conversion into Coupons for Privatization	Approved by DFP	2.5. Cash and Coupon Privatization
Invitation to Savings Holders to convert Frozen Foreign Currency Savings into Coupons	Approved by DFP	2.5. Cash and Coupon Privatization
Instructions for SPP (In the Process of Pilot Sales)	Approved by DFP	2.5. Cash and Coupon Privatization
Forms (3 Forms Included)	Approved by DFP	2.5. Cash and Coupon Privatization
Contents of and method to use the "Conversion Order" form	Approved by DFP	not available on soft copy
Procedures for Coupons Transactions Processing	Approved by DFP	2.5. Cash and Coupon Privatization
Procedures for Utilization of Frozen Foreign Currency Savings in the Pilot Project, in the course of Privatization of enterprise State Capital in Republika Srpska	Approved by DFP	2.5. Cash and Coupon Privatization

Key Achievements in the Area:

Through the USAID PP assistance, the DFP and the RS Authorities adopted the final regulations for auctions and Dutch auctions. In addition, the USAID PP completed a set of procedures and process diagrams for the auction process, which were adopted by the RS Privatization Steering Committee. The USAID PP completed comprehensive training for the DFP, auctioneers, and auction commissioners on all regulations and procedures. The RS counterparts are now capable of effectively conducting auctions independently, and have demonstrated this capacity in a number of sales for smaller enterprises.

Through the USAID PP assistance, the DFP and its implementing partners developed procedures and relevant forms for establishing coupon accounts based on frozen foreign currency savings. These procedures, initially developed for the pilot auction program, are now extended for the entire cash sales program in the RS. The procedures utilize existing technology within the Payment Bureau (SPP). Capacity to perform wide-scale currency conversions into privatization coupons was confirmed by the SPP. This capacity was generated, in part, due to the fact that the traditional transactions burden on SPP was significantly reduced by the elimination of the requirement to process all transactions in both Yugoslav Dinar denominations and Bosnian Konvertible Mark denominations. The procedures in force outline processes for the DFP, the SPP and the banks where accounts were frozen.

With assistance from the USAID PP, the DFP established auction centers in five municipalities in the RS. The auction centers are located in Trebinje (Southern RS, Srpsko Sarajevo (Eastern Central RS), Banja Luka and Doboje (Western Central RS), and Prijedor (Western RS).

The Implementation of the Pilot Project indicated that the most of the primary goals of the project were accomplished:

- the public has been made aware of the progress made, i.e. the ongoing implementation of privatization project. In that context, it is necessary to emphasize that the first sales led to an increase of citizens' interest;
- the public had access to all Pilot Project stages, which increased the transparency level;

- initial income earned through sales will facilitate the fulfillment of obligation that the RS Government has towards the Restitution Fund and the Pension Fund, and other responsibilities in accordance with the Law.

The USAID PP, in conjunction with the DFP, provided significant contribution and assistance in the implementation of the pilot project. Under each auction center, a group of 5 to 8 enterprises was formed. The selected enterprises, assisted by the USAID PP consultants, prepared their privatization programs.

The table below gives a summary of results of the pilot auction sales project.

No auctions	No of sale objects offered	No of objects successfully sold	Offered prices (total)	Achieved prices (total)
10	46	17	1,854,797	2,912,797

2.6 Assist the Directorate for Privatization in rolling out the voucher offer across the entity, with emphasis on transparency of process at all levels and for all functions

Status of Deliverables as defined in the task order:

USAID PP has provided significant assistance to the DFP in planing , developing and organizing the process of voucher offer. In addition, a comprehensive set of procedures and instructions were developed as well as the algorithm which will be used for calculating the voucher offer results. Specific deliverables completed through October are highlighted in the table below.

Deliverable	Status	CD Rom Reference
Final Procedures for opening, and processing within, Unique Privatization Accounts in course of privatization	Adopted by DFP in July 1999	2.6. Voucher Offer
Proposed Procedures for conducting voucher sales in course of privatization	Adopted by DFP in November 1999	2.6. Voucher Offer
Final Procedures for conducting voucher sales in course of privatization	Adopted by DFP in December 1999	2.6. Voucher Offer
Presentation of Voucher Offer Procedures (Calculate and Distribute Results)	Conducted in January 2000	2.6. Voucher Offer
Algorithm for calculating voucher offer results with examples	Adopted by DFP in February 2000	2.6. Voucher Offer
Instruction for the SPP for processing Unique Privatization Accounts	Adopted by the DFP in May 2000	2.6. Voucher Offer
Presentation of transaction procedures conducted for the DFP and SPP personnel	May 2000	2.6. Voucher Offer
Procedures for conducting voucher sales in course of privatization in Republika Srpska (revised final procedures)	Adopted by the DFP in July 2000	2.6. Voucher Offer
Instructions for the SPP to conduct voucher offer	Adopted by the DFP in August 2000	2.6. Voucher Offer

Key Achievements in the Area:

Through the USAID PP assistance, the DFP and the RS Steering Committee adopted procedures and instructions that cover the opening of accounts, account transactions, subscription of vouchers into enterprises, and the calculation of voucher offer results. The USAID PP team used these procedures to develop the information systems components of the voucher offer infrastructure.

In late July 2000, USAID PP assisted DFP and SPP to start with the voucher transactions process. Control excerpts were distributed which enable citizens to transfer vouchers from one Unique Privatization Account (UPA) to another. Simultaneously, new accounts were opened, for individuals whose rights to participate in voucher privatization were additionally recognized by the ministries, as well as the amending to the existing UPAs.

Following the adoption of the procedures and instructions for conducting voucher offer, subscription of vouchers into enterprises part, the USAID PP organized and conducted comprehensive training for both DFP and SPP. The training also covered algorithm for calculating voucher offer results and it was delivered to the group of people specially deployed for this important and demanding task.

Subscription process should have started in October 16th. However, due to the justified reasons transactions period is extended till November 15th. Accordingly, DFP publicly announced the official list with the data on enterprises that have the approval for the sale of state capital in voucher privatization (Glas Srpski, October 23rd, 2000). final list (850 enterprises) for every enterprise comprises the information anticipated in the Rules for voucher offer.

While waiting for subscription process to start, which is anticipated for November 22nd 2000, UPA owners are in position to transfer vouchers to any of 11 PIF accounts (registered so far) or to transfer voucher from one account to another. Through October 1 459 395 UPAs were opened with 28 844 960 general and 19 469 792 additional vouchers recorded (balance as of October 19, 2000). With the total number of vouchers available for the privatization of state capital (52 513 237) each citizen will on average have 36 vouchers to transfer to any of the account he/she wishes to transfer.

<p>2.7 Support the design, development and maintenance of information systems to allow the establishment of unique privatization accounts and enable citizens to utilize their accounts, and to support the operations of the privatization program. Support the development and maintenance of auction processing software and databases that contain information on enterprises to be privatized and new shareholders</p>
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Status of Deliverables as defined in the task order:

USAID PP developed a range of information technology solutions to support the process of privatization in the Republika Srpska. USAID PP IT specialists worked closely with the DFP and with USAID PP business analysts to specify system requirements and then designed, developed, and tested software to meet those requirements. The systems were delivered to the DFP as turnkey solutions, including hardware, software, documentation, and training.

Specifically, this included the following components:

Systems for the Registry of Enterprise Data:

As described under Task 2.3 the USAID PP supported and assisted the DFP in assessing and defining the universe of enterprises to be privatized in the RS. As technical support to this process the USAID PP team completed the system for creation of enterprise database and analysis.

Systems for Registry of Voucher Eligibility:

The USAID PP worked with the DFP and the relevant institutions on assessing and executing all the activities on providing quality data on persons eligible to receive vouchers and additional vouchers. The USAID PP identified the needs and built tools for the Ministries to use in their process of collecting and entering the relevant data.

In addition to the need to update the data on eligibility to additional vouchers, the RS voucher privatization process also requires that all persons eligible to receive general vouchers should confirm their right and interest in the process by registering for privatization. The USAID PP accommodated this step, in the process building a complete registration system. The system incorporates both the software application and hardware needed for the successful completion of the task.

In addition to developing and implementing the software related to this function, USAID PP performed data processing functions to ensure that refugees and displaced persons would be eligible to register for privatization in the RS. This included the processing pre-war census and Interior Ministry data to create lists of persons living in 1991 in areas that are currently part of the RS, with consequent eligibility for RS privatization vouchers.

System supporting Voucher Transactions:

Based on procedures for establishment and processing of voucher accounts adopted by the DFP, the USAID PP designed, developed, and implemented a comprehensive systems solution for the Voucher Transactions phase of privatization. This system supports trading of vouchers, subscription to Privatization Investment Funds (PIFs), and corrections to initial voucher accounts based on decision of relevant government ministries. It further supports the opening of PIF accounts and the closing of these accounts for PIFs that do not meet a threshold requirement for subscribed vouchers.

The system has been installed and is in operation at 53 sites of the RS Payment Bureau (SPP) spanning the entire Republika Srpska and Brcko District. Extensive training in systems operations has been provided to SPP teller staff and information technology specialists.

Due to delays in the overall privatization process within the RS, the unexpected situation has arisen that voucher operations will not be concluded by 31 December 2000, the planned date for shutdown of the SPP payment bureau. As a result, USAID PP has worked closely with the DFP, the SPP, and the overall International Advisory Group for Payment Bureau Restructuring to develop a plan for continued operation of the Voucher Transactions/Voucher Offer system after the SPP is closed.

System supporting Voucher Offer (Auction Processing):

Based on DFP procedures for the Voucher Offer, the USAID PP designed, developed, and implemented a comprehensive systems solution for subscribing vouchers, calculating auction results, and reporting on these results to citizens and Privatization Investment Funds. The software has been delivered to and accepted by the DFP and DFP and SPP staff have been trained in its use. The system will operate on the entire 53-site infrastructure currently supporting Voucher Transactions.

Post-Privatization Shareholders Database (PPDB):

USAIDPP has designed and developed a Post-Privatization Shareholders Database (PPDB) to store a permanent record of the results of Voucher Offer. The system has been delivered to the DFP, which has also been trained in its use. This system is intended as a temporary repository of shareholder data, to be used until a Share Registry becomes operational in the RS. At that time, data will be transferred from the PPDB to the Share Registry.

The specific deliverables completed are presented in the table below.

Deliverable	Status	CD Rom Reference
Software and Documentation for Enterprise Data Collection (Opening Balance Sheet)	Approved by DFP and in use	2.7. IT Systems
Software and Documentation for Enterprises Data Collection (Privatization Program)	Approved by DFP and in use	2.7. IT Systems
Software and Documentation for Enterprise Data Collection (Markovic Shareholders)	Approved by DFP and in use	2.7. IT Systems
Software and Documentation for Special Voucher Categories Data Collection	Approved by DFP and in use	2.7. IT Systems
Software and Documentation for Citizen Registration	Approved by DFP and in use	2.7. IT Systems
Voucher Transaction and Offer Software System Technology Definition: "Application for Voucher Transactions: Technology Definition"	Approved by DFP	2.7. IT Systems
Requirements Document "Procedures for Conducting Voucher Sales in Course of Privatization in Republika Srpska"	Approved by DFP	not available on soft copy
Software and System Documentation for Voucher Transactions System	Approved by DFP and in use	2.7. IT Systems
Software and System Documentation for Voucher Offer System	Approved by DFP	2.7. IT Systems
Software and System Documentation for Post-Privatization Database (PPDB)	Approved by DFP	2.7. IT Systems
Tender Documents for Procurement of Hardware and Software for Use in Citizens Registration	Hardware procured and delivered	2.7. IT Systems
Tender Documents for Procurement of Hardware and Software for use in Voucher Transactions and for PPDB	Hardware procured and delivered	2.7. IT Systems
Documentation for Hardware for Use in Enterprise Data Collection	Hardware procured and delivered	2.7. IT Systems
Documentation for Oracle Software for Use in Voucher Transactions	Procured	2.7. IT Systems
Documentation on custody of hardware and software at project close	Delivered to USAID Mission	2.7. IT Systems

Key Achievements in the Area:

Systems for the Registry of Enterprise Data:

The USAID PP developed and delivered to the DFP a complete system for entry of enterprise data. The system has been used to produce the comprehensive list of enterprises for the Voucher Offer. The system includes three Oracle-based software developments, supporting Opening Balance Sheets, Privatization Programs, and Markovic Shareholder Data, as well as 20 computers and networking infrastructure for the data center.

Systems for Registry of Voucher Eligibility:

The USAID PP team developed and deployed the complete system for registration of citizens choosing to participate in the voucher privatization. This system includes a FoxPro-based software package and 100 USAID PP-provided workstations (the system was also in use on additional DFP-provided workstations). The USAIDPP additionally provided the technical and end-user training that enabled the DFP to operate the system.

The USAID PP developed an Oracle-based software package used for entry of data on "Special Categories Voucher Eligibility", based on wartime experience. This system was used at the Ministry of Defense, Ministry of the Interior, and Ministry of War Veterans to provide lists of persons eligible for special vouchers. The resulting data was then delivered to the DFP and there consolidated with general claims registration data as the base for the Voucher Transactions system.

System supporting Voucher Transactions:

The USAID PP team developed and implemented the complete system for supporting Voucher Transactions. This system is based on Oracle 8i software and utilized Oracle Replication facilities to allow off-line operation with nightly system synchronization. The system is currently in use at 53 SPP sites across the RS, with 87 active system terminals at teller windows to support citizen and PIF transactions. Additional terminals operate in the SPP and DFP back offices to support bulk entry of PIF subscriptions and corrections to voucher account data delivered by the relevant ministries.

The USAID PP team built a comprehensive IT infrastructure across the RS as a base for this system. This infrastructure includes:

- A Wide Area Network with leased line connections between three hub nodes and remote TCP/IP dial-in to Cisco routers from the other systems operation sites.
- One central and 16 regional data centers, each with USAIDPP-provided servers, workstations, and Local Area Networking.
- 37 additional local operations sites, each with a single workstation and dial-up telecommunications connection to the Wide Area Network.

System supporting Voucher Offer (Auction Processing):

The USAID PP team designed and developed Oracle software modules for supporting the Voucher Offer, designed as add-ons to the Voucher Transaction system. The software has been delivered to and accepted by the DFP. DFP and SPP staff have been extensively trained in its use. The software has been installed on system computer hardware and will be activated by the SPP at the close of the time period for Voucher Transactions.

Post-Privatization Shareholders Database (PPDB):

The USAID PP team designed and developed a software package to store a permanent record of Voucher Offer results. This design of this software was based closely on the data model for the Voucher Offer software, to minimize data conversion issues. This software has been delivered to and

accepted by the DFP. The software is installed on a USAID PP-provided server in the DFP's data center.

Any issues of importance that remain unresolved:

All IT components have been delivered to the DFP and installed within the production system. DFP and SPP staff have been trained in routine system operations and maintenance and are well capable of performing these activities. However, the systems are complex and there is a risk that DFP/SPP skill levels are not sufficient to resolve exceptional issues that could arise during future operations. Specifically, the DFP and SPP lack advanced expertise with Oracle software maintenance, TCP/IP networking, and Cisco router configuration.

It is accordingly highly recommended that a cadre of local system developers employed by the USAID PP be retained and available to provide support as required through the anticipated period of system operations concluding in June 2001.

2.8 Complete compliance reviews on high-risk areas of the privatization process
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Status of Deliverables as defined in the task order:

The USAID PP RMT in the RS was established in November 1999. Due to the unpredictable schedule for the limited number of auctions conducted during the pilot cash sales program, this team was not established until a date for the commencement of registration was established. Through contract end, the RMT completed reviews of the registration activity and cash auction events held across the RS. Specific deliverables completed through October 2000 are presented in the table below.

Deliverable	Status	CD Rom Reference
Audit reports on registration site reviews	Reports on each visit submitted to DFP and USAID	2.8. High Risk Areas of Privatization Project / Registration / Reports
Audit reports on cash auction events	Reports on each visit submitted to DFP and USAID	2.8. High Risk Areas of Privatization Project / Auction / Reports
Report on status of SPP payment bureau readiness for voucher privatization	Report submitted to DFP and USAID	2.8. High Risk Areas of Privatization Project / Training and SPP Site Survey / Reports

Key Achievements in the Area:

The USAID PP RMT completed thorough reviews of registration in sites throughout the RS entity and FBiH entity between January and March of 2000. These site visits and compliance reviews included suggestions for improvement and highlights of violations of procedures, in a series of reports that were provided to the USAID Mission and DFP.

The USAID PP Risk Management Team completed thorough reviews of a significant portion of cash auctions conducted throughout the RS. Reports detailing the results of the RMT reviews, including suggestions as to how to improve the level of compliance and efficiency/effectiveness of the privatization processes, were submitted to the DFP and USAID Mission.

The USAID PP Risk Management Team completed audit procedures necessary to assess compliance of the tender and voucher offer processes.

Over the course of the contract, the RMT was also involved in conducting training for local counterparts involved in privatization, assessment of the readiness of local counterparts regarding implementation of privatization and testing of privatization software prior to rollout.

Any issues of importance that remain unresolved:

Due to delays in the approval of the tender procedures and lack of public interest in the only tender event announced (in mid-Sept) prior to our contract end, the RMT was unable to perform reviews of the tender process. However, detailed audit procedures were developed to assist in future reviews. Audit procedures related to voucher offer were also developed.

2.9 Coordinate with representatives and contractors responsible for assistance in the area of the development of investment funds in the RS. Support effective coordination with respect to the development of funds in each entity

Status of Deliverables as defined in the task order:

Regulatory environment for PIF establishment and operations in course of voucher privatization is outlined in regulations passed by Securities Commission (SC). The RS Government established SC in May 2000. The USAID PP worked with the SC and DFP in developing procedures for PIF's participation in the privatization process. Specific deliverables completed to assist PIF participation are presented in the table below.

Deliverable	Status	CD Rom Reference
Procedures for opening Unique Privatization Account for Privatization management company	Approved by the DFP in June 2000	2.9. Development of Investment Funds
Instructions to SPP for processing PIF Management Company's privatization accounts	Approved by the DFP in July 2000	2.9. Development of Investment Funds

Key Achievements in the Area:

Establishment of PIFs is a critical prerequisite for effective implementation of the voucher offer. USAID PP team provided significant assistance to the DFP in including PIFs in privatization process. Beginning in May 2000, the USAID PP drafted a comprehensive set of operating procedures that were adopted by the DFP in June 2000.

Upon adoption of the procedures for PIFs, the USAID PP developed instructions and conducted training on PIFs participation in voucher privatization. On June 27th the first PIF Management Company, Zepter Commerce Bank, got license to participate in voucher privatization. Through October, 11 PIF accounts were opened. As it was stipulated in the Law on Privatization Investment Funds and PMCs each PIF can collect vouchers no longer than 45 days. For the 45- day period each PIF should collect minimum of 1,000,000 vouchers in order to be able to subscribe vouchers into enterprises.

The last report received from the DFP reads that three PIFs gathered more than 1,000,000 vouchers. As the beginning of the subscription period is postponed, it is possible that every of 11 PIFs will participate in the voucher privatization. Algorithm for calculating voucher offer results allow calculation of results for each PIF and PIF's subscriber. Results for PIFs subscription in the voucher privatization will be distributed according to the procedures for conducting voucher privatization.

2.10 Cooperate with RS institutions do develop independent third party share registry

Status of Deliverables as defined in the task order:

Progress on the development of the Share Registry has been limited due to delays and lack of action by the RS Government in establishing capital markets institutions overall. Only in late June 2000 did the RS Government establish a Securities Commission and that commission was not able to function properly for several months following that date due to a lack of office facilities and professional staff. On 23 October 2000 the Securities Commission and RS Privatization Steering Committee finally announced a nominee to be Acting Director of the Share Registrar. As of 31 October, no provision has yet been made for budget or office facilities for the Registrar.

Absent an official counterpart, the USAID PP consultants worked with the DFP’s Capital Markets Team to discuss the nature of a share registry institution and to provide comments on the legal framework for establishing the registry.

The USAID PP team anticipated the need for registry computer systems and procured basic hardware required for support of share registry appropriate to the RS. Hardware selection was complicated by the fact that no software selection could be made in the absence of a functioning Share Registry institution. USAID PP believes that the procured hardware is compatible with both the USAID-owned registry software in use in the FBiH and with the Slovenian software currently under consideration by the RS Securities Commission and DFP. The Securities Commission has indicated that it approves of this hardware and considers it to be a valuable contribution from USAID.

The specific deliverables completed are presented in the table below.

Deliverable	Status	CD Rom Reference
Tender Documents for Procurement of Hardware and Software for Use in Citizens Registration	Procured and delivered to USAID Mission	2.7. IT Systems
Documentation on custody of hardware and software at project close	Delivered to USAID Mission	not available on soft copy

Key Achievements in the Area:

The USAID achieved only limited progress in developing the third party share registry institution because of the RS Government’s delays in establishing first the Securities Commission and later the registry institution itself. However, the appointment of an Acting Director of the Registry at the end of October 2000 provides a firm base for developments within this sphere in the near future.

The USAID PP shared the regulations developed for the FBiH Registry with the DFP’s Capital Markets Team. These regulations can provide a foundation for the development of a regulatory framework for share registry in the RS once such an institution is fully established.

Any issues of importance that remain unresolved:

The institution of a Share Registry in the RS appears, at long last, to be falling into place. It can be anticipated that this Registry will require considerable technical assistance in adopting regulations, instituting internal operations procedures, and selecting and implementing information systems.

The USAID PP has created a Post Privatization Shareholders Database and procured associated hardware/software to serve as a mechanism for recording share ownership until the appropriate technical assistance can be delivered by international donors to the RS for developing a Share Registry. This software will be operated by the DFP. See section 2.7 for further details on this subject.

2.11 Develop a certification program for members of supervisory and management boards of newly privatized companies

Status of Deliverables as defined in the task order:

The USAID PP has not addressed this aspect of the task order as a separate activity. The RS Law on Enterprises, which would serve as a foundation for this certification program, is currently under development by the USAID Legal and Regulatory Reform Project. The materials prepared for certification in F BiH have been prepared taking into account the existing drafts of the relevant laws in the Republika Srpska, and could be tailored to meet the specific requirements of the RS legal framework for corporate governance.

Key Achievements in the Area:

The fundamental training program is developed and can be tailored to RS-specific laws and regulations as adopted.

Any issues of importance that remain unresolved:

A certification program that can promote fair practices of corporate governance can not be developed until an acceptable Law on Enterprises is adopted in the RS.

2.12 Coordinate and collaborate with USAID public education team to identify and track attitudes towards privatization and understanding of the process

Status of Deliverables as defined in the task order:

The USAID PP has cooperated closely with the Public Education Contractor.

Key Achievements in the Area:

All Public Education materials produced by the Public Education contractor were reviewed and approved by the USAID PP project in the RS. The Public Education contractor and the USAID PP met regularly to discuss privatization issues and establish timeframes for Public Education deliverables.