

**Project Results for USAID-Government of Serbia (GoS) Consultation and Annual Monitoring
February 2013**

Project	USAID Business Enabling Project
USAID Office	Economic Growth Office. Susan K. Kutor, Office Director
USAID Contracting Officer's Representative	Aleksandar Djureinovic
Duration	January 2011 – December 2015
Budget	Life of Project: \$15.48 million To date under the Agreement: \$8,060,000
Implementing Partner	Cardno Emerging Markets, Chief of Party: Joseph Lowther
Project Purpose	The USAID Business Enabling Project (BEP) is a five-year activity to help the Government of Serbia improve the competitiveness of the Serbian economy and its private sector. The activity provides technical assistance and training to targeted groups to improve the business enabling environment, support macroeconomic stability, further develop financial markets, and improve and increase business and financial management capacities within businesses and the government.
Project Components	1. Business Regulation and Economic Governance 2. Macroeconomic Policy and Public Financial Management 3. Financial Market Development
Assistance Agreement	169-AA-10-EG/001
Objective	A More Competitive Market Economy <i>Indicator: Improved World Economic Forum's Global Competitiveness Index</i> <i>Indicator: Exports as Percentage of GDP</i>
Indicators	Result 1. Business Enabling Environment Improved <i>Decrease in the "Burden of Government Regulations"</i> <ul style="list-style-type: none"> • <i>Decrease in costs for businesses to comply with the regulatory framework</i> • <i>Number of Commerce Laws and Regulations Simplified and Implemented in Accordance with International Standards</i> Result 4. Macroeconomic Environment Improved <i>Increase in Foreign Direct Investment</i> <ul style="list-style-type: none"> • <i>Improvements in the Open Budget Index ("OBI") Score as reported by the International Budget Partnership</i> • <i>Improved Government Budget Balance as percentage of GDP</i> • <i>Improved score in WEF GCI Financial Market Development indicator</i> • <i>Increased credit to private sector as a percentage of GDP</i> See Table 1 on page 4 for targets.
GoS European Integration Office (SEIO) Aid Coordination Group	-Private Sector Development and Financial Market (not yet active) -Public Administration, Public Finance, Public Procurement (not yet active)
Key GoS Partners – Ministries	Ministry of Finance and Economy Ministry of Justice and State Administration Ministry of Internal and Foreign Trade and Telecommunication Ministry of Construction and Urban Planning Ministry of Labor, Employment and Social Policy
Key GoS Partners – Agencies and other organizations	Securities Commission Regulatory Reform Office of the GoS GoS General Secretariat GoS Public Debt Administration
Date of USAID-GoS workplan reviews	Last review: April 2012 Next review: January 2013

The consultative process to date:

In developing its second year workplan, the USAID Business Enabling Project held extensive discussions with its GoS partners and a two-day retreat for counterparts in late February 2012. The retreat gathered 26 partners from the Government of Serbia (GoS), business associations, and experts from think tanks. The retreat engaged the USAID and its partners in open, interactive discussions on all activities and their feasibility, and on cooperation in implementing BEP's tasks and achieving the 2012 targets. Since 2012 was an election year, USAID prepared and distributed briefing memos to the new members of the GoS in June 2012. This was followed by meetings with the counterparts and another round of consultations held in the fall. USAID has agreed on joint tasks and activities with all of its new GoS partners.

State of implementation from January 2012 through December 2012:

- Inspections Reform – USAID organized an Inspections Reform Leadership Group, comprised of representatives from 19 inspectorates that discussed and adopted the Inspections Reform Strategy and Concept Paper developed in 2011. The same group, with USAID's technical assistance, developed a Draft Inspection's Law, standardizing procedures, and powers for all business inspections.
- Para-Fiscal Charges – USAID finalized and published a comprehensive study identifying over 375 para-fiscal charges and assessing their impact on Serbian businesses. The study provided recommendations for the removal and reduction of para-fiscal charges. As a result of the study and USAID's intensive outreach campaign, the GoS abolished 138 para-fiscal charges and adopted amendments to the Law on the Budgetary System that prevent the future adoption of para-fiscal burdens.
- Enforcement of Judgments – USAID supported the process of appointment of Serbia's first 69 enforcement officers, and updated and published an online Practice Manual for Private Enforcement Officers (PEOs). USAID also organized a two-day, intensive introductory training for the first body of appointed officers. All bylaws to the Law on Enforcement and Security were adopted in May 2012.
- Construction Permits – USAID finalized and released the study "Assessment of the Main Constraints in Construction Permitting in Serbia" and discussed it with the GoS and other stakeholders. The GoS praised the findings of the study and is willing to start implementing the recommendations. The GoS requested USAID to take a leadership position in construction permitting regulatory reform and in the drafting of a new Construction Law.
- Labor Law and Employment Increase – USAID conducted and released a study entitled "Policies to Increase Employment and Workforce Competitiveness." Through intensive outreach activities, USAID built demand for urgent reform, with the Prime Minister promising reforms to the Labor Law in 2013. USAID is facilitating a continuous dialogue between social partners – the Ministry of Labor, Employment and Social Policy, unions, and business associations.
- Business Survey – USAID completed the 2012 Business Survey, which is being used by the GoS and business associations to identify and agree upon joint priorities.
- Corporate Governance – USAID drafted the new Corporate Governance Code, which has been adopted. Training of Commercial Court judges was completed.
- Public-Private Partnerships (PPPs) – USAID supported the development of the web site of the Commission for PPPs and assisted in developing the Value-for-Money Methodology.
- Assistance to the Fiscal Council – USAID provided analytical support to prepare key reviews of the Serbian budget and reports on compliance with fiscal responsibility rules. This was recognized by the IMF, which ranked the Serbian Fiscal Council best among all South-Eastern European countries and praised its independence and expertise.
- GoS Budgeting Process – USAID provided program budgeting training to the Ministry of Finance and Economy's (MoFE) Budget Department, which led to the MoFE's requesting USAID to provide assistance in the implementation of program budgeting in 2013 and 2014.

- Macro-Fiscal Analysis – USAID advised and trained the MoFE Macro-Fiscal Department and built its capacity to independently develop projections essential for long-term planning.
- GoS Debt Management – USAID reviewed and provided an organizational diagnostic report for the Public Debt Administration (PDA), and conducted risk management training.
- Access to Finance – USAID released a comprehensive White Paper on Access to Finance for Small- and Medium-sized Enterprises (SMEs) intended for the GoS, identifying and elaborating constraints and solutions. The GoS has already started implementation of selected recommendations (drafted the Factoring Law, strengthening the real estate appraisers’ profession, adopted the Late Payment Law, etc.).

Contributions from GOS Partners in 2012:

- The MoFE abolished 138 para-fiscal charges and installed a mandatory procedure preventing future adoption of para-fiscal burdens on businesses.
- The Ministry of Justice and State Administration appointed 69 enforcement officers and adopted the remaining bylaws; the Chamber of Enforcement Officers was established.
- The GoS acknowledged the findings of the USAID Construction Permitting Study and assigned USAID as leaders in drafting the new Law on Construction and Urban Planning.
- The MoFE adopted the Law on Late Payment and drafted the Factoring Law – to be adopted in March 2013.
- The Ministry of Health reduced the administrative burdens for employers related to employees’ sick leave after the National Broadcasting Service broadcasted the USAID-supported outreach campaign, “Ask When.”
- The GoS committed to implement USAID’s recommendations and made USAID’s White Paper on Access to Finance for SMEs a part of the Government of Serbia Action Plan for Implementation of Recommendations of the European Commission.

Obstacles and proposed solutions:

Issue: The reform of the inspections system, including the adoption of a law, bylaws, and implementation plan, needs to be accelerated.

Risk: This reform is of high importance for the business environment, but is continuously delayed.

Solution: The ministries involved must take a pro-active role, through the engagement of stakeholders (business associations and business inspectorates) and through further outreach activities.

Table 1. Indicators and Targets: Baseline and Targets for Business Enabling Project Indicators

Indicator	Baseline	2011 Actual	2012 Target	2012 Actual	2013 Target	2014 Target	2015 Target
<i>Decrease in Burden of Government Regulations (World Economic Forum GCI)</i>	2.33	2.34	2.34	2.4	2.44	2.57	2.71 ¹
<i>Decrease in costs for businesses to comply with regulatory framework (Standard Cost Model)</i>	4.2%	N/a	N/a	N/a	3.2% ²	N/a	8.0%
<i>Number of Commerce Laws and Regulations Simplified and Implemented in Accordance with International Standards</i>	0	3	10	42	10	10	N/a
<i>Increase in Foreign Direct Investment (as a % of GDP)</i>	3.3%	3.3%	3.3%	5.8%	4.0%	5.0%	6.0%
<i>Improvements in the Open Budget Index (measure starts in 2013)</i>	54	N/a	N/a	N/a	54	N/a	57
<i>Improved Government Budget Balance as percentage of GDP</i>	-4.1%	-4.5%	-4.5%	-6.7%	N/a	N/a	-1%
<i>Improved score in Financial Market Development indicator (World Economic Forum GCI)</i>	3.9	3.74	3.80	3.70	3.84	3.88	3.92
<i>Credit to private sector as a percentage of GDP</i>	40%	N/a	N/a	54%	N/a	N/a	60%

¹ Year 5 Target derived from the average scores for Croatia/Romania/Bulgaria

² Total Administrative Burden for 2011 as measured by the Standard Cost Model