



USAID | **SERBIA**
FROM THE AMERICAN PEOPLE



**ABBREVIATED COUNTRY DEVELOPMENT
COOPERATION STRATEGY
FISCAL YEARS 2013-2017**

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LIST OF ACRONYMS

CDCS	Country Development Cooperation Strategy
CSO	Civil Society Organization
DLI	Development Leadership Initiative
DO	Development Objective
DOJ	Department of Justice
DVC	Digital Video Conference
EC	European Commission
E&E	USAID Bureau for Europe and Eurasia
EFM	Eligible Family Member
EU	European Union
EUR	State Department Bureau for European and Eurasian Affairs
FDI	Foreign Direct Investment
FSN	Foreign Services National
FY	Fiscal Year
GIZ	<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> (German Development Agency)
GDA	Global Development Alliance
GDP	Gross Domestic Product
ICASS	International Cooperative Administrative Support Services
ICS	Integrated Country Strategy
IPA	Instrument for Pre-accession Assistance
IPR	Implementation and Procurement Reform
IR	Intermediate Result
LDS	Local Development Solutions
MCP	Monitoring Country Progress
MoFE	Ministry of Finance and Economy
MP	Member of Parliament

NALED	National Alliance for Local Economic Development
NARD	National Agency for Regional Development
NEC	New Embassy Compound
NGO	Non-governmental Organization
OE	Operational Expenses
OSCE	Organization for Security and Cooperation in Europe
PMP	Performance Management Plan
PPP	Public-Private Partnerships
RDA	Regional Development Agency
SEE	South Eastern Europe
SME	Small- and Medium-sized Enterprises
UNDP	United Nations Development Program
U.S.	United States
USAID	United States Agency for International Development

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MAP OF SERBIA

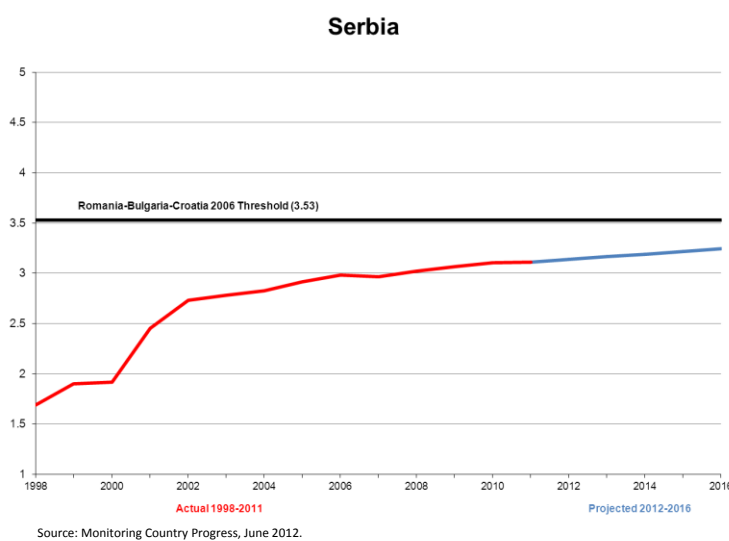


I. INTRODUCTION

This strategy, following Washington guidance, sets forth the path of the U.S. Agency for International Development's (USAID) critical assistance delivery for Serbia in preparation of a possible last year of bilateral funding in FY 2017. It conforms to and supports the goals of both the post's draft Integrated Country Strategy (ICS) as well as those contained in the Joint Regional Strategy 2014-2016 of the State Department Bureau of European and Eurasian Affairs (EUR) and the USAID Europe and Eurasia (E&E) Bureau. The strategy is aligned with host-country priorities, U.S. foreign policy, and USAID initiatives, in particular the USAID Forward focus area of Local Development Solutions (LDS). A core principle for USAID will be the sustainability of its investments following the closure of its programs. The Mission is committed to being accountable for the achievement of the development objectives (DOs) outlined in this abbreviated Country Development and Cooperation Strategy (CDCS), though effort will be complemented by other U.S. government actors and other donors. Achievement of the CDCS goal will require both diplomatic and assistance efforts on the part of the U.S. government and broader donor community, and is subject to a number of risks and assumptions.

At the end of this five-year strategy, the Mission does not anticipate that Serbia will have reached the average Monitoring Country Progress¹ (MCP) threshold benchmark as set by Croatia, Romania, and Bulgaria in 2006 (See Figure 1). Current trends suggest that Serbia will meet this threshold benchmark in 2020, which could very well be around the same time that it joins the European Union

Figure 1: Monitoring Country Progress Threshold Projections for Serbia



(EU). Despite this somewhat bleak outlook, USAID does anticipate that Serbia will have made significant progress in its democratic and economic transition and in its EU accession process. More specifically, USAID's program over the next five years will increase stability in Serbia and, therefore, in the Balkans region. By the end of this strategy, the Mission expects that, as a result of its economic growth programs, Serbia will improve both the functioning of its market economy and its capacity to cope with competitive pressures and market forces within the EU, which the EU

has stated as a requirement for EU membership. Also by 2017, USAID expects to have advanced the stability of Serbia's institutions guaranteeing democracy and the rule of law, which are important for Serbia to meet the Copenhagen political criteria.²

¹ The Monitoring Country Progress Report is a periodic analysis of transition and development trends conducted by the USAID Bureau for Europe and Eurasia.

² In June 1993, EU leaders meeting in Copenhagen set these economic and political criteria that any candidate country must meet before it can join the European Union.

Building on its partnership with the Government and people of Serbia, USAID proposes to allocate new USAID development resources over the next five years to achieve the goal, Serbia's Stability and Euro-Atlantic Integration Advanced. After considerable reflection, the Mission concluded that the most effective use of its funds would be to advance reforms early in Serbia's EU accession bid. Hence, the proposed close-out is based on the premise that the Mission receives the level of resources proposed over the five years of the strategy.³ During this transition period, USAID will strategically focus its limited resources on two Development Objectives (DOs): (1) accountability of key democratic institutions strengthened; and, (2) conditions for broad-based inclusive economic growth improved. Through focused investments, USAID will partner with the Government of Serbia and other host-country entities to promote more accountable and transparent governance that will contribute to more responsive and enduring democratic institutions. By concentrating on the achievement of select national-level reforms and support for local economic development in targeted regions within the country, USAID will improve the conditions for increased competitiveness of the country, of targeted municipalities, and of targeted value chains, thereby improving the conditions for sustainable economic growth in the selected regions and advancing stability. Programming under this strategy will develop and employ host-country systems and champion USAID Forward reform goals. CDCS crosscutting themes include gender equality, human and institutional capacity development, youth, and transparency and accountability.

II. DEVELOPMENT CONTEXT

Regional and Country Context

Despite having gained EU candidate status in March 2012, Serbia's current reform path is not yet irreversible. Following elections in May 2012, Serbia has a new President and a new, inexperienced government that is still struggling to identify its policy priorities. Crucially, the new government quickly reaffirmed its support for Serbia's membership in the EU, an important U.S. goal that is central to our vision of a Europe whole, free, and at peace. Belgrade's continued support for the onerous process of EU accession is not a given. Indeed, support for EU membership among the Serbian public has dropped below 50 percent and is weakest among younger Serbs. In part, these discouraging numbers reflect frustration with the long and arcane accession process, as well as a widely shared view that the EU has applied a stricter standard to Serbia than to other aspirant countries. The eurozone's economic travails have also served to undermine the argument of proponents that EU membership is a secure path to prosperity.

The fraught and difficult relationship between Serbia and Kosovo is both an impediment to Belgrade's EU accession aspirations and a threat to regional peace and security. The Belgrade-Pristina dialogue, initiated under EU auspices, has produced a number of agreements that are being implemented and the recent decision to elevate the dialogue to a political level is a positive sign. But in order to reach the next milestone in the EU accession process – a date for the opening of

³ While the Mission proposes this to be the last funded strategy, this CDCS in no way represents a close-out strategy, which would be a separate document drafted after the inter-agency determines that USAID should close its program and Mission. This CDCS's proposal to close the Mission and program is simply to frame the types of programs to be funded by the Mission and to provide a realistic timeframe for completing those programs during the lifetime of this CDCS.

negotiations – Belgrade will also have to begin taking steps to dismantle parallel institutions in northern Kosovo including, in particular, the parallel police and justice systems.

Tensions between the center and the periphery in Serbia are another fact of political life. Differences over revenue sharing and the scope of authority of Serbia’s autonomous province of Vojvodina represent a particular challenge. Under-development in the Bosniak-majority Sandžak region and the Albanian-majority communities in South Serbia are complex problems requiring comprehensive solutions and the direct involvement of the international community.

The U.S. Ambassador provides leadership to informal “Friends of Sandžak” and “Friends of South Serbia” diplomatic working groups that continue to support development in these two troubled regions. USAID provides leadership to the assistance-level working groups affiliated with the ambassadorial-level Friends groups and is seen as a primary donor that plays a leadership role in development activities in these two regions. The loss of USAID assistance could aggravate the political situation in these regions, especially since the U.S. government has built strong, positive relationships with the minority communities that reside there.

The economic situation in Serbia poses yet another risk to the country’s political stability. Although Serbia has taken steps to establish a functioning market economy and has achieved some degree of macroeconomic stability, economic growth has been uneven in recent years. Serbia is now the least competitive country in the region based on World Economic Forum rankings. While the new Government of Serbia has demonstrated initial political will to tackle critical barriers to economic growth in the business-enabling environment, increasing Serbia’s competitiveness during the current eurozone crisis is a challenging, long-term task.

The new government’s respect for independent government oversight agencies and the judiciary is an important indication of its commitment to the rule of law and democratic principles. Upon coming into office, the new government passed legislation to restrict the independence of the central bank, after which a political ally of President Nikolić was appointed as the bank’s Governor. Shortly thereafter, in the fall of 2012, Standard & Poor’s cut Serbia’s sovereign-debt rating to double B minus, partly in response to legislative changes by the new government that were seen as restricting the independence of the central bank. Although the law has since been amended following international pressure, the credit rating downgrade along with the eurozone crisis, a deteriorating global economic outlook, expansive domestic fiscal policy, and rising risk premiums continue to put pressure on prices and growth in Serbia.

Challenges and Opportunities

Serbia faces numerous challenges to its development. They include:

- An uncertain political environment, including the possibility of early elections;
- Limited political will to fully implement and institutionalize key reforms;
- A structurally flawed electoral system with weak links between representatives and electorate and limited accountability;
- Strong political party influence on nearly every aspect of public administration and the economy;
- Incomplete rule of law reforms;

- High rates of actual and perceived corruption;
- A transitioning role for civil society, from anti-war opposition to an undefined, uncertain future;
- Lack of structural reforms, including pension reform, which puts an unsustainable strain on the budget, drastically reducing the discretionary spending ability of the government;
- Stalled privatization, with the continuing high and unsustainable level of state-owned enterprises hampering economic growth;
- Significant brain drain due to emigration⁴;
- Societal intolerance of and discrimination against minority religious groups, ethnic minorities, persons with disabilities, and members of the lesbian, gay, bisexual and transgender (LGBT) community;
- Regional economic disparities, especially in minority areas along the Kosovo border in southern Serbia; and
- A perception of low participation by ethnic and religious minorities and youth in the economy and political system.

At the same time, development opportunities upon which USAID can build do exist. These include:

- The U.S. government's strong partnership with the Government of Serbia, which has demonstrated initial political will to implement long-overdue economic reforms in at least some sectors, such as construction permitting and labor;
- USAID/Serbia's Assistance Agreements⁵ with the Government of Serbia, which create opportunities for the U.S. government to engage with the Government of Serbia on the reform process;
- USAID/Serbia's strong foundation on which to engage directly with stakeholders and provide institutional capacity development;
- USAID's well-positioned portfolio can leverage EU and other donor funding; and
- The U.S. government's close historical ties to the key populations in South Serbia and Sandžak.

Economic Growth Context

Serbia, which started on the reform path later than its neighbors in South Eastern Europe (SEE), lags the furthest behind all Balkan countries in regaining its 1989 level of Gross Domestic Product (GDP), a common litmus test for economic performance throughout the region. According to USAID's MCP report, "Serbia has much farther to go in achieving the economic reforms threshold, trailing Macedonia, Albania, Georgia, Armenia, and Russia." The country has been buffeted by the global economic and financial crises and remains vulnerable to external shocks due to its high debt/GDP ratio of 61 percent, its budget deficit of 6.7 percent (the highest in the region), and the excessive reliance on foreign exchange lending, which accounts for approximately 70 percent of all loans.

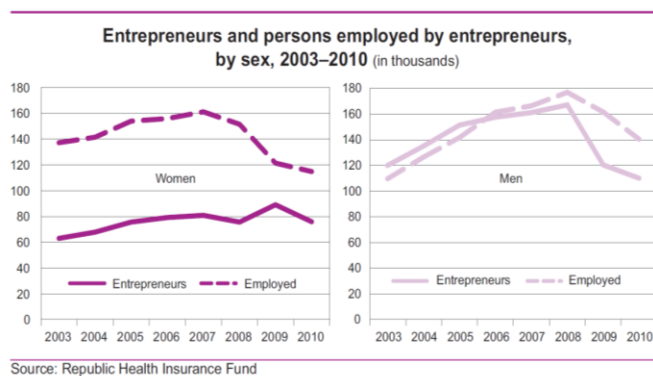
⁴ Serbia ranks 141 out of 144 countries on brain drain in the World Economic Forum's 2013 Global Competitiveness Index.

⁵ On September 23, 2010, the Government of Serbia and the U.S. government, through USAID, signed two USAID Country Assistance Agreements reflecting a deeper cooperation and a stronger partnership between the two countries. The main areas of focus under the two Assistance Agreements are Strengthening Democratic Institutions and Fueling Economic Growth. USAID's partnership with the Government of Serbia under these Assistance Agreements includes cooperation in project design, implementation, and monitoring.

According to Economist Intelligence Unit projections, published in November 2012, Serbia has experienced a dramatic drop in foreign direct investment (FDI), from \$2.746 billion in 2011 to \$400 million in 2012 – the largest drop in the SEE region in percentage terms and the latest figure in an alarming trend. In fact, FDI in Serbia in 2012 was a mere 0.8 percent of GDP, with the five-year average of FDI/GDP standing at only 4.0 percent for 2008-2012, down substantially from 7.3 percent for 2005-2009. Inflation was expected to reach 13 percent in the spring of 2013 and real GDP growth is projected to have been -1.5 percent in Serbia in 2012, tying it with Croatia (also at -1.5 percent) for the greatest projected contraction in the region.

The lack of growth in the last half of 2012 caused unemployment to remain high and household incomes to stagnate. In fact, unemployment grew by more than one percentage point overall to 25 percent. According to the Statistical Office of the Republic of Serbia, of the total number of unemployed persons, 52 percent are women and 48 percent men. For youth, the numbers are far worse, reaching nearly 50 percent among 15- to 24-year-olds nationwide on average, with many communities, especially in regions officially classified as "devastated," reporting far higher levels of unemployment. The \$450 household monthly average income remains unchanged from 2010, with income in the economically devastated regions of South Serbia and Sandžak lagging far below this national average. Nearly 60 percent of the female and 40 percent of the male working age populations are unemployed and not seeking employment. These disparities are particularly relevant in Serbia where nearly 25 percent of the population is over the age of 60 and only about 19 percent of the population is under the age of 20. Further, as Figure 2 illustrates, men are more likely than women to become entrepreneurs, despite a decline in the total number of entrepreneurs over the past few years.

Figure 2: Entrepreneurs and Persons Employed by Entrepreneurs



Bright spots do exist on the economic growth horizon, provided that progress on the national level continues and the private sector is able to take advantage of new opportunities. In late 2010, Serbia adopted a new model of economic growth based on increased savings, investment, production in tradable goods, and exports.

The model achieved some initial success when exports increased thanks in significant measure to the depreciation of the dinar. Export-led growth continued through 2011, but exports still remained low at 37 percent of GDP. The 2012 drought resulted in an estimated 50 percent crop loss, which has negatively impacted food exports, as has the halting of production at Serbia's steel mill in Smederevo. It is a positive sign that the new government continues to promote the model of export-led growth.

Serbia's current weak economic performance hampers its progress in the EU accession process as, according to the Copenhagen criteria, to become a member of the EU, Serbia must develop a well-functioning market economy that can withstand strong competitive pressures. For Serbia to accede

to the EU, it must meet obligations under the *acquis communautaire*, the laws and agreements for all EU members. Of the 35 chapters under the *acquis*, twenty-five are directly related to economic policy and the role of the private sector. According to the European Commission's (EC) 2012 Progress Report for Serbia⁶, advances were made in facilitating market entry, but the business environment continued to be marred by complex legislation and red tape, as the implementation of regulatory reform had slowed.

An additional challenge – and potentially destabilizing factor – is Serbia's substantial regional economic disparities. While the MCP data shows income inequality as not being significant, this does not accurately reflect the Mission's experience. This is partially caused by the lack of granularity in Serbian statistics, which are aggregated across large regions and hence mask significant local differences. For example, unemployment in South Serbia and Sandžak, where the Mission intends to focus some of its private sector development activities, is twice the national average. The large gap between these regions and the rest of the country is captured by Serbia's classification of municipalities into various economic development categories. Of 150 municipalities in total, Serbia's Office for Sustainable Development of Underdeveloped Areas has classified 46 as "underdeveloped," of which 40 have been further classified as "devastated" (i.e., their development levels are less than half the national average). Half of these devastated municipalities are in South Serbia, and a majority of the remaining underdeveloped municipalities are in Sandžak. These economically depressed regions are situated around the border with Kosovo and have significant populations of ethnic and religious minorities. The underdevelopment, economic isolation, and high unemployment levels of these regions, fueled by the pervasive perception that the needs of the regions are being ignored by Belgrade, exacerbate the continuing socio-political tensions and pose a risk to the stability of Serbia and the Balkans region. Recognizing the important link between improved economic prospects and stability, the EC's 2012 Progress Report explicitly noted the necessity for "further state commitment to economic development in South Serbia and Sandžak."

Despite these challenges, major observers of Serbia's longer-term prospects, including Bloomberg, The Economist, and Emerging Europe Monitor, continue to tout the country as a good investment opportunity. Economists continue to point to the country's strategic location, pool of skilled and inexpensive labor, and generous incentives for foreign investment as its attractions for business investment. The regional free trade agreement and trade preferences granted by the Russian Federation and Turkey have expanded the market for Serbian goods and represent a strong comparative advantage for attracting foreign investment and for domestic companies.

As resources will be limited during this five-year phase-out strategy, USAID will focus its interventions in the economic growth sector on a few key areas where it will be able to achieve significant sustainable results. This will involve targeted efforts at improving the national business climate, as well as improving economic opportunities in select regions of the country, while at the same time demonstrating economic development models and methods that can be replicated throughout the country.

⁶ http://ec.europa.eu/enlargement/pdf/key_documents/2012/package/sr_rapport_2012_en.pdf

Democracy and Governance Context

Over the past decade, Serbia's overall political stability has improved and, despite increasing euro-skepticism, there remains considerable political support for EU integration, especially among the better-educated segments of the population. Serbia has held multiple free and fair elections, and has experienced a number of peaceful post-election governmental transitions and handovers of authority.

Progress on medium- and long-term democratic and governance reforms, however, has been uneven. Further efforts are needed to improve public consultation in the legislative process, particularly with regard to civil society and local self-government. Implementation of laws needs to be better-prepared and monitored. Not enough attention is paid to the quality of legislation. The EC noted in its 2012 Progress Report for Serbia that “the government continues to lack a consistent, structured approach to consulting with stakeholders and needs to develop its monitoring of the preparation and implementation of new legislation.” This and other challenges highlight the key hurdle of boosting democratic accountability in Serbia's key governance institutions.

As a result of electoral reforms in 2011, the members of the new Parliament elected in May 2012 were appointed in the order that they appeared on electoral lists and the practice of blank resignations⁷ was prohibited. These reforms represented positive legislative steps taken in response to EU concerns about political party practices that were at odds with Copenhagen criteria and democratic norms. New rules of procedure introduced in 2010 have streamlined the working bodies, which should make Parliament more effective. Legislation, however, is often rushed through with little, if any, stakeholder consultation and debate and discussion are limited. Parliamentary operations still lack transparency and accountability and public access to information on pending legislation is inadequate. The single constituency electoral system does not provide incentives or real opportunities for parliamentary deputies to create strong representative linkages with constituencies; the electoral system does not facilitate broad geographic representation at the national level. The vast majority of mayors – 97 percent in cities and 91 percent in municipalities – are male and, according to the Statistical Office of the Republic of Serbia, men dominate decision-making in all levels of government.

Serbia's rule of law reforms, which began with new legislation in 2008, continues to evolve. The Constitutional Court recently ordered the re-instatement of nearly 800 judges whose mandate expired by law at the end of 2009, because the High Court Council failed to comply with due process and its own criteria in reviewing whether judges should be re-appointed to the bench. This decision, together with the new government's intention to re-organize the court network, effectively annulled judicial reform that the previous government initiated, which was plagued with criticism coming from both domestic and EU institutions. The new government also embarked upon an effort to amend a series of judicial reform laws passed by the previous government, such as the Criminal Procedure Code and the Law on the Court Network. The outcome will likely continue to have a significant impact over the next several years as judges return to the bench, closed courts are re-opened, and judges adapt yet again to new policies, procedures, and substantive law changes. Based

⁷ The practice of blank resignations involved newly elected Members of Parliament submitting resignation letters to their parties at the beginning of their term in office so that the parties could maintain party discipline.

in part on these circumstances, the EC's 2012 Progress Report notes that Serbia has made little progress on judicial reform. While some efforts have improved case management efficiency, Serbia must take additional measures to reduce the growing backlog of cases, as recommended by the Venice Commission⁸ in its Opinion of March 2007. Transparent criteria need to be established for the selection of judges and prosecutors. Serbia must also establish a system of professional evaluation, effective disciplinary rules, and stronger integrity safeguards for the judiciary.

Corruption remains a major issue in Serbia that undercuts public trust in democratic government. It remains a major obstacle to Serbia's membership in the EU despite the country's ratification of several relevant conventions. Serbia has established a number of independent agencies responsible for addressing the various aspects of corruption, monitoring spending by candidates and political parties, and improving transparency of government operations. These independent agencies include: a) the Ombudsman (created in 2005 and first ombudsman appointed in 2007); b) the State Audit Institution (created in 2005 and first state auditor named in 2009); c) the Anti-Corruption Agency (created in 2008, but the first director, named in 2009, was recently replaced); and d) the Commissioner for Information of Public Importance and Private Data (created in 2004 and the first commissioner appointed shortly afterward). A law adding the duty of the Commissioner to protect personal data was passed in 2008. Charged with oversight responsibility for these independent agencies, the Parliament has yet to fully exercise this duty.

Oversight and institutional checks and balances are essential components of robust democratic development. Enhanced oversight strengthens the accountability of a democratically elected government; improves governmental efficiency and service delivery; increases publicly available information about governmental operations; and helps promote governmental integrity. Reducing the opportunities for and the occurrence of corruption, however, is not enough to convince Serbia's citizenry that democratic governance can be effective and fair. The public must be made aware of the scope and effect of the improvements that are occurring. In addition, the EU has cited the establishment, resourcing, staffing, and proper functioning of independent agencies, the anti-corruption reforms in Serbia's judicial system, and public administration as key elements of the accession process. While still building their capacity to fulfill their respective mandates, independent agencies struggle to have a noticeable impact on institutional corruption in Serbia. Supporting oversight, including the work of the independent agencies, Parliament, and civil society, is a key priority for Serbia's EU accession and a focus of assistance for USAID and other donors.

Pressing social issues, including high unemployment, pervasive corruption, widespread crime, low wages, ineffective public services, and poor living conditions, are deepening the polarization of Serbian society and contributing to a significant and palpable loss of trust and faith in the political class. Although there are more than 18,000 NGOs in Serbia (80 percent of which have no funding), the level of trust they enjoy among the population varies. Many NGOs, particularly those receiving foreign funding and addressing war crimes, often face public criticism and animosity, as they are perceived as anti-Serbian and tools of foreign powers or unwelcome meddlers in Serbia's internal affairs. Fledgling NGOs dealing with consumer rights, ecology, personal information privacy, and animal welfare have more popular support. According to public opinion research conducted in 2009

⁸ The Venice Commission is an advisory body of the Council of Europe tasked with assisting and advising individual countries on constitutional matters in order to improve functioning of democratic institutions and the protection of human rights.

by the Center for Free Elections and Democracy, almost half of surveyed citizens have little or no confidence in NGOs and 29 percent of people have formed no opinion.

During the five-year period of this strategy, USAID will streamline and intensively focus its democracy and governance work on strengthening the accountability of key democratic institutions, in particular Parliament and the judicial system. Institutional improvements are required as a part of the EU accession process, so USAID's significant impact will be sustainable and advance Serbia's progress to EU membership. Ongoing civil society support will contribute to this objective by helping Serbia's citizens hold their government to account and develop reforms that bring the country closer to Europe, and fostering the inclusion of, and fighting discrimination against, women, LGBT persons, disabled people, and ethnic minorities within society.

III. DEVELOPMENT HYPOTHESIS

Overview

USAID/Serbia engaged in a consultative, analytical, and deliberative strategic planning process over the past 12 months. The Mission is updating its gender and bio-diversity assessments, completed a rapid appraisal, and launched risk assessments of select local agencies that may be directly funded. During the past year, a number of project performance evaluations were conducted and their findings have been used to inform the development of the new strategy. On May 30, 2012, the Phase I initial consultation Digital Video Conference (DVC) meeting set the basic parameters for the abbreviated CDCS. It was followed in September by a CDCS workshop that further advanced the development of the results framework. Subsequent sector consultations with stakeholders, counterparts, and other donors were convened, including senior-level consultations with other donor agencies and Government of Serbia counterparts led by the USAID Mission Director. USAID staff developed a first draft of the results framework in November, which was discussed in a DVC on December 17, 2012. The comments and recommendations emanating from the DVC have been taken into account in this abbreviated CDCS.

The U.S. government's long-term objective in Serbia is a democratic and prosperous Serbia that is a full member of the Euro-Atlantic community. Since 2001, USAID's efforts have been based primarily on the political goal of increasing regional stability in the Balkans by assisting Serbia to integrate into Euro-Atlantic institutions. Conforming to the goals of the EUR/E&E Joint Regional Strategy, in particular Goal 6 "Balkans Fully Integrated into Euro-Atlantic Institutions," USAID contributes to U.S. government objectives in Serbia and in the greater Balkans region. Its targeted assistance programs will help Serbia carry out the reforms needed to expand its economy and to strengthen the accountability and responsiveness of key institutions and thereby assist the country in meeting the requirements for membership in the EU and other Euro-Atlantic organizations.

USAID's strategic goal is: Serbia's Stability and Euro-Atlantic Integration Advanced

During the coming five-year period, USAID will focus on key components of the many actions that Serbia must take to reinforce its internal stability and to become fully integrated into Euro-Atlantic institutions. To achieve the stated goal and have a positive impact, USAID will concentrate its

resources on the attainment of the following two DOs: (1) accountability of key democratic institutions strengthened, and (2) conditions for broad-based, inclusive economic growth improved. Key themes that run through most of the proposed activities include civil society, gender equality, youth, and human and institutional capacity development. Where relevant, these are discussed in the DO narratives. The development hypothesis supporting the goal and each of the objectives is outlined below.

While these DOs are necessary for the attainment of this goal, they are not sufficient as USAID's resources are necessarily limited to a few targeted activities of the many that will be required before Serbia will be eligible to become a member of the EU. Programs financed by other donors will contribute to the attainment of the CDCS goal and will reinforce DO-level efforts. Our efforts, limited as they may be, are nonetheless critical given USAID's comparative advantages, and support the efforts of other donors, in particular the EU and the World Bank, to move Serbia towards EU accession by building the capacity of Serbian institutions to absorb other donor funding. Based on the experience of Romania and Bulgaria which left significant EU funding unused because of their inability to design and use funds⁹, and on Serbia's own similar experience with limited capacity to develop and implement projects and feasibility studies, USAID assistance will build the absorptive capacity of Serbian institutions thus ensuring that our efforts are continued, where necessary, by other donors, especially the EU, which will remain in Serbia after USAID has departed. With some flexibility, USAID is well-positioned to help bridge a critical gap in EU funding during the first two years of this CDCS period. Serbia's next tranche of EU Instrument for Pre-accession Assistance (IPA) funding has been requested, but implementation may be delayed until mid-2015 as a result of changes in EU programming and funding processes. Furthermore, in practical terms, achievement of the CDCS goal will require the coordinated advocacy of the diplomatic and development communities in Belgrade. The efforts of the broader USG, including sustained diplomacy and the assistance programs of the Department of Justice (DOJ), Public Diplomacy, and others will make important contributions to the attainment of this goal.

With the proposed CDCS, the Mission will address some of the main problems of Serbia's EU accession process as recognized by EU Progress Reports for [2012](#) and [2013](#) (see documents through hyperlinks) such as proliferation of different administrative fees and charges that increase the uncertainty and the cost of doing business. Also, the informal economy remains strong and is a major hindrance to fair competition and business development. Corruption and unclear property rights continue to hamper economic activities. Economic recovery has stalled and macroeconomic stability has weakened as domestic and external imbalances increased. Delayed reforms and the economic slowdown have exposed and aggravated structural weaknesses, such as low employment and volatility in prices and exchange rates. State presence and influence in the economy remains significant and has even increased. The private sector continued facing major obstacles. Key laws are in place, but the rule of law remains weak. Overall, the functioning of market mechanisms is hampered by distortions, excessive state involvement and legal uncertainty. There was little progress regarding the independence of the judiciary, and the legal framework still leaves room for undue political influence over the judiciary.

⁹ According to a recent French report covering the period from 2007-2013, by January 2012, Romania absorbed only 4 percent of EU budgeted funds, while Bulgaria's absorption rate is of 19 percent for the same period.

Development Objective I: Accountability of Key Democratic Institutions Strengthened

Accountable governance systems are based on the separation and constraint of political power and on citizen oversight of government. Even with positive reforms in a number of areas, Serbia still lacks adequate checks on central authority and sufficient opportunities for citizens to hold their government and elected officials accountable. Enhancing accountable and representative governance over the life of this strategy will help to strengthen and sustain Serbia's democratic transformation. However, as the DO itself and the ordering of intermediate results (IRs) suggest, USAID is intensively focusing on those key democratic institutions where we can have a significant and sustainable impact by the end of the five-year strategy.

Linking DO I to the overall USAID goal is the following development hypothesis: strengthening the accountability of key democratic institutions, such as the judicial system, the independent oversight agencies, Parliament, and local governments, will improve governance and thereby further Serbia's drive for EU accession. The DO recognizes that Serbia needs ongoing support to strengthen its democratic institutions because unless they become more accountable and representative, the country will not achieve many of the requirements for accession¹⁰. By stringently focusing resources, USAID can target its limited funding to achieve significant improvements in key democratic institutions that the EU and other donors are not extensively assisting, but that are important to Serbia's democratic transition. In some cases, such as in the area of judicial reform, USAID is laying the foundation on which the EU and other donors can build.

Strengthened accountability of key democratic institutions is premised on future results in two strategic areas: independent, consistent, and professional application of the rule of law; and transparent and representative governance.

These premises flow directly from the definition of democratic accountability: democratic leaders and institutions are responsible and answerable to the people. In this context, democratic accountability has a variety of facets, including institutional mechanisms to oversee and check governmental authority (e.g., Parliament, courts, independent institutions). Another critically important component is responsive elected officials who, and institutions which, effectively respond to and represent the people's interests. Implicit in both is the capability of citizens to organize, identify, and articulate effectively those interests to appropriate institutions. USAID's targeted assistance strengthens the capacity of the judicial and legislative branches to check and balance the power of the executive branch of government. Support for institutional capacity and responsiveness will both improve service delivery and increase public confidence in democratic institutions. Both strategic areas, however, will require an informed and active citizenry that demands their democratic institutions be accountable and representative. Hence, we will continue to support the increased engagement and influence of civil society in public affairs.

DO I reinforces and supports DO 2 below in a variety of important ways. Civil society plays a key role in democratic governance as well as economic growth. Strengthened rule of law, enhanced integrity, and more effective anti-corruption measures improve the investment climate, build consumer and investor confidence, and create economic efficiencies. More responsive

¹⁰ The EU prioritized legal reforms, the rule of law, and reducing corruption when it accorded Serbia candidate status in 2012.

representative bodies can develop legislation and policies that target economic priorities more effectively.

Development Objective 2: Conditions for Broad-based, Inclusive Economic Growth Improved

USAID's DO 2 builds upon the past achievements and relationships forged through our engagement in economic growth and addresses priority reforms identified by Government of Serbia counterparts and economic assessments. Even though funding for the sector is severely constrained, we are confident that the strategic targeting of our limited resources will allow us to bring to fruition ongoing efforts, achieve significant results, help rekindle expansion of the economy through national-level reforms, and increase employment opportunities in targeted regions through local economic development efforts involving both the private sector and local governments, contributing to growth and stability. By eliminating critical barriers in the national business-enabling environment, Serbia will become more competitive, and the conditions for the growth of all Serbian companies will improve. Our hypothesis is that if entrepreneurs and small- and medium-sized enterprises (SMEs) have equal opportunity to enter the market, can access capital and skilled labor, and operate within a fair and predictable business environment, then Serbia will experience economic growth that provides for sustained increases in employment and incomes. Furthermore, our hypothesis is that if all groups of society, including men, women, disabled people, and ethnic minorities, across social classes and regions, benefit from economic growth, then Serbia will be stable and productive. By ensuring that our efforts and the efforts of our partners include all groups of society, we will improve the conditions for economic growth to be more inclusive, which we define as including opportunities for all groups of society to participate. We will improve the conditions for this broad-based, inclusive economic growth by assisting clusters of municipalities across Serbia to create the local conditions for economic growth, and by supporting the growth of select value chains that emanate from the economically devastated regions of South Serbia and Sandžak. Through our efforts to increase employment opportunities and economic growth in these targeted areas, we will also contribute to better linkages between businesses across Serbia and between local governments around the country. These improved linkages and economic opportunities will lead to increased stability. Improving the conditions for broad-based, inclusive economic growth will enable Serbia to benefit from the opportunities of being part of the EU, to better withstand the increased competition that comes with EU accession, and to meet the needs of its population with regard to income generation opportunities and improved public services.

The development hypothesis linking the DO to the overall goal is as follows: improved conditions for broad-based, inclusive economic growth are essential to Serbia's democratic, free-market, and Western-oriented transformation. Improving the health and competitiveness of the market economy through targeted reforms is premised on results in two strategic results: key components of the business-enabling environment improved, and economic development opportunities improved in targeted regions. First, an improved business-enabling environment (i.e., improved economic governance) will: attract investment, improve the productivity of firms, and, in conjunction with the successful reforms Serbia has already made, increase private sector-led growth throughout the country. Second, increased economic opportunities in targeted regions will improve the ability of local governments to support economic growth, increase the availability of skilled labor, and, especially in the economically devastated target regions in South Serbia and Sandžak, strengthen

internal and export market linkages and enhance local business support services that will survive beyond USAID's assistance, thereby contributing to increased growth and greater stability. In addition, by focusing on targeted regions and working through and in cooperation with national-level entities, we will be able to use our limited funds to develop and test models that can be replicated in other parts of the country by the Government of Serbia and other donors. If we succeed through our efforts to improve the national business-enabling environment and increase economic opportunities at the local level, we will have improved the conditions for broad-based, inclusive economic growth in Serbia.

USAID Forward¹¹

To support USAID Forward Local Development Solutions (LDS) efforts and to improve the cost effectiveness and sustainability of our assistance, the Mission will increase the amount of program funding through local systems. The Mission is utilizing the concepts of selectivity and focus to reduce the number of IRs and is concentrating on funding local entities in the interest of sustainability. We plan to employ direct funding of Serbian governmental and non-governmental organizations as part of our legacy strategy. During the first two years of the strategy, USAID will focus on building the capacity of local NGOs, private sector organizations, and public agencies, in order to create a portfolio of direct grants to local organizations. Over the five-year strategy period, wherever possible and appropriate, the Mission will work with local Serbian organizations to directly implement a significant portion of its portfolio. Local implementing partners, including NGOs, will increase from a baseline of zero percent of the portfolio to a target of 30 percent by 2017. The Mission will conduct a CDCS mid-term evaluation of local implementing partner programming and, if necessary, carry out mid-course corrections to our approach. Depending on the results of the evaluation, we may possibly further expand our use of local implementing partners in the out-years of the strategy. USAID's priorities supported by USAID/Serbia's strategy include:

- The Administration's emphasis on LDS (i.e., the way the U.S. government provides foreign assistance, especially through more diverse implementing partners and increased implementation through local organizations);
- Partnerships with other donors and the private sector, leveraging other resources, and increasing U.S. government development impact;
- Use of innovation and technology in development;
- Helping partner countries build effective and accountable justice institutions; and
- Emphasis on empowering women and youth.

Critical Assumptions and Risks for Achieving Development Objectives

The assumptions underlying the new strategy reflect the current and expected political and economic environment in Serbia.

Critical assumptions include the following:

¹¹ <http://www.usaid.gov/usaidforward>

- The political and security environments will continue to improve within Serbia and in the region at large;
- The new governing parties in Serbia hold to a pro-EU agenda and remain committed to pursuing the reforms necessary for EU accession;
- Economic recession does not derail national economic and political reforms;
- The eurozone crisis is resolved and the EU remains willing to expand;
- Serbia increases political will at the highest levels to attack corruption; and
- Regional tensions do not result in renewed violence.

Risks include the following:

- Lack of progress and/or backsliding on EU accession reform criteria;
- Eurozone crisis fuels euro-skepticism in the new governing parties in Serbia;
- A major regional and/or global economic crisis that results in capital outflows and substantial reduction in demand for Serbian exports;
- The economic recession derails economic and political reforms; and
- Regional disparities within Serbia fuel social and ethnic conflict.

During the Mission's semi-annual portfolio reviews, the validity of the assumptions and risks will be assessed. Given the political and international nature of many of the assumptions and risks, USAID will work with other key members of the Post's broader Country Team, in particular the Political and Economic Sections, to monitor the assumptions and risks on a periodic basis and discuss implications for the implementation of this strategy. Through both internal and Embassy-wide reviews of assumptions and risks, USAID will reevaluate and, as necessary, refine goals, objectives, and approaches outlined in this CDCS.

IV. RESULTS FRAMEWORK

Introduction

USAID/Serbia proposes to focus and concentrate resources to assist Serbia to strengthen its political stability and advance its democratic, free-market, and Western-oriented transformation. Through focused investments, the Mission will promote rule of law and representative government institutions that will contribute to more accountable and enduring democratic institutions. Through our economic growth efforts on select national-level reforms and local economic development, we will advance economic governance and broad-based, inclusive, and more sustainable growth. This proposed strategy will set forth the exit path of USAID from Serbia and leave behind sustainable results that will further the country's Euro-Atlantic integration.

Development Objective I: Accountability of Key Democratic Institutions Strengthened

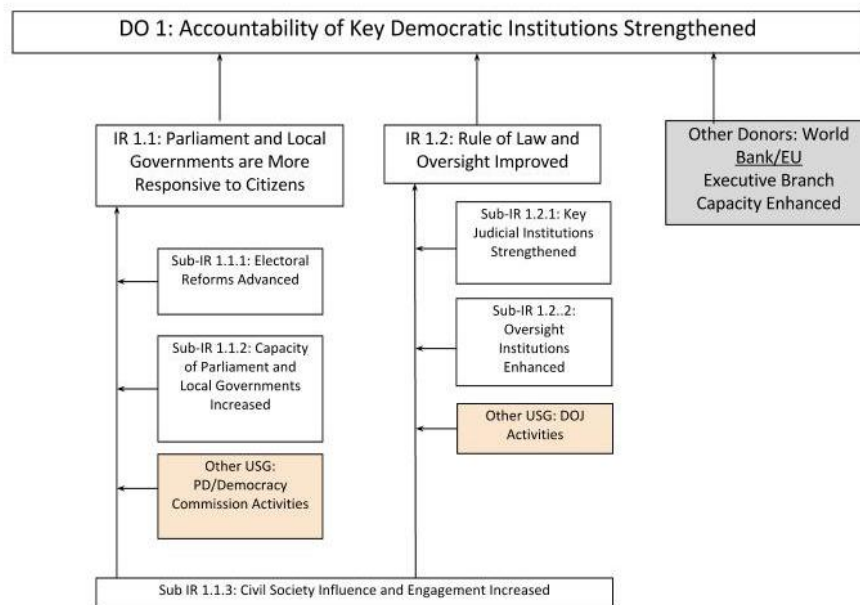
Development Objective I will address the challenges associated with the accountability of key democratic institutions by enhancing the rule of law and oversight, and by helping Parliament and local governments become more responsive to the electorate. The tightly focused DO will directly strengthen key democratic institutions and processes through achievement of its IRs, described below. As a result, the targeted institutions will be more accountable and will become increasingly responsive to Serbian citizens' needs and aspirations. With the institutionalization of mechanisms for stronger and more vital links between Serbian society and Parliament and between citizens and local governments, Serbia's democratic institutions will become more accountable, and democratic processes will become more robust.

Close coordination with the development and diplomatic initiatives of other international actors will play an important role in achieving this DO. The Mission collaborates with a wide array of donors in the democracy and governance area, including first and foremost the EU, due to the predominant EU-accession focus of U.S. strategy. USAID's comparative advantage in democracy and governance programs is due to substantial, sustained, and timely resource allocation, technical expertise, diverse assistance delivery capabilities, and a well-established reputation for collaboration with stakeholders and program responsiveness/effectiveness. While USAID has long had constructive partnerships with other governance donors and the NGO community, as USAID's programmatic focus has narrowed it has developed increasingly rich partnerships with Serbian governmental institutions, including Parliament, the judiciary, and independent oversight institutions. Building on these partnerships, USAID is well positioned to respond to credible Serbian government assistance requests to strengthen governance, including those related to the Open Government Partnership and other international accountability initiatives.

In developing DOI, the Mission has thoroughly analyzed Serbia's democracy and governance issue set, political trajectory, USAID's own program experience, past practice, institutional comparative advantage, resource availability, and donor complementarities to make strategic program choices reflected below. The single most important strategic factor is Serbia's steady progress in building democratic institutions; hence the paradigm shift to accountability from the previous strategy's focus on strengthening basic institutions. The Mission has also conducted an impressive array of assessments and evaluations relevant to this DO (see annex C). Evaluations of political process programs and an electoral reform assessment have shaped decisions on future strategic directions; similarly, evaluations of media and rule of law have sharpened Mission decision-making in focusing and re-targeting scarce resources. DOI also incorporates new Agency-level policies, strategies, and business model changes, including USAID Forward.

Democracy and governance programs financed by other donors, including the EU and member nations, other bilateral actors, UN agencies, the World Bank, and the Organization for Security and Cooperation in Europe (OSCE), will reinforce DO-level efforts. Public Diplomacy, Department of Justice (DOJ), and National Endowment for Democracy programming is also linked to this DO.

Figure 4: Development Objective One



IR 1.1: Parliament and Local Governments are More Responsive to Citizens

Activities under this IR will promote good governance by providing technical assistance and training to Parliament and elected local governments. The overall objective of this assistance is to help elected bodies better fulfill their roles in representing and responding to citizens' interests. By strengthening representation, USAID assistance will help expand and deepen connections between representatives and the electorate. Enhanced linkages, connections, and capabilities will help local and national deputies better understand and respond to citizen priorities – a critical component of governmental accountability.

Initiatives will help Parliament become more open, effective, accountable, independent, and representative. Planned activities will increase the effectiveness of the Parliament by institutionalizing connections between Parliament and the voters, improving the skills of newly elected Members of Parliament (MPs) and staff, facilitating intra-parliamentary dialogue on key reform issues, and facilitating working groups on reform legislation, research, and analysis.

This IR's activities will support strengthening the capacities of local governments in targeted regions to better connect with their citizens by improving governmental transparency and openness to citizens and non-governmental actors. Assistance will include upgrading the skills of mayors, elected officials, and staff; and increasing the capacity of municipalities to mobilize local, national, and international resources for local development purposes. USAID programming will increase the participation of civil society in local decision-making, improve municipal service delivery through performance management and program budgeting, and assist local and regional authorities to maximize their effectiveness by integrating the different needs of men and women into their planning and activities. These activities will facilitate adoption of participatory public hearings, public meetings to discuss local priorities, and public auditing mechanisms. They will also help to create additional channels and strengthen existing avenues of communication and information between local

governments and civil society, including through the use of information communication technology. For example, civil society initiatives will use social media as a means for improving public awareness and participation on critical issues.

Sub-IR 1.1.1: Electoral Reforms Advanced

In transition countries such as Serbia where the political sphere is highly polarized, the conduct of electoral processes as well as the perception of the fairness of elections is crucial for both the legitimacy and stability of the state. Under this sub-IR, assistance programs will continue to promote election reform dialogue, improve transparency and inclusiveness, monitor implementation of and compliance with adopted reform legislation, and strengthen outreach capacity.

USAID will support advocacy efforts aimed at raising public awareness of: a) the role and authority of Parliament; b) the obligations and responsibility of MPs towards citizens as opposed to responsibility and obligations of elected officials towards political parties; c) the necessity for appropriate parliamentary representation across administrative regions; and d) the benefits of voting for a person, not just a party list, in order to ensure the accountability of MPs to the electorate. Advancing electoral reform dialogue and reform initiatives are essential to reinforcing accountability, democratic resilience, and responsiveness. Serbia's current single constituency system provides few, if any, institutionalized mechanisms linking elected representatives with communities or interest groups around the country. Even if electoral system change does not garner wide political support, assistance initiatives that promote models and concepts for constituent services, outreach, and dialogue can help the representatives and their parties to better respond to civic advocacy, and strengthen the practice and fabric of democratic representation. Efforts that engage political parties to capitalize on the political benefits of expanded engagement with various voter blocs and electoral constituencies are also important to continue.

USAID will provide technical assistance and training in support of further developments in the electoral system, including but not limited to the Law on Financing Political Parties, Law on Election of MPs, Law on Local Elections, the central electoral database, and Republic Electoral Committee. USAID will also engage political parties in discussions and other efforts aimed at understanding electoral legislation and improving party election practices.

Sub-IR 1.1.2: Capacity of Parliament and Local Governments Increased

Without transparent, representative and accountable government institutions, the public interest will not be served, the country will be poorly administered, resources will be squandered, and citizens will continue to hold their government in low esteem. Activities under this sub-IR will support institutional capacity building that will encompass administrative and managerial competence, as well as improving transparency and accountability of officials and reducing opportunities for corruption. USAID will work with elected officials on strengthening constituent outreach practices to promote greater inclusion of citizens in the political process and strengthening the capacity of parliamentary staff to implement legislative procedures effectively. USAID will promote activities such as off-site or "Mobile Parliament" sessions, which involve informal committee meetings conducted in partnership with municipal governments, civil society groups, and citizens where the MPs engage with constituents, explain their roles and duties, and gain a more complete understanding of citizens' needs and priorities.

In order to ensure that public accountability issues are properly reviewed and transparently addressed, USAID will assist efforts to strengthen the capacity of parliamentary oversight committees, both professional staff and elected officials including, but not limited to, committees tasked with the oversight of the judiciary, public finances and public procurement, administrative and legal issues, security, marginalized communities, and EU integration. USAID will support the introduction of parliamentary procedures for organizing public hearings pertaining to the oversight function of the Parliament involving MPs, representatives of civil society, governmental bodies, and relevant experts.

USAID will increase the capacity of parliamentary staff through training that includes, but is not limited to, legislative harmonization with EU standards, the role of the Parliament in the EU accession process, and EU administrative measures. USAID will support development of working relations between ministerial and parliamentary committees and help them to cooperate on issues of mutual concern. USAID will offer technical assistance and training to government ministries to enable them to develop strategies to communicate achievements to the public in order to build citizens' trust. In cooperation with the Parliamentary Secretariat, USAID will support the institutionalization of parliamentary internships.

USAID will provide capacity-building assistance to the Fiscal Council to permit it to function as a critical resource for the Parliament. USAID will train MPs on how to utilize the Council's reports to increase the transparency and accountability of public spending in Serbia and ensure the government's compliance with fiscal rules that will safeguard the country's financial stability.

At the local level, USAID will provide technical assistance and training to local governments to improve their ability to respond to citizen needs and to engage them in local policymaking, including the use of e-governance tools. USAID will aid local governments to establish practices that ensure gender equality and to develop and implement equal opportunity policies consistent with international and European standards. USAID will also improve local procedures for issuing construction permits in order to increase efficiency and transparency.

USAID collaborates actively and at a variety of levels with other donors engaged in parliamentary and local government support. These include the EU, OSCE, the United Nations Development Program (UNDP), and bilateral donors.

Sub-IR 1.1.3: Civil Society Influence and Engagement Increased

As strong public participation is essential for sustainable democratic systems, through this sub-IR, USAID will support robust public participation at all levels of government. It will establish sustainable mechanisms for government officials to engage with their constituent groups – businesses, membership associations, and ordinary citizens, including vulnerable groups such as youth, women, the LGBT community, and ethnic minorities. USAID will continue to support NGOs that raise awareness of, and advocate for, gender equality. This sub-IR is so essential to the success of USAID's strategy that it contributes to the achievement of both DOs and their respective IRs.

To advance more representative and responsive government institutions, USAID will promote dialogue on electoral reform with political parties through public and other fora and also support

public debate on the issue of the representation in the Parliament and local government councils, as well as on the duties and responsibilities of MPs. Activities will include advocacy efforts aimed at: a) raising awareness among citizens about the role and authority of the Parliament versus executive authority, including representative, oversight, and legislative functions; b) raising awareness among citizens about their rights to be represented in the Parliament, and obligations and responsibility of MPs towards citizens as opposed to responsibility and obligations of elected officials towards political parties; and c) support for equal parliamentary representation across administrative regions and the benefits of voting for a person, rather than only for a party list, geographical balance and direct election of representatives, ensuring MPs' accountability to the voters as opposed to political parties. This complements the efforts in sub-IR I.I.I.

USAID will support activities aimed at improving linkages and communication between elected officials and citizens by engaging civil society, media, MPs, political parties, the National Assembly of Serbia and local councils. The objective will be to encourage greater transparency and inclusiveness in the electoral reform process; monitor implementation and compliance with adopted reform legislation; and support further developments that strengthen the quality of representation and promote closer relationships between elected officials and the electorate. At the local level, we will foster the active involvement of civil society in municipal government through capacity-building of local or sub-national civil society organizations (CSOs) in participation and networking techniques. USAID support will assist and encourage national and local CSOs to develop and advocate for broad-based reforms that help build democratic accountability and contribute to Serbia's continued European integration efforts. In particular, USAID will continue to support CSOs that advocate for gender, LGBT, and minority rights and to address related issues, including but not limited to, gender-based violence¹² (including against members of the LGBT community), improved gender and protection mechanisms, and gender neutral regional development capacities (moving toward harmonization of national legislation with the broader international gender policy framework). USAID will also help women become more involved in local and regional planning by participating in panels, public meetings, NGO summits and provided with grants for fostering women's participation in elections and decision-making processes at the local level.

USAID's civil society programming directly supports enhanced democratic accountability while advancing key USAID Forward reforms. Over the course of this strategy, USAID will transition its civil society assistance delivery model to direct implementation by qualified local partners, laying the foundation work for sectoral sustainability and USAID/Serbia's phase out.

In 2012, USAID/Serbia launched an ambitious, multi-faceted civil society initiative based upon USAID Forward LDS principles that will work directly with Serbian CSOs and consolidate the foundations of sectoral sustainability. Specifically, USAID civil society assistance will continue to support local civic activism and policy advocacy initiatives enhancing Serbia's EU accession prospects, particularly outside Belgrade and major cities; improve prospects for local Serbian philanthropy to expand potential sources of support; strengthen civil society capacity, networks/linkages, and innovation to better address community and social challenges through collective action; and engage and support the Government of Serbia in its efforts to enhance cooperation with and improve the regulatory and legal environment for civil society.

¹² The number of female and male victims of domestic violence has been on the rise in recent years. It has increased from 2,208 to 2,997 for females and from 527 to 860 for males from 2007 to 2010. During the same period, the proportion of female victims of serious homicides increased from 28 percent to 43 percent.

USAID civil society initiatives are effectively integrated with other donor activities. USAID partners frequently with donors such as the EU, bilateral donors such as Norway and the United Kingdom, and with private foundations including the Fund for an Open Society Serbia.

IR 1.2: Rule of Law and Oversight Improved

Strengthening the rule of law and combating corruption are stated goals of the Serbian government and key EU accession requirements. Crucial issues affecting rule of law in Serbia include the inconsistent and unequal application of the law and the pervasiveness of corruption. A justice system that provides for the protection of human rights, and allows for the constructive and equitable resolution of disputes may be one of the most fundamental services a government provides its citizens. If, by expanding access to justice and increasing the capacity of government anti-corruption agencies, Serbia's rule of law and oversight can be strengthened, then governance will be more responsive to its citizens' needs for an equitable arena in which to operate, and an important check on government power will have been established. Consistent and predictable application of the rule of law would also greatly reinforce efforts under DO 1. Programs under IR 1.2 will improve judicial capacity by creating a more effective and objective court system and will strengthen the abilities of the independent government agencies to fulfill their oversight functions.

Sub-IR 1.2.1: Key Judicial Institutions Strengthened

Activities under sub-IR 1.2.1 will expand access to justice by strengthening key judicial institutions. Rule of law, and specifically judicial reform, are key areas identified as challenges to Serbia's EU accession efforts. To achieve success in this area, USAID will partner with courts and other relevant bodies or actors to make hearings routine, dignified, accessible, safe, efficient, and fair. Support will be given to these judicial bodies to reduce backlogs and improve case processing times and procedures. For example, an automated case management system will be designed and implemented for the misdemeanor courts. In addition, improvement of misdemeanor court facilities will improve security and prevent gender- and minority-based violence in courts.

Previously, USAID assisted the Commercial Courts, Basic Courts, and Higher Courts, successfully establishing court and case management efficiency mechanisms, such as case backlog reduction. Other donors, including the EU and the World Bank, through the Multi-Donor Trust Fund, will continue to assist the Ministry of Justice with judicial reform efforts and expand upon USAID's achievements with the Basic and Higher Courts. USAID will work with the Misdemeanor Courts, High Misdemeanor Court, and the Administrative Court, which historically have not received technical assistance from donors and were under-resourced by the Government of Serbia. New to the court network and previously serving as administrative bodies, these courts represent the institutions of justice where most Serbian citizens are likely to experience an encounter with a judicial proceeding. Accordingly, through capacity building and modest facility improvements to these courts, USAID will help improve public access, openness and transparency, and case management efficiency, improving delivery of justice at the local court level most widely accessed by Serbian citizens. In addition, USAID will continue to support the courts in monitoring court proceedings for gender equality to determine whether hearings are equally accessible, dignified, and safe, and that attorneys are gender balanced as advocates.

USAID leverages its efforts against those of other donors working in the judicial reform sector, such as formal coordination led by the World Bank Multi-Donor Trust Fund. USAID worked closely with the EU to develop its rule of law program design, building on USAID's previous work in the sector and ensuring effective donor coordination. Diplomatic missions are also closely engaged in providing assistance such as capacity building and information technology infrastructure, such as the procurement of case management software by the United Kingdom for the Appellate and Administrative Courts, and the Supreme Court of Cassation. Within the U.S. Embassy, USAID engages with other agencies on rule of law coordination, including DOJ, which is focused on criminal law and procedure, the Department of State, the Federal Bureau of Investigation, and others.

Sub-IR 1.2.2: Oversight Institutions Enhanced

Activities under this IR will address the problem of corruption and help make government at the national and local levels more responsive and accountable to citizens' demands. To achieve this IR, USAID will provide capacity-building assistance to targeted oversight institutions to increase the accountability, efficiency, and transparency of judicial, legislative, and executive processes. USAID support for institutional capacity and service delivery will encompass administrative and managerial competence, as well as improve transparency and accountability of officials and reduce opportunities for corruption.

USAID will strengthen the enforcement capacities of the Anti-Corruption Agency and its governing board to: a) enhance its ability to implement conflict of interest and property registration provisions of the law; b) detect violations of those provisions of the Anti-Corruption Law; and c) initiate and conduct proceedings to establish if violations of the Law have occurred. USAID will assist the Anti-Corruption Agency in developing and implementing investigative, monitoring, and enforcement procedures governing the financing of political parties and election campaigns. USAID assistance under this sub-IR will complement the work of the EU's 2013 Instrument for Pre-accession Assistance (IPA anticorruption program, which will support the implementation of the National Anti-Corruption Strategy and the Law on the Financing of Political Activities.

In addition to the Anti-Corruption Agency, USAID will assist other independent agencies, such as the Ombudsman and the State Audit Institution, to achieve more timely and stringent enforcement of their decisions and implementation of their recommendations by other government agencies, and to track the relevant processes. USAID will continue its work with the Commissioner for Equality, primarily to address domestic and family violence safety issues in courts and more broadly to support efforts in decreasing discrimination and increasing protection of basic human rights. USAID will improve the ability of the independent agencies to work with each other to monitor and improve administrative practices and other government operations. While other donors provide capacity-building assistance, such as improved auditing methodology and practice, USAID will build on this work and provide training to the independent agencies on how to present their reports at committee sessions with an emphasis on public hearings and serving as witnesses. Simultaneously, USAID will train CSOs on how to perform a watchdog function by monitoring and reporting on public hearings and reports by the independent agencies. USAID works in tandem with other donors and project implementers to coordinate efforts, and to capitalize on potential synergies. For example, USAID supports joint trainings with the OSCE and DOJ on good governance with the

independent agencies. Donor coordination in this sector takes place formally through international donor group meetings, currently co-hosted by the EU and UNDP.

USAID will enhance the capability of Parliament to conduct oversight of governmental operations, while improving Parliament's own public accountability. USAID technical assistance will strengthen the tools for systematic parliamentary oversight over the work of the executive authority, through the development of institutional practices for cooperation with independent institutions and the establishment of an efficient and effective working relationship between the Parliament and independent bodies.

At the local level in targeted regions, USAID will support the professionalization and transparency of elected and appointed local government officials through capacity-building in results-oriented management of public utility companies, reduction of administrative barriers, and effective management of municipal assets.

Limited political party assistance will support key political parties, including minority parties, to develop their policy, oversight, and negotiation skills. This will allow them to develop more responsive party programs and specific policies; offer informed critiques of decisions made by the governing coalition; and present viable policy alternatives based on credible evidence, including citizen testimony, and statistical and polling data. Political process work with parliamentary party caucuses and committees will focus on oversight, constituent outreach and accessibility, and transparency.

When USAID assistance concludes, many of Serbia's democratic institutions will require continued support. For example, based on the experience of the most recent countries to accede to the EU, it is likely that the judicial sector will require sustained EU assistance well after USAID phases out in order for Serbia to reach European standards of judicial administration. However, USAID's democracy and governance investments will have laid the foundations for sustainable civil society development and activism; elevated the political role, responsiveness, and accessibility of Parliament and local governments; advanced key judicial reforms that contribute meaningfully to Serbia's EU accession prospects; and enhanced the capabilities and effectiveness of Serbia's young independent oversight institutions. As discussed in the Sustainability Analysis (Annex B), a key legacy of this phase of USAID assistance will be to prepare Serbian beneficiaries to absorb and effectively utilize assistance and other funds to achieve intended objectives.

Development Objective 2: Conditions for Broad-based, Inclusive Economic Growth Improved

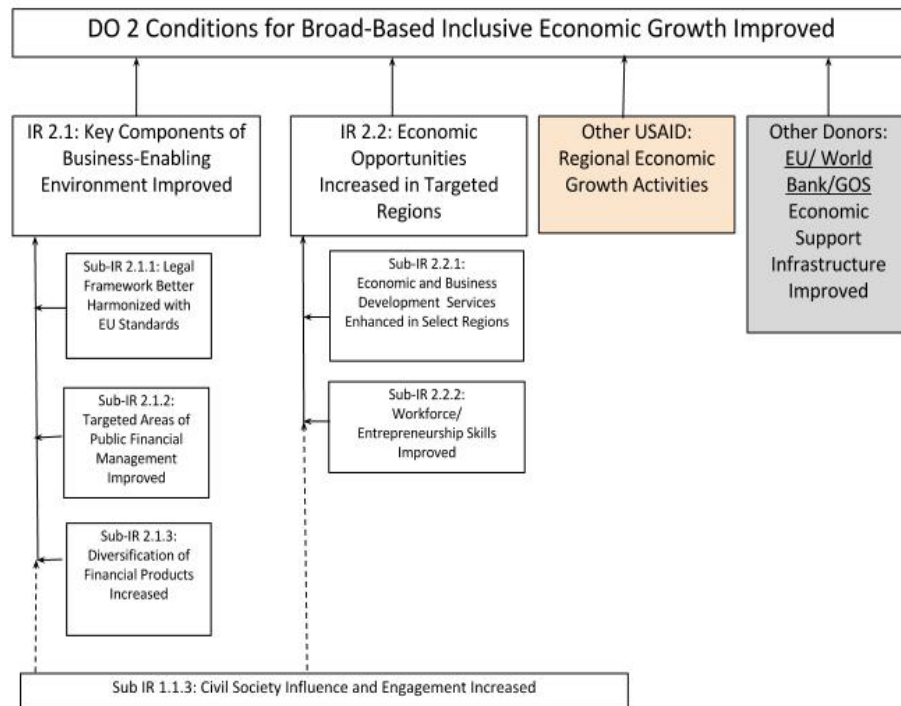
Improving the conditions for broad-based, inclusive economic growth in Serbia is the focus of this DO. USAID will accomplish this through targeted interventions that improve key components of the business-enabling environment and by increasing economic opportunities in targeted regions of the country. We will strengthen the business-enabling environment through improved legislation, through the predictable and efficient implementation of existing laws and regulations, and through greater dialogue and transparency in exchanges between public and private sector actors. USAID will increase economic opportunities through the improved capacity of economic development

actors, such as local governments and business support service providers, to address economic development issues that will lead to improved local conditions for doing business, improved internal and export market linkages, and increased productivity. This will lead to employment generation and increased stability in targeted regions, some of which are in economically devastated areas.

In addition to USAID's activities, the efforts of other donors, in particular in the provision and improvement of economic support infrastructure will be critical. For example, the EU is funding the development of major regional highway corridors, rehabilitation of the railway system, and construction of new power plants, while Russia is developing major natural gas pipelines and storage facilities. Programs financed by other donors, including the World Bank, the European Bank for Reconstruction and Development, the EU and member nations, and UN agencies will reinforce DO-level efforts to improve the business environment and create economic opportunities in targeted regions. Programs being carried out by DOJ, the Foreign Commercial Service, and the Economic Section of the U.S. Embassy are also linked to this DO.

In Serbia, USAID is clearly recognized within the donor community and by the host government as having numerous comparative advantages that contribute to our success. In regard to our work in the business-enabling environment, USAID has flexible, multiple-year programs with on-the-ground experts who can respond quickly to government requests for assistance as they implement reforms. We are able to provide fast, targeted support in areas where the government has demonstrated political will. Through the relationships that our experts build over long periods of time, we are also able to foster political will for reforms, helping the government to understand the importance of making often painful changes – and helping to implement them over time. These same advantages apply to USAID's work on the local business environment as well, which benefits from our long-standing relationships with mayors. Finally, USAID is clearly recognized as the key donor agency working with the private sector. Here too, our efforts benefit greatly from our multi-year approach, our insistence on monitoring concrete results, and our emphasis on sustainability.

Figure 5: Development Objective Two



IR 2.1: Key Components of the Business-Enabling Environment Improved

An improved business-enabling environment includes the implementation of reforms and/or enforcement of laws that promote a transparent and consistent set of rules for all companies, and reduce the burden on businesses of complying with these rules and regulations. It also extends to effective public financial management, including increased revenues and prudent expenditures. An improved business-enabling environment will require mechanisms that encourage public-private dialogue to inform economic policy and expand the role and influence of civil society and the private sector with respect to research and advocacy in economic reform. Improvements in the overall business-enabling environment will benefit all firms in Serbia, improving their competitiveness and attracting further investment. They will also improve the appeal of the country as a destination for foreign direct investment, further fueling economic growth. The selection of specific activities under this IR is informed both by extensive, in-depth USAID research of the most critical barriers inhibiting economic growth in Serbia, including annual surveys of 1,000 businesses, and discussions with Government of Serbia representatives regarding their willingness to embrace the reform recommendations.

Sub-IR 2.1.1: Legal Framework Better Harmonized with EU Standards

Activities under this sub-IR will provide targeted assistance to the Government of Serbia to help in reforming and implementing laws, regulations, and policies that improve the Serbian business environment while ensuring appropriate regulatory oversight. By fully implementing regulatory reform and cutting red tape, millions of euros in savings can be realized for Serbian companies, thus making them more competitive. USAID will assist the Government of Serbia to streamline

bureaucratic procedures and help draft and implement a strategy for regulatory reform. Progress toward this sub-IR will be reinforced by efforts to increase the influence and engagement of civil society organizations such as business associations and professional groups under sub-IR 1.1.3 of DO I, which will contribute to sustainability by developing systems and mechanisms for consultation with and feedback from private-sector stakeholders that will continue beyond USAID's presence in Serbia.

The construction permitting process is one area noted in the EC's 2012 Progress Report for Serbia in which urgent improvement is needed. Indeed, Serbia ranks 179th out of 185 economies on construction permitting in the World Bank's Doing Business 2013 Report. Working with other donors and the Government of Serbia, USAID will support streamlining of the construction permitting process, spurring investment and real estate development and thereby generating jobs and economic growth. Reform in this area, while one of the most critical barriers to economic growth in Serbia, will require substantial resources to fully implement. USAID, at the request of the Government of Serbia, will focus on the required legislative reforms while at the same time, work closely with other donors, including the EU, which has already signaled the willingness to commit additional resources to components of this critical reform. USAID conducted a highly detailed study of the current roadblocks to efficient construction permitting, and specific recommendations in the report serve as the roadmap for the Government of Serbia and other donor efforts.

Nontransparent and unpredictable government inspections, also referred to in the EU as market surveillance, are seen by businesses as a major impediment to their growth, and are cited in the EC's 2012 Progress Report for Serbia as an area for improvement. USAID will support reform of government inspections, which will relieve businesses of much of the burden of compliance with regulations, motivate businesses to move from the informal economy to the formal sector – thus opening up the possibility of reduction of the tax burden on the formal sector – and reduce corruption and perceptions thereof.

The myriad of excessive non-tax para-fiscal charges and fees (i.e., hidden taxes) are also seen as an excessive financial and administrative burden on businesses. They undermine the perception of an otherwise moderate tax burden on businesses and create a non-transparent, non-predictable, volatile tax regime in which businesses have no recourse against arbitrary taxation decisions by Serbian government agencies and local governments. They also reduce the competitiveness of companies operating in Serbia. USAID will continue to work with the Government of Serbia to reduce or eliminate these charges.

By assisting the Government of Serbia in the implementation of the new Law on Contract Enforcement,¹³ (the lack of central enforcement has been another major barrier to businesses), we will have direct impact on the level of investments made in Serbia, as well as on lending and trade credit, because investors, banks, and trade creditors presently cannot count on the inefficient and unfair collection process, which makes the risk of investment high and increases the costs. This, too, is an area where the need exceeds USAID's resources. In recognition of this and at the EU's request, USAID designed for IPA 2012 funds a judicial reform project that will address enforcement issues, building on USAID's previous assistance in this area. However, given that the budget for this

¹³This law was developed by USAID under a completed project.

new EU project was reduced significantly, and the project launch is delayed, USAID will continue to provide limited support in this area at the request of the Government of Serbia.

USAID support for reform of the complex and rigid labor laws and regulations relating to employment will reduce the time, cost, and risk to employers. Presently these pose significant obstacles to employment growth. This reform will also improve the competitiveness of Serbian businesses.

USAID will continue to conduct analyses to identify the economic policy and business environment constraints to either women or men, address those constraints, and monitor project activities, policies, and laws related to gender balance. Thus, all USAID analyses of those policies, laws and bylaws include an analysis of gender equity and any constraints to either men or women.

Sub-IR 2.1.2: Targeted Areas of Public Financial Management Improved

Serbia's poor public financial management has led to a high level of public debt that is undermining the country's economic stability and growth, and could lead to austere cuts in public sector spending that likely would result in greater unemployment and a further reduction in domestic consumption. Coordinating with other institutions such as the World Bank and the International Monetary Fund, USAID will provide targeted support in several areas.

USAID will provide capacity-building assistance to the Ministry of Finance and Economy (MoFE) to improve its ability to conduct fiscal analysis and formulate strategies. These improvements are essential to help the Government of Serbia promote the right mix of policies to encourage business growth while ensuring sustained fiscal balance and maintaining the macroeconomic stability of the country. The alarmingly high levels of deficit and debt, and moderate growth prospects for the coming years, require prudent and efficient measures for reviving the economy – and sound forecasting and analysis is a prerequisite to that. Robust technical analyses also enhance the confidence of markets in the policies undertaken by the government, and reduce the cost of capital, which also improves the conditions for economic growth and prosperity of the citizens of Serbia. This will also reinforce the development of a secondary market for Government of Serbia securities and ultimately increase the market's liquidity and efficiency, and investor demand for government bonds. This sub-IR also contributes to sub-IR 2.1.3.

Similarly, USAID will provide technical assistance to the MoFE to facilitate the transition to program budgeting and performance-oriented budgeting as a critical step to improving the transparency, efficiency, and effectiveness of government spending. Support for this reform, requested by the MoFE, will help the Serbian government to achieve a delicate balance of fiscal consolidation and economic growth, by doing more with less. Program- and performance-based budgeting offer a path for Serbia to improve growth opportunities, increase prosperity, and provide better services to its citizens.

USAID will also provide limited assistance to strengthen and improve the Serbian government's management of its economic growth-related funding. This assistance will help to strengthen the regulatory framework for management and implementation of state aid and to improve the effectiveness of certain Serbian government programs in stimulating economic growth. The expected result is that new and improved government assistance programs will become more

economically sound, more equitably distributed, and better-targeted to the most critical economic development needs.

USAID will in addition support anti-corruption efforts in Serbia by improving the efficiency, predictability and transparency of the country's business enabling environment, thereby reducing the demand and opportunity for corruption. Areas of focus include inspection systems reform, construction permitting process reform, budgeting process reform, public-private partnerships, and reform of labor legislation.

Finally, building on previous support, USAID will continue to partner with and, where needed, provide capacity-building assistance to the Fiscal Responsibility Council, an independent governmental body charged with monitoring all public financial management decisions of the Government of Serbia and their implementation. USAID was instrumental in the formation of the Fiscal Responsibility Council, and USAID support will enable it to continue to take a proactive role in fiscal management. The objective is for the Council to become a critical resource for Parliament, improve the Council's public profile and, by extension, generate public support for reform. This will lead to increased transparency and scrutiny over spending decisions, changes in fiscal responsibility legislation, and wider parliamentary and public debates on fiscal issues.

Sub-IR 2.1.3: Diversification of Financial Products Increased

Serbia ranks below many of its regional peers and lower than in previous years in the World Economic Forum's competitiveness rankings on many indicators of financial sector development. The stability of the financial sector in Serbia is threatened by the almost 20 percent share of non-performing loans, high exposure to foreign currency volatility, and a contraction in lending. USAID surveys of 1,000 SMEs have confirmed their struggle in obtaining finance, and their decreased intent to access finance, which greatly limits their prospects for investment and growth. USAID/Serbia's highly constrained economic growth budget does not allow for a stand-alone or broad financial sector project. Instead, USAID will help to diversify the options for financing through improvements to the business-enabling environment. The Mission will look for opportunities in which USAID/Washington's new regional economic growth project can provide limited, targeted additional support in the area of financial sector stability.

Under this sub-IR, USAID will support changes to the enabling environment that will lead to improved SME access to finance. For example, although the agricultural sector is a major component of the Serbian economy, the country has no regulations on commodity exchanges, which leaves farmers and agro-processing firms with no instruments for managing commodity price risk. USAID support in the development of the legal and institutional framework for a commodity exchange will help farmers and SMEs to manage high commodity price risk, better plan their production and overall business, rely less on state interventions, have information on market prices, and improve their access to finance. USAID's work on commodity exchanges will build on our successful introduction of the Law on Public Warehouses for Agricultural Products, which has resulted in the establishment of licensed warehouses and the ability for short-term loans to be disbursed based on warehouse receipts.

We will complete our assistance to the Government of Serbia in the drafting by-laws for the recently adopted Law on Capital Markets so that it can be fully implemented. The Mission will

explore support for drafting a new law on non-banking financial institutions and, if adopted, support its implementation. At present, access to finance for investment and growth is highly limited and expensive, and many of the products offered by lenders are poorly suited to SME needs. By expanding the range and availability of appropriate and affordable finance to male-, female- and minority-owned businesses, in particular through non-banking financial institutions, we will contribute to the revitalization of the Serbian economy to make it more robust, more resilient to economic cycles, and better able to generate increased jobs and revenues.

No other donor currently is working in the critical area of improving the environment to increase SMEs' access to finance. USAID/Serbia will explore opportunities for limited support from the anticipated regional economic growth program under procurement in USAID/Washington.

IR 2.2: Economic Opportunities Increased in Targeted Regions

Activities implemented under this IR will work through and with a wide range of host-country entities, including local governments, regional development agencies, local firms, and civil society organizations to improve economic and business development opportunities in select areas around the country, building capacity and demonstrating models that can be replicated nationwide. Strengthened linkages between economic development stakeholders at the local level and between businesses and economic development stakeholders at the local and national levels will help to further integrate Serbia's regions. The targeted regions span the country and include regions with marginalized populations such as ethnic minorities, women, and vulnerable youth. USAID will accomplish this by working from two directions with key economic development actors – local governments and the private sector.

In our work with local governments under sub-IR 2.2.1, USAID will target 32 municipalities throughout Serbia, which have joined together to form eight inter-municipal clusters focused on area-based (regional) development. In our work with these clusters, USAID will help local governments to identify, design, and implement economic development projects that support private sector growth that will generate jobs. In addition, we will support the development of feasibility studies and project designs that will enable local governments to apply for and eventually receive EU infrastructure funds. Experience from previous EU accession countries is that although the EU makes large sums of money available for infrastructure development, much of it goes unused because of host country inability to program and absorb these funds. However, if successfully accessed, these funds have the ability to promote major investments that will lead to greater economic opportunities in the select regions.

In our work with value chains under sub-IR 2.2.1, which will be implemented through Serbia's National Agency for Regional Development (NARD) and its network of Regional Development Agencies (RDAs), USAID will focus on the economically devastated¹⁴ regions of South Serbia and Sandžak. Through technical assistance and training provided through RDAs, USAID will help to integrate select value chains into larger markets within Serbia and into export markets. As discussed

¹⁴ As noted previously, according to the *First National Report on Social Inclusion and Poverty Reduction in the Republic of Serbia 2008-2010*, of the 150 municipalities in Serbia, the Government of Serbia's Social Inclusion and Poverty Reduction Team classified 46 as "underdeveloped," with 40 of these further classified as "devastated," meaning their development level is lower than 50 percent of the national average. Half of these municipalities are in South Serbia, with most of the rest in Southwest Serbia.

previously, support for economic growth will also lead to greater stability in these conflict-prone areas with high minority populations. This assistance will also increase the ability of businesses in these regions to compete on foreign markets, mitigating the risk that an export-led growth strategy will benefit only the northern half of the country. By implementing the program through NARD, and engaging with the Serbian European Integration Office (SEIO), we are laying the groundwork for replication of our more geographically limited assistance to be replicated elsewhere in the country through NARD with SEIO-programmed European Union resources.

Augmenting USAID/Serbia's activities, USAID's regional economic growth activities will provide support to national-level value chains that have a high potential to create jobs and expand trade among Balkan countries as well as with the EU and other markets. The value chains targeted for national-level support will be complementary to the bilateral portfolio. Specific interventions for these value chains could include conducting market research and customer identification in new markets and products; developing marketing and branding strategies on a regional basis; expanding access to standards and certifications required in EU and other international markets; participating in trade shows and business-to-business meetings; supporting association development; and improving access to new technology through incubators and technology parks.

Finally, under sub-IR 2.2.2, USAID/Serbia will improve the skills of entrepreneurs and workers, a key barrier to the expansion and establishment of businesses. USAID will pay particular attention to gender considerations in the selection of beneficiaries to ensure gender balance.

Sub-IR 2.2.1: Economic and Business Development Services Enhanced in Select Regions

USAID assistance under this sub-IR will enhance the capacities of municipal governments – in concert with other public and private stakeholders – to improve the conditions for larger, area-based investment, business growth, and business retention. Building on the success of previous USAID projects that helped individual local governments to establish local economic development offices, USAID will now assist local governments to “think regionally” in order to jointly leverage the economies of scale and the combined resources and benefits that are embodied in the larger regions represented by the municipal clusters. We will encourage greater cooperation among municipalities in the improvement of the business environment. We will also support them as they work together to improve their services, including their ability to identify, design, and implement projects that will help businesses to be more competitive, increase their investment, and create jobs. USAID will teach the logic and benefit of inter-municipal cooperation by guiding counterparts through the implementation of real projects of concrete value.

USAID will provide limited and targeted assistance to improve the efficiency and performance of select local governments, which will enhance the local business environment in the selected regions and improve the attractiveness of these regions for domestic and foreign investors. USAID expects to support the preparation and implementation of large- and medium-scale inter-municipal projects that can eventually leverage EU and Government of Serbia funding. Similarly, we will aid the development of sustainable cross-sectoral projects that will leverage private sector capacity and resources, enhancing regional competitiveness through new inter-municipal investments, including through public-private partnerships.

USAID will continue to collaborate closely with the EU and Swiss-funded PROGRES project, which supports the development of local infrastructure, to ensure synergy. PROGRES works with local governments on a “supply side” approach, while USAID’s flexibility and expertise in private sector development enables us to work on the “demand” side, thus ensuring that the infrastructure developed will contribute to increased jobs and investment. Throughout this process, USAID will build the capacity of local partners to become “leaders of change” and the agents for future sustainability of our efforts.

USAID will partner with the National Alliance for Local Economic Development (NALED), a unique organization with a mixed membership base of local governments, businesses, and CSOs that USAID helped to establish under a completed project. USAID assistance will improve the sustainability of NALED’s business-friendly certification process, developed under a completed project and now being implemented in other Balkan countries with support from *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ), the German development agency. This process has application not only as a tool for investment promotion but also as a measurement of the quality of local governance and government services in support of citizens and the private sector. USAID will also develop strategic partnerships with NALED and with Serbia’s Standing Conference of Towns and Municipalities to advocate for and support legislative reforms in key areas such as inter-municipal cooperation, public infrastructure financing, and regional competitiveness.

Building on and continuing the successful private sector development work of traditional USAID implementing partners, USAID’s value-chain and sector support activities will now be implemented by an innovative combination of NARD, RDAs, and local firms, in full adherence to USAID Forward LDS objectives. The decision not to continue the recently ended, stand-alone national competitiveness and agribusiness projects was based on the rapidly diminishing USAID Economic Growth Office budget. However, forward-leaning implementation through host-country entities enables USAID to continue to achieve progress toward its economic growth objectives despite the highly constrained budget environment. Relying on host-country entities that will outlive USAID’s programs will also improve the sustainability of our results and lay the groundwork for future replication by other RDAs in the country.

As noted previously, USAID’s value chain support through RDAs will be focused primarily on the area of Serbia with the greatest concentration of economically devastated municipalities – the Preševo Valley in South Serbia and Sandžak in Southwest Serbia. These regions also have significant minority populations and are vulnerable to internal tensions with the potential for conflict that could destabilize the country. While South Serbia and Sandžak currently lag behind the relatively prosperous regions of Belgrade and the northern province of Vojvodina, previous USAID support to businesses in these same target regions has demonstrated that these relatively small companies can grow and produce substantial exports, particularly if they are clustered or linked to value chains that enable them to compete in larger markets, particularly export markets. In fact, over the past four years, USAID-assisted companies have, on average, demonstrated 36 percent growth as opposed to a 12 percent growth for a control group of companies not assisted by USAID.

Despite the extremely challenging economic environment, the 204 USAID beneficiary companies have created 626 jobs, and achieved \$730 million in sales and \$150 million in exports. USAID will now transition support from our U.S. implementing partner to the RDAs, which will continue to provide a mixture of targeted technical assistance and trade fair and business-to-business support

that will lead to improved management skills, marketing, greater sales, and exports. USAID will continue support to the business clusters that have enabled companies in key sectors to pool their resources and effectively compete in the highly competitive international markets of Germany, Poland, and Russia. The most promising value chains/sectors, identified through a USAID study of the potential in the target regions, include: agribusiness, textiles and apparel, shoes, and home furnishings (e.g., furniture and windows). USAID will also support mentoring services, which have been found in international research to be a highly effective tool for business growth. To improve innovation by and productivity in SMEs, USAID will support training that will give the firms the skills needed to effectively utilize information and communications technologies. The technical assistance and training provided under this sub-IR will also contribute to sub-IR 2.2.2.

While these targeted regions remain the core focus, USAID will also make available limited assistance for support to value chains that extend beyond the targeted regions. This is especially important given that one of the key objectives is to establish value chain linkages between firms in the target regions and firms situated in the major economic growth centers located in other parts of Serbia. As the SMEs improve their competitiveness, USAID will provide support for increased sales and expanded markets through participation at international trade shows and buyer-producer events, especially in SEE, coordinated, where applicable, with the Serbian Investment and Export Promotion Agency. A critical objective in establishing these linkages, in addition to the economic growth-related objectives, is to contribute to a reduction in the isolation of the firms in these target regions, and to integrate these firms into existing Serbian government support systems, improving not only the economic opportunities in the target regions but stability as well.

Given the limited funds available to the Mission for increasing the competitiveness of the Serbian private sector, leveraging the support of USAID regional projects, and Serbian government entities will be critical to achieving this development objective. In addition, we will explore opportunities for additional, targeted support from this program for assistance to value chains, including those that may fall outside our target regions and sectors. USAID will continue to coordinate its assistance efforts through the “Friends of Sandžak” and the “Friends of South Serbia” informal donor coordination groups. Key partners include the Swiss Development and Cooperation Agency and the Czech Development Agency.

Sub-IR 2.2.2: Workforce/Entrepreneurship Skills Improved

Under this sub-IR, USAID will address the mismatch between the skills that workers can offer SMEs and those that the SMEs need, which is one factor contributing to the high rate of unemployment, especially among youth. Nationwide the average unemployment rate is 25 percent, while South Serbia and Sandžak suffer from 50 percent unemployment.

This sub-IR will support the transfer of skills and competencies required by modern manufacturing processes and will provide business development and support services for entrepreneurs of all ages. However, special attention will be paid to support for women and minority entrepreneurs, two groups that are underrepresented in the workforce, especially in South Serbia and Sandžak. Building on the Mission’s highly successful Women in Agribusiness program launched under a completed project, which catalyzed municipal and provincial authorities to provide support, we anticipate implementing a small, competitive grants program for women entrepreneurs.

In our work with both local governments and RDAs, we will focus on youth economic empowerment through entrepreneurship and internships. USAID will partner with the National Employment Service and the Ministry of Labor to assess and carry out measures to increase youth employment. USAID will provide assistance to implement the EU-mandated National Career Guidance Strategy at the inter-municipal cluster level in the eight targeted regions. Within these regions, USAID will support workforce and job skills needs assessments for specific value chains in order to identify existing gaps between the market needs and the current workforce skill level.

To increase the employability of youth, USAID also will support additional activities under this sub-IR that may include: youth internships in local private companies; training and technical assistance to enable young entrepreneurs to establish and/or develop their own businesses; and mentoring for young entrepreneurs by diaspora professionals and local experts.

The Mission's experience with existing projects is that workforce development is one area that lends itself to leveraging private sector investment through public-private partnerships. Successful partnerships have led to the establishment of industry-specific training centers, such as in the dairy industry, initiated by the private sector. USAID intends to expand on this by issuing a call for proposals to establish public-private partnerships in workforce development that meet the criteria for Global Development Alliances (GDAs).

Economic growth support post-USAID: As Serbia lags furthest behind other countries in the region on many key economic growth indicators, it is clear that barriers to broad-based, inclusive growth will still remain after USAID activities end. This is true in regard to both improving the business enabling environment and to increasing economic opportunities across the country. For example, while USAID is addressing priority issues within the business enabling environment, and we fully expect to see watershed improvements in Serbia thanks to USAID assistance, many of the reforms involve broad changes that will require years of substantial support to fully implement, exceeding USAID's budget and timeframe. Recognizing this, USAID is already working closely with the Government of Serbia and the international donor community, particularly the European Union and the World Bank, to coordinate future assistance in the business enabling environment. In key reform areas such as construction permitting and inspections, to name just two, USAID has developed a detailed "roadmap" for reforms that targets reaching the "point of no return" through USAID assistance and at the same time facilitating additional support from other donors for areas that USAID is not addressing or for continuing assistance once USAID's support for these reforms end. As noted in the Sustainability Analysis, a vital element of USAID's strategy – and legacy – is support for public-private dialogue on economic reforms and economic development. When USAID assistance ends, we expect to see vibrant mechanisms and sustainable institutions in place that will continue to advocate for and support these reforms.

Similarly, when USAID assistance in the targeted regions ends, we expect to see increased economic opportunities manifested in thriving businesses – and business clusters – that are increasing their sales, their exports and their workforce and local governments that are working across municipal and sector boundaries to create an environment that is conducive to economic growth. Even more importantly, here too, we expect that vibrant private sector support institutions and NGOs – such as regional development agencies, local economic development offices, Junior Achievement, etc. – will have institutionalized the mechanisms and capacity to provide continued support to their constituents, including women and minorities. Thanks to USAID assistance, they will also have

greater capacity to access the financial resources needed to continue this support, whether through foreign direct investment, partnership with the private sector, or Government of Serbia or international donor funds.

V. MONITORING AND EVALUATION

USAID/Serbia will establish a separate Performance Management Plan (PMP) to monitor results and progress over the life of the strategy. The PMP will finalize the indicators, set targets, and establish the monitoring tools, including the regime and frequency of data collection for overall progress on the Mission's DOs. The PMP will re-institute a formalized and consistent multi-year monitoring process. While the projects demonstrate success at achieving project-level results, a formal PMP at the strategy level will help us to aggregate the project-level results into an assessment of DO-level results and achievement of USAID/Serbia's overall goal. The Mission will perform quality control and verification through evaluations and assessments.

Assessments and Analyses

Prior to development of this CDCS, USAID/Serbia conducted assessments, evaluations, and internal reviews on several topics, including:

1. In-Depth Assessments Completed:
 - Gender Assessment;
 - Biodiversity Assessment;
 - Civil Society Assessment;
 - Media Sector Rapid Assessment;
 - Economic Growth for Southwest and South Serbia Assessment; and
 - USAID Business Enabling project, Business Survey.

2. Recent Studies and Evaluations Completed:
 - Deloitte Serbia: Economic Study on Digitization, 2010;
 - Baseline Study on Civil Society in Serbia following the (re)registration process;
 - IPSOS Strategic Marketing/Civic Initiatives, 2011;
 - USAID NGO Sustainability Index 2010, 2011;
 - USAID/Serbia Agribusiness project mid-term evaluation, 2011;
 - USAID/Serbia Media Assistance Program mid-term evaluation, 2010;
 - USAID/Serbia Separation of Powers Program mid-term evaluation, 2011;
 - USAID/Serbia Consortium for Elections and Political Process II final evaluation, 2011;
 - and
 - USAID/Serbia Media Assistance Program final evaluation, 2013.

See Appendix B for more information on recommendations and lessons learned from the assessments.

Monitoring Approach

In response to USAID's evaluation policy, the Mission revised its Mission Order (MO) on Monitoring and Evaluation in October 2011 to make it fully consistent with the policy. The revised MO defines roles of the Mission's various offices and sets standards for evaluation practices. The MO also addresses the monitoring part of the performance management system, and describes various tools used for monitoring as well as documentation requirements (e.g., monitoring site visits, portfolio reviews). Performance management and learning is incorporated into the Mission's semi-annual portfolio reviews that facilitate discussion of portfolio performance and the major findings of assessments and evaluations and any course corrections needed based on those findings. Separate meetings to discuss each evaluation's findings and to identify next steps will be organized with the Mission leadership and technical offices. The activities will be adapted as needed.

The CDCS indicators include sex-disaggregated data in order to capture information about changes in gender status achieved by projects. The Mission has identified a list of illustrative indicators (Table 2) under each DO to track performance progress towards targeted results and determine the effectiveness of activities as well as the impact of program interventions.

Table 1: Illustrative Indicators

Illustrative Indicators		
	Indicator	Source
Goal: Serbia's Stability and Euro-Atlantic Integration Advanced	Benchmarks of Serbia's EU Accession Process.	Annual EU Progress Report
	Percentage of EU IPA funds implemented by the Government of Serbia and local organizations	Ministry of Finance, Government of Serbia
DO 1: Accountability of Key Democratic Institutions Strengthened	Serbia's Democracy Score	Freedom House "Nations in Transit"
IR 1.1 Parliament and Local Governments Are More Responsive to Citizens	Survey of trust in the National Parliament and political parties	Euro-barometer
	Government Effectiveness Score for Serbia	World Bank Governance Indicators
	NGO Sustainability Index for Serbia	USAID
IR 1.2 Rule of Law and Oversight Strengthened	Survey of Trust in the National Parliament and Government	Euro-barometer
	Serbia's Index Score	Gallop World Poll
DO 2: Conditions for Broad-based, Inclusive Economic Growth Improved	US dollar value of domestic and foreign investment in targeted regions	Municipal LED offices, RDAs, Chambers of Commerce, SLDP annual project report published Sept. 30 each year
IR 2.1: Key Components of Business-enabling Environment Improved	Decrease in the "Burden of Government Regulations" addressing Government	World Economic Forum's annual report

	Inefficiency	
IR 2.2: Economic Opportunities Increased in Targeted Regions	Change in annual revenues of USAID client companies in targeted regions	Serbian Business Registry APR (available in April for the previous year); Annual project reports
	Number of jobs created in targeted regions	Annual project reports

Evaluations

All monitoring and evaluation efforts – whether through a mid-term evaluation, a final evaluation, or impact evaluation – include coordination with local beneficiaries, other donors, and other counterparts. This coordination typically involves intense meetings with these stakeholders, and sometimes the participation of stakeholders on the evaluation team.

High Priority Evaluation Questions

Relative to the identified DOs, there are basic questions that will always be kept foremost in the evaluation and monitoring process, to be applied to the possible extent. For example, with regard to both DOs, has success at the DO level led directly to achieving the overarching goal? Has corruption been reduced? Have women and men benefitted equally from USAID’s development assistance overall, and has USAID programming contributed to greater gender equality and inclusiveness in Serbian society?

Evaluation Questions – DO 1: USAID/Serbia will conduct at least one evaluation for this DO during the course of the CDCS. Potential evaluation questions for activities under DO 1 include:

1. Does support for development of civil society, increased capacity of advocacy organizations, and increased availability of reliable information lead to better informed citizens who are able to hold the government accountable?
2. How are systemic reform efforts translated into greater transparency, accountability, and better services of governance?
3. Has enhanced transparency and accountability of governance been achieved and has it resulted in improved citizen perception of government performance?

Evaluation Questions – DO 2: USAID/Serbia will also conduct at least one evaluation for DO 2. A potential evaluation is on the attribution of USAID/Serbia’s strategic interventions in business-enabling environment improvement and private sector competitiveness in helping move Serbia forward in EU integration. Possible high-level evaluation questions include:

1. Have efforts to improve the business-enabling environment translated into increased competitiveness of Serbia's micro-, small-, and medium-sized enterprises?
2. Is USAID's support to private enterprises contributing to increased competitiveness in the targeted regions?

3. Has USAID's support to municipalities and to the business-enabling environment contributed to increased investment in the targeted regions?
4. Have USAID's support to improve economic opportunities led to greater regional and national stability?

In line with USAID Forward, efforts are already being made to increase involvement of local organizations/experts in implementing evaluations. Evaluation results are going to be used by Mission Management to make mid-term adjustments in the DO as well as in program implementation and/or to adjust the mix of programs to achieve each DO. The Mission will ensure wide dissemination of evaluation results both among stakeholders in-country and by submitting reports to the Development Experience Clearinghouse. In terms of funding for evaluations, the Mission has adopted the target set by the evaluation policy of 3 percent of annual program funds.

VI. ANNEXES

ANNEX A: Selected References

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ANNEX B: Sustainability Analysis

Introduction

Sustainability is of critical importance for USAID/Serbia's activities for the strategic period of FY 2013-2017 since it is envisioned that this will be the last strategy for Serbia with the last year of funding in FY 2017. USAID/Serbia is envisioning that sustainability will have been achieved when Serbian partners and beneficiaries are empowered to take ownership of development processes, including financing, and to maintain project results and impacts beyond the life of the USAID-supported projects. USAID/Serbia's CDCS envisions that project sustainability is closely related to the host partner governmental and non-governmental organizations receiving direct USAID funding and managing activities and, in time, fully responsible for all aspects of the activity including funding from their own revenues or obtained from other donors. We expect that this will lead to a continuation of achievement of project results and systems after USAID support to the project has concluded. Because of that, the Mission's CDCS envisions activities, in adherence with USAID Forward Local Development Solutions (LDS) initiatives, to enhance local capacity through implementation arrangements that strengthen the skills, incentives, motivations, and opportunities of local organizations and host country entities. Sustainability will be achieved because those organizations will have the ability to maintain project results and processes after USAID's support has ended. Moreover, the conjunction of government and local organization capacity, supported jointly by the LDS objectives, promotes checks and balances inherent both to project sustainability, and more broadly, to healthy and sustainable Serbian institutions.

The Mission will work with host country partners to define the degree of sustainability that is considered essential for the success of each project. This document will reference the sustainability objectives of the projects designed under Development Objectives and Intermediate Results (IRs), with the understanding that not all projects aim to be fully sustainable at their conclusion, and indicate how each project intends to meet these objectives. The Mission will build in monitoring and evaluation in order to track a project's results in achieving sustainable outcomes during implementation and to build in learning to manage adaptively.

Sustainability Related to Development Hypothesis

USAID's Strategic Goal is: Serbia's Stability and Euro-Atlantic Integration Advanced

During the coming five-year period, USAID will focus on key reforms that Serbia must implement to reinforce its internal stability and to advance its democratic and economic transition, thus enabling it to make progress towards integrating into Euro-Atlantic institutions. While full Euro-Atlantic integration will not be reached in this strategic period, activities proposed under this CDCS must contribute to Serbia's EU integration processes while at the same time build the sustainability of host country partner governmental and non-governmental organizations. In that respect, it is of critical importance to link planned USAID activities with European Union (EU) and Serbian government institutions, and with local organizations (civil society organizations and private businesses). EU institutions and accession processes offer Serbia the greatest incentive to develop into a stable, democratic, and prosperous country. This CDCS envisions that the EU will continue to support

some but not all aspects of development work that will not be covered by other donors. A major challenge is that the EU is not a development organization and thus is not necessarily focused on building the capacity of Serbian institutions. Rather, the EU's focus will be on establishing the laws, institutions, and processes necessary for Serbia to accede to the EU. EU Instrument for Pre-Accession Assistance (IPA) funds allocated for Serbia (more than \$200 million in 2012) represents the majority of donor funding for Serbia in the coming years. As was the case with other countries that acceded to the EU, the challenge in Serbia will be the absorptive capacity of Serbian government institutions to design projects for and to implement these funds according to EU standards. In a way that complements the EU, which does not have the human and organizational resources to help Serbia program and manage funds, USAID is well-positioned to provide organizational capacity building for Serbian governmental and non-governmental organizations to program and implement, and thus absorb, these funds. Thus, the sustainability of results accomplished under this CDCS can be measured by tracking the progress of Serbia towards EU integration.

Illustrative Indicators:

Sustainability Indicator 1: Benchmarks of Serbia's EU Accession Process. Source: Annual EU Progress Report

Sustainability Indicator 2: Percentage of EU IPA funds implemented by the Government of Serbia and local organizations. Source: Ministry of Finance, Government of Serbia

Development Objective 1: Accountability of Key Democratic Institutions Strengthened

Development Objective 1 will address the challenges associated with the accountability of key democratic institutions by enhancing the rule of law and oversight, and by helping Parliament and local governments become more responsive to the electorate.

IR 1.1: Parliament and Local Governments are More Representative

USAID projects under this IR promote good governance practices and parliamentary reform across multiple areas related to the role and capacities of the legislature, how it interacts with other branches of government, and how it connects and relates to the citizens of Serbia. Initiatives will make Parliament more open, effective, accountable, independent, and representative. In addition, USAID will strengthen the capacities of local governments in targeted regions to better connect with their citizens by improving governmental transparency and openness to citizens and non-governmental actors.

USAID's efforts under this IR contribute directly to local sustainability. The capacities developed with USAID and other donor technical assistance will enable local governments and Parliament to fulfill oversight, public outreach, and other functions in the future as donor support declines. USAID-funded initiatives such as parliamentary internships will gradually be institutionalized and supported through the host institution's budget, and/or augmented with other long-term donor assistance. USAID assistance also supports the development of long-term strategic planning which supports ongoing systematic attention to transparency, accountability, and public monitoring of Parliament's performance. Incentive structures, constituency building, and continuous learning will be built in to organizational development.

Illustrative Indicators:

Sustainability Indicator 1.1.1: Number of public forums resulting from U.S. government assistance in which national legislators and members of the public interact (Standard F Indicator). Source: NDI and CS Forward Project Reports

Sustainability Indicator 1.1.2: Percentage change in Voice and Accountability Indicator. Source: World Bank's World Governance Indicators

Sustainability Indicator 1.1.3: Percentage of political parties represented in national/local parliament exercising good governance practices. Source: Freedom House Nations in Transit (National/local democratic governance score).

Other Potential Donors: Other donor activity is listed in Annex E in greater detail. Assuming these donors will continue with similar activities and support in the future, such donors and development partners include the EU, World Bank, Norway, Italy, Sweden, Germany, the Netherlands, Switzerland, Austria, Denmark, UNDP and Slovenia.

IR 1.2: Rule of Law and Oversight Improved

USAID projects under this IR will improve judicial capacity by creating a more effective, open, and transparent court system and will strengthen the abilities of the independent government agencies to fulfill their oversight functions. USAID has developed successful training modules for judges and court staff that have been incorporated into formal training curricula at the Judicial Academy. Through USAID interventions, the court manager position was developed and was added to the Book of Court Rules for courts with more than 30 judges. As additional courts adopt this position in their staffing plans, these courts will begin to enjoy the advantages of enhanced and efficient management as judge resources become more focused on adjudication of cases rather than management. USAID support of legislative working groups enabled the Ministry of Justice to amend and/or draft new legislation that will lead to more efficient and timely delivery of justice. To improve transparency, USAID will also provide capacity-building assistance to targeted oversight institutions to increase the accountability, efficiency, and transparency of judicial, legislative, and executive processes. USAID also examined revenue sources/streams and other budgetary issues that needed to be resolved to provide for the continuation of the needed incentives beyond the end of USAID-funded activities and built in sufficient mechanisms to enable the host partners to provide those incentives.

Illustrative Indicators:

Sustainability Indicator 1.2.1: Number of courts that adopt USAID best practices for case backlog reduction. Source: Ministry of Justice/High Court Council court reports.

Sustainability Indicator 1.2.2: Number of courts that create and fill the USAID-pioneered court manager position. Source: Ministry of Justice/High Court Council court reports.

Sustainability Indicator 1.2.3: The Judicial Academy continues to use the USAID-created training curricula in years that follow the end of USAID programs and program support. Source: Judicial Academy.

Sustainability Indicator 1.2.4: Independent Agency counterparts to USAID programs continue to engage in roundtables or other similar problem solving solutions with the Misdemeanor Courts and other courts that have similar jurisdiction after USAID programs end. Source: Independent Agencies (Anti-corruption Agency, Ombudsman, State Audit Institution, Commissioner for Protection of Public Data, Commissioner for Protection of Equality).

Other Potential Donors: Other donor activity is listed in Annex E in greater detail. Assuming these donors will continue with similar activities and support in the future, such donors and development partners include the EU, World Bank, Norway, Italy, Sweden, Germany, the Netherlands, Switzerland, Austria, Denmark, UNDP and Slovenia.

Development Objective 2: Conditions for Broad-based, Inclusive Economic Growth Improved

Development Objective 2 will address the challenges associated with the stability of Serbia's market economy by improving key components of the business-enabling environment and by increasing economic opportunities in targeted regions of the country.

IR 2.1: Key Components of the Business-enabling Environment Improved

A modern market-based economy requires continuous improvement of the business-enabling environment and adjustment to new economic trends, business opportunities, and markets. In that respect, sustainability of a business-enabling environment that fosters economic growth will depend on mechanisms that encourage public-private dialogue to inform economic policy and expand the role and influence of civil society and the private sector with respect to research and advocacy in economic reform. With this in mind, USAID/Serbia will continue to work with and through business associations and interest groups to engage in dialogue with both host country government entities and constituent private sector businesses. Improvements in the overall business-enabling environment will benefit firms in Serbia by improving their competitiveness and encouraging further investment. They will also improve the appeal of the country as a destination for foreign direct investment, further fueling economic growth.

Other potential donor support: USAID will also continue to work with other donors that provide assistance for business enabling environment reforms, including the World Bank, the European Union, GIZ, SIDA and SDC. As noted earlier, USAID is not only coordinating with these donors but facilitating their support for critical reforms according to USAID-developed "roadmaps." USAID is also working closely now with Serbia's European Integration Office and the relevant ministries to ensure that support for key reforms continues after USAID assistance ends.

Illustrative Indicator:

Sustainability Indicator 2.1: Number of sustainable mechanisms created which encourage public-private dialogue to inform economic policy. Source: Annual survey.

IR 2.2: Economic Opportunities Increased in Targeted Regions

USAID projects under this IR will work through and with a wide range of host-country entities, to improve the capacity of and system for improving local and regional economic development within Serbia. USAID will work in targeted regions across the country with local governments, regional development agencies, business associations, local firms, and civil society organizations.

To ensure the sustainability of our private sector development efforts, for example, USAID will work directly through Serbia's network of regional development agencies, whose existence is mandated by law, ensuring that USAID's investment will be sustainable. USAID will assist the regional development agencies in targeted regions to improve their capacity to fulfill their mandate to support the private sector in their region. USAID will ensure that the lessons learned by these particular agencies are shared with other member agencies in other parts of Serbia. Likewise, USAID will ensure that the lessons learned by the 32 partner municipalities related to regional economic development platforms are shared with other municipalities by working with and through Serbian institutions such as the Standing Conference of Towns and Municipalities and the National Alliance of Local Economic Development. These institutions will continue to exist and to share these best practices and lessons learned around the country, long after USAID programs end.

USAID undertook economic and financial analyses of the benefits of the value chain development for local agribusiness, textile, and other light manufacturing production facilities. Cost/benefit and cash flow (budget) analyses will be performed to identify likely thresholds for added value along the value chains that would provide sufficient returns to participants from production to processing to marketing to export to successfully engage their own investments to continue the value chain's growth after USAID funding and support is ended. USAID also built into the project activities to promote engagement by national and local financial institutions to enhance their involvement and supply finance for value chain investments with the intention that those institutions will increase their own stake in value chain growth by the end of the project and provide financing for working and investment capital for value chain actors. In addition, USAID focuses on the policy environment to encourage value chain business development, particularly SMEs, related to changes in taxes, fees, registration, regulation, and related issues.

Other potential donor support: Finally, USAID is working closely with the larger international donor community to promote continued support in critical areas, especially in the target regions of south and southwest Serbia. The donors that remain most active in support of increased economic growth opportunities in these regions are the European Union, GIZ and SDC.

Illustrative Indicator:

Sustainability Indicator 2.2: Sustainability of targeted economic development organizations (Business Service Providers, Regional Development Agencies, Business Associations, etc.) improved. Source: Annual survey.

ANNEX C: USAID/Serbia Assessments, Analyses and Evaluations: Major Findings

Annex C provides a summary of the key findings and recommendations from the evaluations and assessments of USAID/Serbia programs conducted between 2009 and 2012. As such, it gives an overview of the directions that USAID/Serbia should consider following in order to address issues of importance for the host country.

Serbia Media Assistance Program (SMAP) Mid-term Evaluation (May to June 2009)

Implementer: IREX

The mid-term evaluation found that the SMAP program should focus on following:

- Support to development of media strategy in Serbia
- Work on protection of interests of independent media in the process of digitalization
- Development of a clear voice for advocacy for independent media
- Increase the awareness among media professionals of new media opportunities
- Improve government transparency and the media regulatory environment

Civil Society Advocacy Initiative Program Assessment (December 2009)

Implementer: ISC

Key recommendations from this evaluation included:

- Re-focusing advocacy from the passage of laws to deeper issues of implementation
- Further identification of existing grantees that demonstrate possibilities for results and giving them time to grow
- Providing limited but targeted assistance for completing the reform of the fiscal framework
- Further support to the sector to earn the public's trust and respect
- Enabling the CSOs advocacy issues to rise bottom up
- Reducing the burden of financial reporting

Civil Society Assessment (October to November 2010)

Sectoral Assessment

The overarching finding of the assessment team was that civil society in Serbia is in the midst of re-alignment and that there are considerable disparities in the capacity of CSOs in Belgrade and those in regions and from region to region. Recommendations to USAID/Serbia for future assistance to Serbia's civil society included:

- Support efforts to improve the quality of the legal frameworks governing civil society
- Support to lobbying and advocacy for changes to national and local election laws
- Improvement of organizational, managerial and professional effectiveness of a core group of CSOs
- Civil society programming should build upon past USAID investments and successes in Serbia and neighboring countries by facilitating cross-fertilization, and provision of incentives, opportunities and skills to improve relationships among CSOs, with citizens and government

Serbia Good Governance Matrix Evaluation (October to November 2010)

Evaluation of the tool for monitoring the quality of governance

The GGM is a distinctive and potentially valuable tool for assessing and monitoring the quality of governance, in that it depends on intensive, structured documentation of particular behaviors of governments in five major dimensions of governance. The GGM features significant limitations along five dimensions of data quality:

- Data validity is constrained by inconsistent scoring across analysts and institutions
- Reliability of data is undermined by inconsistent scoring and by the absence of formal guidance to analysts on how to score institutions
- GGM scores at the institutional level are unduly precise and the substantive significance of decimal-point differences in scores is not clear
- Timeliness of GGM data generally is weak
- The integrity of GGM is quite high overall

Based on these findings and recommendations, USAID/Serbia decided to withdraw from further support to this monitoring tool.

Serbia Agribusiness Project Evaluation (July to August 2011)

Implementer: DAI

The overall conclusion from this performance evaluation was that the project achieved most of its main objectives. However, certain deviations were identified, particularly in the grants disbursement and monitoring mechanisms adopted. In addition, the plans for development of a strategy for “South Serbia” were questioned. The Mission’s internal technical review process identified a number of contradicting views and opinions, which were shared with the evaluation team. Some of the conclusions from the evaluation team in the Evaluation Final Report were not sufficiently supported by factual data. The Mission included a statement of differences in the final report, and did not use unsupported findings in designing or implementing future activities in this sector.

Consortium for Elections and Political Processes Strengthening II Evaluation (September to October 2011)

Implementer: NDI & IRI

The main conclusion from the evaluation of the CEPPS II project was that assistance to political parties strengthened the parties and the democratic process at a critical time in Serbia’s transition. The current election system has become a major obstacle to further development of democratic processes in Serbia and will continue to be challenged during the third phase of the CEPPS project. In addition, work with the National Assembly was determined to be well-received, but without major impact on the effectiveness of the legislature, especially in policy development and analysis working through party caucuses. Key recommendations addressed the need for electoral system reform as expressed by almost all political parties, as well as the need for strengthening the cultures of democracy and lawfulness in public affairs, led especially by citizen groups outside of government. The Mission has, therefore, included electoral reform as a key aspect of the democracy DO in the new CDCS.

Separation of Powers Program Evaluation (October to November 2011)

Implementer: EWMI

According to the findings from the evaluation of SPP, judiciary reform legislation provided the basis for implementing budgetary and efficiency reform, but fell short in not transferring budgetary authority for capital investments for the judiciary and did not go far enough in granting the HCC authority over key administrative issues. Particularly, the evaluation team highlighted that the judicial re-appointment process has consumed the capacity of the HCC and limited the development of its capacity to address other critical management responsibilities. On the other hand, significant progress has been made in developing and implementing professional court management and improving the caseload management and delay reduction. Based on these conclusions, the evaluation team recommended that:

- SPP and USAID should continue to press HCC to complete hiring of HCC budget staff
- SPP and USAID should capitalize on the success and popularity of case management and delay reduction efforts by aggressively pursuing adoption of National Backlog Reduction Strategy
- SPP should work with HCC and MOJ to improve the quality of case management statistical reporting through the automated case management system

Gender Assessment for USAID/Serbia (2010, updated September 2012): Recommendations

The 2010 Gender Assessment for USAID/Serbia put forth a number of recommendations to the Mission for improving its gender awareness within the Mission and gender integration in its programming. Within the Mission, the assessment recommends increasing the level of gender awareness and ensuring increased attention to and understanding of gender integration at USAID/Serbia. This should be accomplished through trainings for staff, especially the Gender Advisor; including explicit language regarding which gender issues are to be addressed in all SOWs; including gender analyses in all assessments that the Mission conducts or funds; strengthening the language related to gender and gender analysis in AADs; ensuring that gender-sensitive indicators are included in the Amended Results Framework as needed; requesting that implementing partners routinely dis-aggregate all data; and actively collaborating with other donor organizations in the area of gender.

To improve gender integration in programming, the assessment recommends that the Mission ensure that all methods that are utilized to make the government more accessible and responsive to the citizens of Serbia work equally well for and benefit both sexes, and avoid unintended consequences in programs that economically empower women. In the program/project planning phase, this should be accomplished by consulting with both men and women to make sure that the unique perspectives and priorities of both sexes are addressed; identifying opportunities to address gender issues simultaneously by components of programs located in different offices at USAID/Serbia; assessing whether Roma or other especially marginalized groups are present in significant numbers in the areas that are to be targeted by each program; and incorporating activities that address the issues outlined in the Government of Serbia's Strategy and Action Plans on Gender Equality.

The assessment recommended incorporating the following into democracy and governance activities:

- Including women and representing their views in citizen outreach efforts from local governments;
- Supporting women's NGOs and those that focus on especially disadvantaged groups in civil society and other programming;
- Ensuring that methods for gathering citizen input are equitable and designed to ensure that whatever mechanisms are established for soliciting such input work equally well for men and women;
- Including gender-sensitive budgeting in activities related to financial management at the local level;
- Including gender issues in programming designed to support "watchdog" activities that advance the public interest;
- Supporting coalition-building activities that enhance the effectiveness and influence of civil society groups that focus on gender issues and minority groups;
- Launching advocacy and civic education campaigns to raise public awareness of gender issues and to publicize positive steps that the Government of Serbia is taking on these issues;
- Addressing domestic violence under the new rule of law program that will be designed;
- Featuring an expanded human rights focus into the DG portfolio; and
- Fostering the goal of gender equality in Serbia when working on political party strengthening.

The assessment recommended incorporating the following into economic growth activities:

- Continuing to include a strong focus on youth of both sexes in new project designs;
- Including an explicit gender aspect (although not necessarily a separate "women's entrepreneurship program") and ensuring equal outcomes for women and men in programs focused on promoting entrepreneurship; and,
- Ensuring equal outcomes for male and female youth at each step of Junior Achievement programs.

Many of these recommendations have been incorporated into Mission systems, planning and programs.

Biodiversity Assessment for USAID/Serbia (April 2010): Findings and Recommendations

The Serbia Mission's last Biodiversity Assessment was conducted in April 2010 and is currently being updated for the abbreviated CDCS. The primary purpose of the 2010 assessment was to address the United States Foreign Assistance Act's (FAA) 119 requirements for all USAID Mission country strategies. Information on Serbia's biodiversity was obtained through interviews with key government officials, NGO representatives, academics and others concerned with biodiversity. This was supplemented with results from a survey and field visits by the assessment team. Based on this analysis, the team determined a number of direct threats to biodiversity – factors on the ground or in the water. These factors, such as encroachment on protected areas, overfishing and infrastructure development, are driven by institutional, social and political factors, referred to as "root causes." These root causes are: 1) lack of finance; 2) poverty; 3) corruption and favoritism; 4) lack of public awareness; 5) lack of data; 6) lack of policy, administration and management coordination; 7) lack of enforcement and follow-through; and 8) lack of capacity in biodiversity conservation efforts.

This analysis also considered USAID/Serbia and Montenegro's Amended Strategy for 2011 to 2015 and current activities in relation to the biodiversity needs in the country. Although Mission programs did not directly address biodiversity conservation matters, the assessment provided some ideas for ways in which biodiversity considerations could be implemented within these mission programs and plans. None of the planned activities posed a significant threat to biodiversity in Serbia, and several could have a positive impact. The assessment concluded that USAID/Serbia is in a good position to enhance biodiversity conservation activities if it makes an effort to locate a relatively weak NGO and small- and medium-enterprise (SME) players working in nature-related fields and to involve them in programs that include a wider audience. It can also make a difference by helping illuminate transparency issues in the biodiversity field, along with other areas that are being managed in Serbia.

ANNEX D: Rapid Appraisal Summary

A Rapid Appraisal of Serbia's public financial management systems was conducted by a combined team from USAID/Washington, USAID/Serbia and USAID/Budapest from May 7 to 18, 2012. The Rapid Appraisal is the first stage under USAID's Public Financial Management Risk Assessment Framework (PFMRAF) to identify opportunities for USAID to work directly with the partner country government. The PFMRAF is the accountability mechanism USAID uses to protect funds from unreasonable risk and maximize the value of development investments when USAID is using partner country systems. USAID/Serbia conducted its Stage I Rapid Appraisal in accordance with USAID policies found in Automated Directives System 220, Use of Reliable Partner Country Systems for Direct Management and Implementation of Assistance.

The principal purpose of the Stage I Rapid Appraisal was to produce a basic, high-level understanding of the public financial management systems and political will for non-corrupt, transparent, accountable, and effective government in Serbia. The primary objectives of the Stage I Rapid Appraisal were to determine if:

- The level of fiduciary risk precludes using Serbia's public financial management systems;
- The framework of Serbia's accountability environment precludes using public financial management systems; and
- The democracy and governance environment precludes using public financial management systems.

Through discussions with the Government of Serbia, donors, and non-governmental organizations, as well as a desk review of Serbian laws and relevant documents, the Rapid Appraisal Team had the following major findings:

- Serbia's strategic direction remains oriented towards the European Union (EU);
- A strong legal and regulatory framework is in place, however, implementation and enforcement remain impediments;
- Political will to address reforms will have to be examined with the new government;
- Major political parties dominate political life;
- Internal and external audit capacity is weak;
- Oversight is lacking and capacity is limited for the execution of public procurement; and
- There is a strong perception that the public procurement process within Serbia is subject to corruption and political pressure.

The timing of Stage I coincided with the start of USAID/Serbia's work on its Country Development Cooperation Strategy with the Government of Serbia in order to strengthen democratic institutions while increasing competitiveness within the market economy. The Mission will continue to be supportive of the country's efforts towards EU integration.

The Rapid Appraisal Team concluded that USAID/Serbia could advance to Stage 2, the Risk Assessment, as the team did not identify any fiduciary risks of such magnitude or a lack of an accountability environment that would preclude using Serbia's public financial management system.

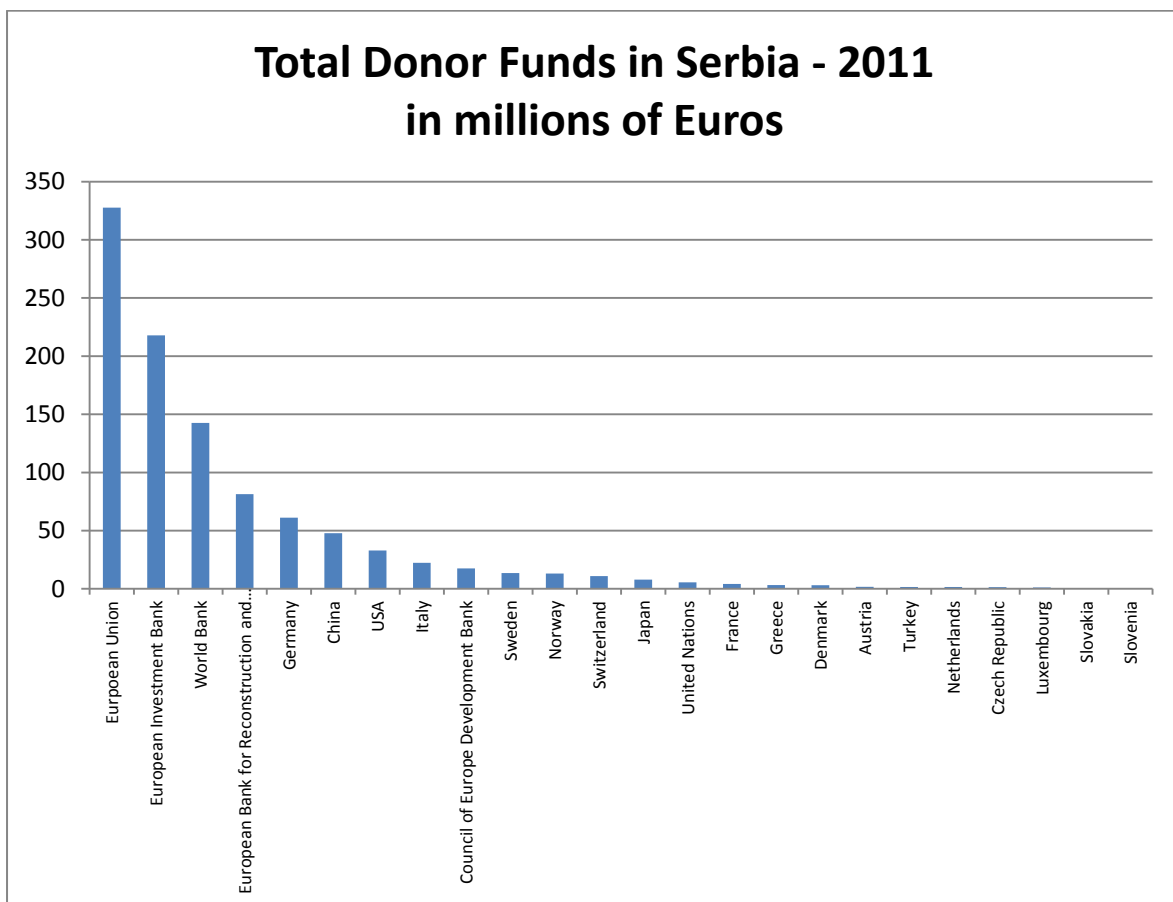
The team noted, however, that some areas of specific concern, such as procurement and audit, would need to be further analyzed under the Stage 2 Risk Assessment in order to properly assess the adequacy of controls and mitigate specific risks. This decision was concluded with the understanding that the results of the May 2012 presidential, parliamentary, and municipal elections would shape the timing and focus of Stage 2 Risk Assessment.

ANNEX E: Non-U.S. Government Donor Assistance in Serbia

In 2011, Serbia received an estimated 1.02 billion euros in international assistance, a decrease from 1.2 billion euros in 2010. The Serbian European Integration Office (SEIO) attributes this decrease to the lower availability of donor funding as a result of the global economic crisis. The Government of Serbia, through SEIO, responded to this constriction by taking steps to improve donor coordination through consultations with national institutions, civil society organizations (CSOs), and the donor community. Despite these efforts, SEIO faces challenges adjusting to the newly elected government, preparing Serbian institutions to receive and use European Union (EU) Instrument for Pre-Accession (IPA) assistance, and establishing systems for decentralized implementation (direct funding) for EU funds available after Serbia receives a date for start of EU accession negotiations.

Approximately one-third of Serbia's international assistance is provided by the EU, making it the largest donor in the country. However, a recent public opinion poll on international assistance conducted by SEIO found that the public perceives the EU to be the third-largest donor, after Russia and Japan. SEIO responded by implementing a number of outreach activities to improve public awareness of donor assistance, including presentations, coordination meetings, document signature ceremonies, and conferences in cooperation with assistance beneficiaries and development partners.

Figure 6: Total Donor Funds in Serbia for 2011



Source: Government of Serbia, European Integration Office. April 2012.

The largest amount of 2011 funding was dedicated to interventions aimed at stimulating the economy through infrastructure projects and initiatives in the financial sector. The next largest portion of funding was directed at the environment and energy sectors, implemented through capacity building of the line institutions, harmonization of laws with EU standards, and ensuring constant energy supply.

The largest donors in 2011 in the sectors identified in the Serbian strategy document, “Needs of the Republic of Serbia for International Assistance 2011-2013,” are summarized in the table below.

Table 2: Top Donors in Serbia by Sector

Sector	Top Donors
Rule of Law	EU; Norway; Sweden; Germany; Netherlands; Switzerland; Austria; Denmark; Slovenia; USA ¹⁵
Public Administration Reform	EU; World Bank; China; USA; Sweden; Germany; Switzerland; Czech Republic; Slovakia; UN
Civil Society, Media, and Culture	EU; USA; Norway; Italy
Competitiveness	European Investment Bank; USA ¹⁶
Human Resources Development	EU; Japan; Council of Europe Development Bank; World Bank; Switzerland
Agriculture, Forestry, Fisheries, and Rural Development	EU; World Bank; USA; Denmark
Transport and Storage	EBRD; EU; European Investment Bank
Environment and Energy	EU; Germany; World Bank; Sweden; EBRD; European Investment Bank

Source: Government of Serbia, European Integration Office. April 2012.

By sector, key interventions and trends include:

Rule of Law

Rule of Law interventions include those that address legislation, judicial strengthening, safety of citizens, prevention of crime, reform of the legal defense system, corruption and organised crime, as well as protection of human and minority rights.

Public Administration Reform

The Program of Support to the Southern and Southwestern Serbia, financed by the EU and Switzerland, supports activities that stimulate the social and economic development of Southern and Southwestern Serbia through support to priority infrastructure projects, enhancement of municipal and inter-municipal management capacities, and promotion of development potential of the two regions.

¹⁵ The “Report on International Assistance to Serbia in 2011” published by SEIO did not include the United States as a top donor in the rule of law sector. However, the United States reported that it provided \$3.33 million in rule of law assistance to Serbia in 2011.

¹⁶ The “Report on International Assistance to Serbia in 2011” published by SEIO did not include the United States as a top donor in the competitiveness sector. However, the United States reported that it provided \$2.59 million in competitiveness assistance to Serbia in 2011.

USAID's Sustainable Local Development provides support to inter-municipal initiatives in preparation of major infrastructure projects, employment and youth entrepreneurship, improvement of business environment, and promotion of more active participation of the public in municipal operations.

Civil Society, Media, and Culture

Funding for civil society is directed toward institutionalization and building partnerships and mechanisms for consultation with the civil society organisations in the region and the EU. Additionally, grant funding is provided for civil society capacity building, strengthening the role of civil society organisations, and harmonizing civil society practices with EU standards on the local level.

Support for media included activities that aim to strengthen the media environment, media capacities in the field of EU integration, fulfillment of media standards in accordance with the EU standards, establishment of a significant role of media in strengthening civil society, as well as support to the development of professional journalist ethics. Support for culture included support to cultural institutions and the protection of cultural heritage.

Competitiveness

Funding for efforts to improve competitiveness were aimed primarily at the development of small- and medium-sized enterprises and entrepreneurs.

Human Resources Development

The largest portion of funding in the area of human resources development was in education interventions. Most of the education support was for the enhancement of the higher education system via the European Commission's TEMPUS program and "Program of Improvement of Educational Infrastructure in Higher Education."

Despite a slight drop in funding for the other human resources development areas of health, social welfare, and labor and employment in 2011, there have been some significant results. The bulk of the funding for health was aimed at the procurement of necessary equipment. Japan donated a significant amount (5.8 million Euros) for the procurement of mammography equipment, under its project "Breast Cancer Screening and Strengthening of Prevention Capacities."

Social welfare projects primarily focused on social inclusion, improving living conditions, and enhancing the social protection system for refugees, internally displaced people, Roma, people with disabilities, women, and children with special needs.

Labor and employment interventions focused on strengthening capacities of national and local institutions related to employment and the implementation of the national employment strategy.

Agriculture, Forestry, Fisheries, and Rural Development

Interventions in agriculture, forestry, fisheries, and rural development were primarily directed toward prevention and improvement of the system for protection of animal health and food safety, support to businesses in agriculture, and increased efficiency and competitiveness and business

environment in agriculture, establishment of database of agricultural households, harmonization with EU standards, support to the fruit growing sector, and sustainable tourism in the function of rural development.

Transport and Storage

Much of the funding for transport was directed at the construction of the roads and bridges, the modernization of the railway, the enhancement of navigability of the Danube, and harmonization with the EU transportation standards.

Environment and Energy

Interventions for environment and energy were primarily aimed at strengthening the capacities of line institutions, harmonization of legislative and standards in accordance with the EU standards, ensuring constant energy supply, and the preparation of technical project documentation for the financing of infrastructure projects.

Table 3: Projects of Selected Other Donors in Serbia

Donor	Project Name	Start Date	End Date	Total Amount	Description	Website
EU	PROGRES	July 2010	June 2013	€18.1 million	<p>The European Partnership with Municipalities – EU PROGRES is the largest area-based developmental program in Serbia, covering 25 municipalities in the South and Southwest of the country, and is a result of a continuous pledge of support of two major donors – the European Union and the Government of Switzerland to the Government of Serbia. EU PROGRES is implemented by the United Nations Office for Project Services (UNOPS), which is an assurance of an apolitical and developmental attitude in all its activities.</p> <p>EU PROGRES has structured its activities around four components: (1) good governance, which is a cross-cutting theme underpinning the whole program, (2) municipal management and development planning, (3) social, economic and environment infrastructure, as well as (4) public awareness and branding of the South and Southwest Serbia. With this holistic approach, EU PROGRES endeavors to accelerate growth and improve the overall living conditions in the focus areas. The implementation of infrastructure projects, for example, will immediately improve everyday life of all citizens in a municipality. (Swiss contribution: €2.5 million)</p>	http://www.euprogress.org/
EU	IPA	2007	2012	€1.1 billion	The total value of the EU's financial assistance to Serbia through IPA funds for the period 2007-2012 amounts to approximately €1.1 billion. Essentially, IPA is a mechanism of additional assistance provided by the EU for reforms in Serbia, and it depends on its projects to which extent the allocated funding will be utilized. In its current stage of European integration, Serbia can count on "support for transition and institution-building" and "cross-border cooperation" components.	http://www.europa.rs/en/srbija/Eu/eu_assistance_to_serbia/ipa.html
EU	European Instrument for Democracy and Human Rights (EIDHR)			€1.5 million	The European Instrument for Democracy and Human Rights (EIDHR) is one of the oldest European programs aimed at supporting democracy building and enhancement across the world. In Serbia, the EIDHR program has been active since 1996. The European Commission's Delegation signed grant agreements with 22 civil society organizations worth a total of €1.5 million for projects whose goal will be to promote and strengthen human rights, political pluralism, democratic participation and representation. Of the 22 organizations that will benefit from EU funding, 13 are from Belgrade, while other grantees are from	http://www.europa.rs/en/srbija/Eu/eu_assistance_to_serbia/EIDHR.html

Donor	Project Name	Start Date	End Date	Total Amount	Description	Website
					Užice, Niš, Novi Sad, Pančevo, Požega and Zrenjanin.	
EU	ERASMUS MUNDUS II				The Erasmus Mundus program is a co-operation and mobility program in the field of higher education which promotes the European Union as a center of excellence in learning around the world. It also provides EU-funded scholarships for third country nationals participating in these Masters Courses and Joint Doctorates, as well as scholarships for EU-nationals studying at Partner universities throughout the world.	http://www.europa.rs/en/srbija/Eu/eu_assistance_to_serbia/erasmus_mundus.html
EU	TEMPUS IV	2007	2013		Tempus is a European Union program designed to help the process of higher education reform in its 27 Partner Countries. In Serbia, Tempus program is perceived as: (a) an instrument which re-established cooperation links with the higher education institutions in the EU and other partner countries after a period of isolation during 1990s; (b) an instrument for promotion and implementation of the Bologna process; and (c) an instrument contributing to the EU integration process.	http://www.tempus.ac.rs/en/tempus-serbia/about-tempus/tempus-in-serbia/
EU	Technical Assistance and Information Exchange instrument (TAIEX)				TAIEX supports partner countries with regard to the approximation, application and enforcement of EU legislation. Upcoming TAIEX events for beneficiaries from Serbia include: Workshop on wine labeling in accordance with the new EU standards; LAF workshop on EU energy policy at local level; Workshop on Rural Development measures for IPA II / IPARD 2014-2020; Peer review mission on Rule of Law.	http://ec.europa.eu/enlargement/taix/index_en.htm
UNDP	Improving Human Security for Vulnerable Communities in Southwest Serbia	June 2012	June 2014	USD 2,859,659	This project will create jobs that will generate household income, secure access to public and social services, and promote community cohesion which will collectively enhance and strengthen human security in southwest Serbia. The main project deliverables include: establishment of a formal recycling and waste collection center and cooperative, enhancement of the inter-ethnic dialogue and human rights through art, sports, culture and education and improvement of the access to services related to citizenship rights and documentation. Beneficiaries are politically disenfranchised, socially excluded and economically and culturally unempowered individuals and households in Novi Pazar and other municipalities in southwest Serbia.	http://www.undp.org.rs/index.cfm?event=public.ProjectsDetails&revid=4329CC7F-03E7-1A37-4576BC8CB4E96ED6

Donor	Project Name	Start Date	End Date	Total Amount	Description	Website
UNDP	Strengthening the Oversight Function and Transparency of the Parliament	2011	2015	USD 1,206,560	This project develops the capacity of scrutiny teams; improves the Parliament's outreach to citizens, especially at the local level, with emphasis on oversight/scrutiny mechanisms and to pilot successful outreach mechanism in local assemblies; and develops a system for real-time tracking of the State budget expenditure in the Parliament. The project strengthens the oversight function, transparency and efficiency of the National Assembly of the Republic of Serbia and the representative role of local assemblies.	http://www.undp.org.rs/index.cfm?event=public.ProjectsDetails&revid=3EDC085F-BC99-D45A-FBD4DB28895BE99E
UNDP	Second National Communication	July 2013	July 2015	USD 500,000	This project aims to enable the Republic of Serbia to prepare, produce and disseminate its Second National Communication (SNC) to the Conference of the Parties (CoP) of the UN Framework Convention on Climate Change according to Decision 17/CP.8 and other guidance provided. The SNC will update and strengthen information provided regarding national circumstances, greenhouse gas inventories, climate change mitigation (including developing a cadaster of NAMAs), vulnerability to climate change and steps taken to adapt to climate change, and information on public awareness, education, training, systematic research and observation, and technology transfer.	http://www.undp.org.rs/index.cfm?event=public.ProjectsDetails&revid=3EB7BA3F-A49C-6B43-DFCF363EDF253B04
UNDP	Integrated Response to Violence against Women in Serbia	Dec 2012	Dec 2014	USD 500,000	The project supports the implementation of the National Strategy for Prevention and Elimination of Violence against Women in the Family and in Intimate Partner Relationships by addressing challenges in the prevention and protection domains. The project contributes to the alignment with the service provision standards set by the Council of Europe Convention on preventing and combating violence against women and domestic violence (Istanbul Convention). The project introduces new education packages focusing on changing stereotypical perceptions on gender relations and violent behaviors.	http://www.undp.org.rs/index.cfm?event=public.ProjectsDetails&revid=3D503C08-09BD-DC3B-F923F759BE2BD251
UNDP	Vlasina Lake Ecotourism Promotion and Environment Protection	March 2011	December 2013	USD 266,717	The project supports the municipality of Surdulica to pursue its strategic vision of ecotourism development through employment generation and preservation of the environmental and cultural heritage in the protected area of the Vlasina Lake.	http://www.undp.org.rs/index.cfm?event=public.ProjectsDetails&revid=1A93AB44-0084-A36E-D8745906373D3CA8
UNDP	Support to the	December	May	USD	The Project seeks to enhance the capacity of the Office of the Commissioner for the Protection of Equality (the Commissioner). In particular, the Project	http://www.undp.org.rs/index.cfm?event=public.ProjectsDetails&

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	Commissioner for the Protection of Equality for Effective Implementation of Antidiscrimination Legislation	2011	2013	170,000	seeks to: (1) Strengthen the Commissioner's capacity to perform its legislative advisory role, by training its staff and by creating a roster of experts in anti-discrimination matters; (2) Assist the Commissioner to conduct a general sector analysis and formulate wider and cross cutting recommendations to initiate policy change; (3) Strengthen the Commissioner's capacity for alternative dispute resolution and introduce alternative dispute resolution techniques in discrimination cases in Serbia; and (4) Process discrimination cases in accordance with the Serbian anti-discrimination legislation.	revid=55ED35C5-94D9-0C5A-BCBC3E40E0238188
UNDP	Capacity Development Programme for Conventional Ammunition Stockpile Management for the Republic of Serbia (CASM)	December 2011	December 2013		<ol style="list-style-type: none"> 1. Demilitarization and Disposal of 1,133.86 tons of Surplus Stocks of White Phosphorus and Napalm Powder Filled Ammunition; 2. Stockpile Management - Infrastructure Development of Ammunition Storage Areas and Capacity Development of Ammunition Management System at Mrsać and Mirnička Reka; 3. Infrastructure Improvement to TRZ Kragujevac Demilitarization Facilities – TRZ Kragujevac. Additional components could be added based on the requirements of the Ministry of Defence.	http://www.undp.org.rs/index.cfm?event=public.ProjectsDetails&revid=D01703B3-BE72-E367-E47FE79077011EE7
UNDP	Improving Service Delivery at the Local Level (Cajetina)	May 2012	December 2013	USD 146,650	The project will support the municipality to generate employment and improve service delivery. The following results will be delivered: Capacities of local stakeholders to prepare project documents and business plans strengthened; Car-camp on the mountain of Zlatibor created and promoted; and Energy efficient systems introduced.	http://www.undp.org.rs/index.cfm?event=public.ProjectsDetails&revid=3EE1A572-C6EE-8243-991A27CC74BDE81A
UNDP	Improving Service Delivery at the Local	January 2012	January 2013	USD 258,423	The project will support development of water supply infrastructure in rural areas of Bor municipality.	http://www.undp.org.rs/index.cfm?event=public.ProjectsDetails&revid=4805D3DF-DE3C-40EA-C226A306BFDDDBDA0

Donor	Project Name	Start Date	End Date	Total Amount	Description	Website
	Level (Bor)					
UNDP	Improving Service Delivery at the Local Level (Alibunar)	September 2012	December 2013	USD 185,635	The project will support the municipality to generate employment and improve the environmental protection. The following results will be delivered: Improved organization of municipal administration; Establishment of the farm land protection service in Alibunar; Improved system for collecting waste in Alibunar; Establishment of shelterbelts in Alibunar; Improved offer of tourist attractions in Alibunar.	http://www.undp.org.rs/index.cfm?event=public.ProjectsDetails&revid=3EDE9871-DE21-9360-3CE167B94EC936A1
GIZ	Municipal waste and wastewater management	2012	2017		In five small and medium-sized pilot local authorities, each of which has no more than 30,000 residents, the project is helping to enhance skills, resources and institutional efficiency in administration, technical and economic implementation and environmental management.	http://www.giz.de/themen/en/36712.htm
GIZ	Network of Associations of Local Authorities of South-East Europe (NALAS)	2010	2015		NALAS has developed into a sustainable network that effectively promotes municipal development in the home countries of its member associations. Its objectives and areas of activity are: (1) strengthening the member associations during the decentralization processes in the countries of the region, (2) international positioning of the network, (3) institutional and financial consolidation of NALAS, and (4) strengthening local self-government when citizen-oriented services are provided.	http://www.giz.de/themen/en/36478.htm
GIZ	Human trafficking and social protection in the Western Balkans	2011	2013		The conditions for the sustainable prevention of human trafficking in the countries of the western Balkan region are created through this project. Cooperation focuses on contributing to the creation of the conditions necessary for sustainable prevention of human trafficking in the countries of the western Balkan region. The countries receive support in reforming relevant laws and national action plans, developing government and civil society organizations, developing strategies and concepts and strengthening the performance of partners at regional, local and community levels.	http://www.giz.de/themen/en/35164.htm
GIZ	Advisory services for legal reform	2011	2018		This project, aimed at improving the application of law and legislative process in Serbia, supports capacity development among people, legal professions, institutions and professional associations, while also promoting forums for dialogue and creating networks.	http://www.giz.de/themen/en/34378.htm

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GIZ	Advisory service for energy efficiency	2008	2013		The project assists the ministries to establish a legal basis for harnessing energy efficiency potentials. The involvement of professional associations and institutions at an early stage supports the implementation of the relevant legislation.	http://www.giz.de/themen/en/34319.htm
GIZ	EU Integration of South Eastern Europe	2011	2014		The project concentrates on human capacity development (HCD) for expert and management staff in three components: EU pre-accession processes at central level are managed and coordinated efficiently; Potential-orientated and participative approaches to regional rural development are implemented in line with EU standards; and Multipliers receive support in the development of vocational training standards.	http://www.giz.de/themen/en/36758.htm
GIZ	Development of an alumni network for 'Sustainable Business Practice' in South-Eastern Europe	2011	2013		Through technical training, networking, dialogue and experience sharing, the regional alumni network 'Sustainable Business Practice' is being empowered to independently develop and offer a range of courses and advisory services to the private sector. Alumni are helping forge business contacts both within the region and with German companies. The network is boosting the competitiveness of local small and medium-sized enterprises (SMEs) and promoting the development of market economy structures within the region. In all three dimensions of sustainability – economic, environmental and social – it is also helping make the local economy fit for the European single market.	http://www.giz.de/themen/en/36464.htm
GIZ	Regional programme to establish a Danube Competence Center	2009	2014		The key, innovative element of the project approach is to structure and establish a regional institution aimed at fostering the development of tourism, targeting in particular economically relevant promotion of small and medium-sized enterprises (SME) in the region along the Middle and Lower Danube.	http://www.giz.de/themen/en/34374.htm
GIZ	German business internship programme for the countries of	2011	2013		The project enables young people at the start of their careers to gain practical experience in German companies and to use their skills to help drive economic development in their native countries. Working in close cooperation with the German private sector, corporate internship placements are arranged with German businesses for highly qualified students and young graduates from the participating countries. The program thus supports economic reconstruction	http://www.giz.de/themen/en/34366.htm

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	the Western Balkans				in the Western Balkan states and establishes a network for German business and industry throughout the region. It also serves to transfer German expertise to the private sector in these economies.	
GIZ	Career guidance in secondary schools	2011	2013		At the national level, the project supports and advises the implementing partners, the Ministry of Education and Science and the Ministry for Youth and Sports, and collaborates with national vocational educational and training institutions, the national employment agency and chambers of industry and commerce. Both regionally and locally, the project's most important partners are schools, youth offices, business enterprises and, in part, non-governmental organizations.	http://www.giz.de/themen/en/34363.htm
GIZ	Assistance to competitiveness and compatibility with the EU of Serbian SMEs	2011	2013		Through this project, conditions enabling the successful operation of Serbian SMEs in the EU internal market are improved. The program will help Serbia to meet the Copenhagen economic accession criteria: the existence of a functioning market economy as well as the capacity to cope with competitive pressures and market forces within the Union. The program also supports the implementation of Serbia's National Economic Development Strategy. The program assists the Serbian partners to put in place the institutional frameworks that are essential for improving the competitiveness of Serbian SMEs.	http://www.giz.de/themen/en/34334.htm
World Bank	Irrigation & Drainage Rehabilitation Project	July 2005	May 2013	USD 32.70 million	The additional financing will allow the Government of Serbia and the World Bank to significantly scale up the results expected from the original Irrigation and Drainage Rehabilitation Project (IDRP), by expanding of flood control works and expanding of institutional changes to reconstitute the old water boards which became the present water companies	http://www.worldbank.org/projects/P087964/irrigation-drainage-rehabilitation-project-serbia?lang=en
World Bank	Energy Efficiency Project (Serbia) Additional Financing	June 2007	n/a	USD 30.00 million	The principal aim of the additional financing is to enable the government to complete the original scope of the project (energy efficiency improvements in 3 social care buildings, 8 schools and 6 hospitals left out due to a cost overrun) and to scale up energy efficiency improvements.	http://www.worldbank.org/projects/P090492/energy-efficiency-project-serbia-additional-financing?lang=en
World	Bor Regional	June	March	USD 43.00	The Bor Regional Development Project supports the Government of Serbia's	http://www.worldbank.org/proje

Donor	Project Name	Start Date	End Date	Total Amount	Description	Website
Bank	Development Project	2007	2013	million	efforts to revive the depressed Bor region through: (i) dealing with urgent environmental and social legacy issues arising from mining sector restructuring; and (ii) fostering new sources of economic growth and job creation in the region.	cts/P092999/yf-bor-reg-devt-proj?lang=en
World Bank	Transitional Agriculture Reform Project	June 2007	May 2013	USD 17.00 million	The objective of the Transitional Agriculture Reform Global Environment Facility (GEF) Project is to enhance the competitiveness of Serbian agriculture.	http://www.worldbank.org/projects/P094212/transitional-agriculture-reform-project?lang=en
World Bank	Delivery of Improved Local Services Project	March 2008	December 2013	USD 46.40 million	The objectives of the Delivery of Improved Local Services Project for Serbia will help to increase the capacity of institutional actors and beneficiaries in order to improve access to and the efficiency, equity and quality of local delivery of health, education and social protection services, in a decentralizing environment.	http://www.worldbank.org/projects/P096823/delivery-improved-local-services-project?lang=en
World Bank	Serbia Irrigation and Drainage Rehabilitation Project Additional Financing	June 2007	N/A	USD 62.50 million	The Additional Financing would scale-up the flood protection activities under IDRP to generate a substantial impact in terms of losses avoided by the end of the project. The incremental activities would fall entirely under the original second objective of the project, to “reduce the risk of damage from flooding to land, crops, property, and infrastructure as well as reducing risk of life loss from flooding in project areas.”	http://www.worldbank.org/projects/P105270/serbia-irrigation-drainage-rehabilitation-project-additional-financing?lang=en
World Bank	CORRIDOR X HIGHWAY PROJECT	July 2009	December 2015	USD 448.00 million	The development objective of the Corridor X Highway Project is to increase transport efficiency and improve traffic safety on the three project sections of Corridor X, between Nis and Dimitrovgrad and Leskovac and Donji Neradovac respectively, and to improve road management and road safety in Serbia.	http://www.worldbank.org/projects/P108005/corridor-x-highway-project?lang=en
World Bank	YF Innovation Serbia	November 2011	November 2014	USD 12.85 million	This project assists in building the institutional capacity to stimulate innovative activities in the enterprise sector by: (i) Supporting the operationalization of the Serbia Innovation Fund (SIF); (ii) Piloting financial instruments for technological development and innovation in enterprises; and (iii) Encouraging selected RDIs to engage in technology transfer and commercialization, and	http://www.worldbank.org/projects/P126229/yf-innovation-serbia?lang=en

Donor	Project Name	Start Date	End Date	Total Amount	Description	Website
					assisting in formulating RDI sector reform policy.	
World Bank	Energy Efficiency Project	March 2004	April 2013	USD 25 million	This Project Paper seeks to provide additional financing to the Republic of Serbia for the Energy Efficiency Project. The principal aim of the proposed additional financing is to enable the government to complete the original scope of the project (energy efficiency improvements in 3 social care buildings, 8 schools and 6 hospitals left out due to a cost overrun) and to scale up energy efficiency improvements.	http://www.worldbank.org/projects/P075343/energy-efficiency-project?lang=en
Italy	Three Experts On Secondment In Multi-Bilateral Institutions Operating In Balkans	September 2006	n/a	€411,719	Support to regional cooperation programs through the insertion of Italian experts into international organisms with particular reference to Secretariats of the Stability Pact for South Eastern Europe. Through dislocation of officers within international organizations (European Commission, Stability Pact for SEE), ICE wishes to support the participation of Italian enterprises in business opportunities related to international cooperation programs in Balkans.	http://www.skmbalcani.cooperazione.esteri.it/utlskmbalcani/EN/iniziativa/serbia_society.html
Italy	Support for restoration of the National Museum of Belgrade laboratory and to the creation of the Central Institute of Restoration	2002	n/a	€349,000	The initiative aims at assisting the Serbian Ministry of Culture through the valorization and management of the local cultural and artistic heritage.	http://www.skmbalcani.cooperazione.esteri.it/utlskmbalcani/EN/iniziativa/serbia_cultural.html
Norway					Norway's priorities are the following: (1) Reform of the public sector, including reform of the defense, justice and police sectors: Ensuring democratic monitoring of the military forces and the police, follow-up of the UN Security Council's Resolution 1325, ensuring independent courts of law and strengthening the fight against organized crime and corruption. (2)	http://www.norad.no/en/countries/europe/serbia

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					<p>Development of the legal state, including strengthening of the independent control commissions such as ombudsman, auditor general and anti-corruption agency. (3) Contribution for implementation of laws and building administrative capacity in the areas of energy, environment and climate is important for Serbia's EU process and framework conditions for foreign investments. (4) Business growth.</p> <p>Aid to Serbia in 2011 amounted to 104 million NOK. For 2013, 90 million NOK have been reserved for Serbia.</p>	
Switzerland	Export promotion project for innovate products - BITF	2011	2013	CHF 700,000	The overall objective of the project is to contribute to the development of a framework for increasing exports of Serbian high tech products and services. To reach this objective the value chain from research and development to the overall capacity building and the use of financial tools shall be developed in collaboration with the Research & Development (R&D), the SMEs in Serbia and the Serbian DIASPORA abroad. The Business Technology Incubator of Technical Faculties (BITF) in Belgrade is the executing agency of the project, while intense collaboration with SIEPA (the Serbia Investment and Export Promotion Agency) shall help to organize the overall coordination of all actors involved.	http://www.swiss-cooperation.admin.ch/serbia/en/Home/Domains_Programs_and_Small_Projects/Economic_Development
Switzerland	Serbia Budget Advisor	2009	February 2013	USD 1,560,060	The budget advisor works with the Budget Preparation Department and also has direct access to the Minister and the State Secretary. The advisor provides strategic advice and guidance which are expected to ensure: improved delivery of public services; and more effective and efficient management of public finances.	http://www.swiss-cooperation.admin.ch/serbia/en/Home/Domains_Programs_and_Small_Projects/Economic_Development
Switzerland	Private Sector Development in South Serbia	2011	2014	CHF 2,075,000	The project aims at improving employment and income opportunities in the Jablanica and Pcinja regions of South Serbia by stimulating and facilitating systemic change in key sectors that leads to economic growth and improved access to markets and services. In doing so, the project uses a market development approach ("Making Markets Work for the Poor") as its project rationale, focusing on sustainable change in supporting functions and rules that constitute the wider system around markets. Two sectors have been selected: wood industry and forest plants for interventions during the inception phase, due to their economic potential, i.e. generators of income and employment in	http://www.swiss-cooperation.admin.ch/serbia/en/Home/Domains_Programs_and_Small_Projects/Economic_Development

Donor	Project Name	Start Date	End Date	Total Amount	Description	Website
					the region. The overall goal of the project is to increase income opportunities and quality jobs, particularly for young people and women in South Serbia. This will be supported by promoting inclusive growth, access to relevant services, fostering trustful relations between market actors and facilitating more efficient and effective interactions and transactions among market players. The PSD program will stress the importance of stimulating large-scale and sustainable impact through a focus on systemic change that brings about sustainable benefits for the target groups. The project targets the youth, unemployed, SMEs and women.	
Switzerland	Institutional Support to the Standing Conference of Towns and Municipalities	2010	2013	CHF 2.2 million	A first project "Support to Increased Citizen's Participation" was implemented by the SCTM over the period 2005-09. The project established efficient and sustainable mechanisms for citizen participation in Serbia, both at the national and local levels. Based on the past cooperation with the SCTM and its essential interface, it was decided to grant an institutional support to the SCTM Advocacy Unit. Initiated advocacy activities will aim to: (i) represent interests of its members towards the central government and (ii) make sure that they are consulted by lawmakers on all matters important for their work and existence.	http://www.swiss-cooperation.admin.ch/serbia/en/Home/Domains_Programs_and_Small_Projects/Rule_of_Law_and_Democracy
Switzerland	Joint program for Roma and marginalized groups through education	2009	2013	CHF 10,000,000	The Swiss Agency for Development and Cooperation, in cooperation with its partners, has designed a program aimed to put in place in at least 60 municipalities models of education and appropriate institutional frameworks at the preschool and primary school level, which effectively and sustainably include marginalized children into the mainstream education.	http://www.swiss-cooperation.admin.ch/serbia/en/Home/Domains_Programs_and_Small_Projects/Education
Switzerland	Professional development program (PDP)	2002	2013	CHF 7,830,000	Strengthening capacities of the education system to create, implement, and evaluate evidence-based and aligned national education strategies and programmatic measures. Establishing a regulatory and institutional framework for effective implementation of the professional development system in accordance with the Law on basic education.	http://www.swiss-cooperation.admin.ch/serbia/en/Home/Domains_Programs_and_Small_Projects/Education
Switzerland	Improving environment	December	November	€1,364,147	The overall goal of the project is to improve the business environment in a number of localities in Serbia by addressing one of the main obstacles – the	http://www.swiss-cooperation.admin.ch/serbia/en/

Donor	Project Name	Start Date	End Date	Total Amount	Description	Website
land	for businesses at local level through regulatory reform	2011	2014		<p>obsolete and unnecessarily complicated local administrative processes and procedures that often impede or slow business activities at local levels and negatively influence local economic development and new employment. The project corresponds to the clear need of local governments in Serbia by addressing some of the main obstacles, and provides a business friendly environment, conducive for investments.</p> <p>This goal is intended to be reached, at the local level of government, by simplifying business-related administrative procedures, in order to: (1) reduce the costs and time required from businesses; (2) build sustainable regulatory mechanisms for new, low cost and low risk regulations and (3) increase transparency and efficiency of public administration at the local level.</p>	Home/Domains_Programs_and_Small_Projects/Economic_Development
Switzerland	Modernization of the Monitoring and Control System at Nikola Tesla Thermal Plant B (TENT B)	2009	2013	CHF 29 million	Production, installation and commissioning of a new monitoring and control system at the plant, including various other ancillary systems. Professional technical assistance and training to the plant's staff to sustainably improve the performance and reliability of the system.	http://www.swiss-cooperation.admin.ch/serbia/en/Home/Domains_Programs_and_Small_Projects/Energy_Efficiency_and_Renewable_Energy
Switzerland	Combined Heat and Power Plant (CHP) fuelled by biomass in Padinska Skela / Belgrade	2012	2014	€7,918,200	The project consists of the substitution of existing boilers fed by fossil fuel by a CHP fuelled by biomass to heat public buildings and greenhouses, as well as generate electricity. This will contribute to the reduction of CO2 emissions and to the improvement of the general living conditions of the local inhabitants. As a pilot project, it has the potential to serve as an example for profitable green energy production facilities with replication potential.	http://www.swiss-cooperation.admin.ch/serbia/en/Home/Domains_Programs_and_Small_Projects/Energy_Efficiency_and_Renewable_Energy
Switzerland	Trams for Belgrade	2001	2015	CHF €4,550,000	A total of 38 tram cars and 36 trams were shipped from Basel to Belgrade between 2001 and 2012. The project also includes revisions and technical adaptations of the Swiss trams, delivery of spare parts for normal functioning of the trams and the technical overhaul, technical training of staff, and transfer	http://www.swiss-cooperation.admin.ch/serbia/en/Home/Domains_Programs_and_Small_Projects/Energy_Efficiency_and_Renewable_Energy

Donor	Project Name	Start Date	End Date	Total Amount	Description	Website
					of know-how and consulting services to local experts, drivers and maintenance staff.	cy_and_Renewable_Energy
Sweden					<p>Sweden's support, which is usually channeled through ministries and authorities, is largely to adapt Serbia's policies and economy for EU membership. Previous support, such as economic cooperation, was phased out during 2010. Sweden's support for democratic governance has continued. To gain a better understanding of poverty in Serbia, Sweden is also supporting efforts to produce statistics about gender equality and the environment, as well as other areas.</p> <p>Sweden's support is aimed at training civil servants and administrations in how to combat corruption. Previous support led to the creation of Serbia's anti-corruption strategy. Another area of concern is getting more women and Roma into the security sector.</p> <p>Sweden has a strong profile regarding gender-equality matters. One of the organizations working in this area is the Kvinna till Kvinna Foundation, which is working to drive a strategy for gender equality through the country's gender equality directorate. In addition, a number of Swedish non-governmental organizations are receiving support to drive gender equality for Roma and LGBTs, among other groups.</p> <p>Support is provided to support waste management and water and sewage purification. Sweden will also strengthen the power of Serbia's environmental protection board and the ministries for the environment and agriculture, forestry and water issues. To increase the collaboration with authorities, Sweden is also strengthening environmental organizations.</p> <p>The total amount of development assistance to Serbia for the year 2010 was approximately 119 million SEK. For 2011 and 2012 it was expected to be 130 million SEK each year.</p>	http://www.sida.se/English/Countries-and-regions/Europe/Serbia-/Our-work-in-Serbia/