



Gap Analysis of Serbia
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Summary

This analysis takes stock of Serbia's progress in its transition to a market-oriented democracy. By first examining Serbia's progress through the prism of four standard indices from the Europe and Eurasia Bureau's *Monitoring Country Progress* system – economic reforms, democratic reforms, economic performance, and human capital – this study endeavors to identify where progress has been made and where gaps remain. Gaps against economic and democratic reform thresholds are examined first. To help ensure that these reform gains are sustained, we next look to see if progress in economic performance and human capital is advancing towards plausible thresholds as well. Peace and security indicators are also examined.

Overall, Serbia has been made significant gains in economic and democratic reforms and in economic performance since 2000, though the reforms have slowed considerably recently. Current tensions stemming from Kosovo's independence add additional uncertainty. Given the stagnation in reforms and economic performance (and regression in human capital) during the Milosevic years in the 1990s, Serbia lags considerably behind many CEE standards particularly in the economic sector. Despite strong economic growth in recent years, Serbia's economy suffers from growing external and financial sector vulnerabilities. Moreover, labor market trends are very problematic, though improving. Serbia's human capital is high relative to transition standards, though (still) not quite back to the levels attained in the early to mid 1990s. Roughly 80% of the Serbian population surveyed in 2006 felt that their existing economic situation was worse than what it was in 1989.

Extrapolating from the past several years, Serbia may close economic sector gaps against the Romania-Bulgaria-Croatia in 2006 thresholds in 2014-2018. Democracy thresholds are not likely to close until after 2020. Serbia's human capital gap (broadly defined to include health, education, and vulnerable groups) is closed against the Romania-Bulgaria-Croatia in 2006 threshold. The most significant peace and security gaps for Serbia are in conflict mitigation.

Introduction and Method

This analysis attempts to take stock of Serbia's progress in its transition to a market-oriented democracy with a focus on Serbia's bid to achieve phase-out thresholds from USG Assistance. On January 13, 2004, the Executive Committee of State/USAID Joint Policy Council approved the use of a methodology to help determine the timeframe for the phase out of SEED and FSA assistance programs. This methodology uses the four E&E/USAID *Monitoring Country Progress (MCP)* indices (of economic reforms, democratic reforms, economic performance, and human capital) to help determine when countries are likely to achieve benchmark standards based on the average of the scores that Romania and Bulgaria achieved in 2002. This degree of progress was sufficient for those two countries to earn NATO membership and receive positive indication from Western Europe that EU accession was likely. These standards were established with the intent to be proxies for when the path to political and economic reform has become irreversible.

In this current analysis, we use another threshold, the progress of Croatia, Romania, and Bulgaria in 2006, and make it our primary threshold focus. 2006 was the last year of new USG funding for all three countries and hence represents the actual phase-out year for these countries.¹

The *MCP* method employs a two step analysis. First, we examine reform progress (both economic and democracy) and compare country progress against plausible phase-out thresholds. Next, we examine progress in macroeconomic performance and human capital. If reform gains are to be sustained, then sufficient progress needs to occur in terms of a reasonably well functioning economy and one that is favorably affecting social conditions or human capital. The sequence is important here. A country must achieve the reform gains before crossing acceptable thresholds in economic performance and human capital. Otherwise the reform gains may not be sustained. Belarus and Kazakhstan lag considerably in reforms and yet are doing relatively well in economic performance (in the case of Kazakhstan) and/or human capital (in the case of Belarus). Yet, the assumption or assertion here is that those favorable indicators will not likely be maintained in the absence of reform progress. It's also important to bear in mind that, in some circumstances, progress in economic performance can forestall reform progress, such as seems particularly plausible in the case of energy-exporting economies.

Another key consideration in the analysis is the importance of the causal relationships between the transition sectors. Economic progress contributes to democratization and vice-a-versa; so, too the relationship between the economic sector and the social sector

¹ Other sets of thresholds have also been examined and may be worthy of consideration. This includes the progress of the eight Northern Tier CEE countries at the time of graduation from USG assistance (which ranged from 1996 in the case of Estonia to 2000 in Lithuania, Poland, and Slovakia). This also includes efforts to measure sustainable partnerships with the U.S. In this regards, we've introduced two measures: *full sustainable partnership* with the U.S., measured as the standards of progress of the ten CEE countries that are now members of the EU at the time that they became members; and *near sustainable partnership*, measured as the progress of the 11 CEE countries the year that they began accession negotiations with the EU.

(or human capital), and democratization and human capital. These inter-relationships were not explicitly taken into account during the phase-out reviews in 2004. However, they do suggest that sustaining the gains in any one sector is less likely to occur if other sectors are lagging considerably.

We attempt to estimate when Serbia may cross a threshold in the future largely by extrapolating from the past provided a trend in the past is discernable. Adjustments to this extrapolation can then be made on the basis of any additional relevant information. For example, one might expect progress in democratization to slow in a country as it approaches the “ceiling”; i.e., OECD standards. This is certainly what we’ve seen in the case of the Northern Tier CEE countries. External events will no doubt influence the pace of change as well. In the Balkans, two key such influences are the prospect of EU membership and Kosovo’s independence. On the one hand, in regards to EU membership prospects, there might be certain positive influences of possible EU membership that might suggest that the pace of progress in some dimensions would increase somewhat in the future when and if EU membership approaches (again as we saw in the case of the Northern Tier CEE countries). On the other hand, should EU membership not become a possibility for the foreseeable future, then the costs of being excluded could conceivably outweigh the gains deriving from incentives to join for Serbia. There may already be more trade diversion than trade creation, e.g., in the case of the neighboring countries of the EU. In any event, given the inevitable uncertainties in all country situations, perhaps three scenarios of future trends make sense and are hence used in this analysis.²

Ultimately, phase-out or graduation decisions are based on a number of considerations. In addition to the empirical trends and analyses, the phase-out of USG assistance in a country depends in part on the strategic importance of the country to the United States, the effectiveness of USG assistance activities including progress towards developing sustainable partnership mechanisms and institutions, the receptivity of the recipient country to that assistance, and the involvement of other donors.

Economic and Democratic Reforms

Figure 1 provides a bird’s eye view of reform progress in Serbia in 2009 vis-à-vis the rest of the transition countries and vis-à-vis a plausible phase-out threshold. Broadly, Serbia’s reform progress is close to Southern Tier CEE average on democratic reforms, though well below Southern Tier CEE average, and closer to Eurasian average, on economic reforms. It is somewhat closer to the Romania-Bulgaria-Croatia in 2006 threshold in democracy than in economic reforms.

Economic Reforms Economic reforms in Serbia essentially did not begin until 2001 (*Figure 2*). Economic reforms initially advanced impressively since 2001, though the

² This method of estimating how long it might take a country to achieve a certain threshold differs from the method used during the EUR/ACE-led 2004 phase-out reviews; the latter was based in large part on the pace of change that occurred in Romania and Bulgaria (and not in the country under review).

pace has slowed in recent years. It seems plausible that Serbia's progress in economic reforms (as measured by MCP's economic reform index which draws from EBRD indicators) will meet the standards of Bulgaria, Romania, and Croatia at phase-out (2006) at some point between 2012 and 2020, depending on the starting point of the trend extrapolation.

Figures 3 and 4 highlight the components of the economic reform index and Serbia's 2009 level of economic reform progress in each component relative to standards of advanced industrial market economies (a score of "5" by definition), to the Romania-Bulgaria-Croatia in 2006 threshold, and relative to economic reform progress in Serbia in 1999. Progress has been made across the board since 1999, though gaps remain vis-à-vis the Romania-Bulgaria-Croatia in 2006 thresholds in all nine economic reform indicators.

Of the nine economic reform areas tracked by the EBRD, only trade and foreign exchange measurably advanced from 2008 to 2009. Since signing the Stabilization and Association Agreement (SAA) with the European Commission in 2008, Serbia has begun unilaterally to implement an Interim Trade Agreement with the European Union. However, implementation from the EU side remains blocked (as of August 2009) because of Serbia's perceived lack of full cooperation with the International Criminal Tribunal for the former Yugoslavia.

Figure 5 shows results from the World Bank's *Doing Business* survey. These microeconomic reform indicators complement the more macro economic reform indicators from the EBRD that go into the MCP's economic reform index. Overall, Serbia's business climate ranked 88th out of 178 nations worldwide in 2009, compared with 86th in 2007 and 68th in 2006. Serbia has considerable room for improvement. Of the ten business climate indicators that go into the ranking, Serbia scored the worst (i.e., ranked the highest) in Dealing with Construction Permits (174 rank); followed by Paying Taxes: (137 rank); Registering Property (105 rank) and Closing a Business (102 rank).

The 2008/09 Business Environment and Enterprise Performance Survey (BEEPS IV), enterprises identified tax rates, competition from the informal sector and lack of access to finance as the main obstacles to doing business.

Democratic Reforms Serbia made very impressive democratic reform gains following the 2000 fall of the Milosevic regime, although progress since 2002 has slowed to a much more moderate pace (*Figure 6*). No democratization gains were recorded in 2008 in Serbia according to Freedom House in its aggregate political rights and civil liberties scores. There has even been some limited backsliding since 2006 in democratization (as governance has become more centralized). With the most optimistic projection of the recent trend, Serbia's democratic reform progress is not likely to meet Bulgaria-Romania-Croatia in 2006 standards before 2024.

There are a number of democratic reform gaps vis-à-vis the Bulgaria-Romania-Croatia in 2006 thresholds, though most are relatively small gaps (*Figure 7*), and all democracy

areas have witnessed impressive gains in Serbia since 1999 (*Figure 8*). Vis-à-vis the Romania-Bulgaria-Croatia threshold, the largest gaps are in electoral process, national governance, and rule of law (*Figure 7*). In one area – independent media – Serbia has reached the threshold. The largest democratization gap relative to Western standards is in the fight against corruption (with Serbia scoring a “2.7” out of “5” as shown in *Figure 7*).

The Freedom House authors of the Nations in Transit chapter on Serbia reported that “free and fair elections were held at all levels in 2008,” but criticized Serbia’s “antiquated” voter registration system.

Freedom House states that “cooperation between NGOs and the state has advanced and the NGO community is increasingly seen as a viable partner.” Nations in Transit 2009, referring to events of 2008, cited the failure to enact the new Law on Associations as the reason for not improving Serbia’s rating for civil society. However, in July 2009 the Serbian Parliament approved the Law on Associations in, what the International Center for Not-For-Profit Law (ICNL) referred to as, “the culmination of long efforts to bring the legal framework for associations in Serbia closer to international standards and regional best practices.” According to ICNL, the Law requires only three natural or legal persons to establish an association, permits informal associations to operate, and sets out rules governing the establishment of branch offices of foreign associations operating in Serbia, which had operated in “a legal vacuum”.

In the sphere of local governance, the Statute of Vojvodina was accepted by the regional assembly, but the Parliament of Serbia did not confirm it by the end of 2008. The government took steps to address the more than four million citizens who have no midlevel representation between their municipalities and the central government, and the problematic voting procedure for local councilors, which requires voters to vote for political parties instead of individuals. As Freedom House explained, “important reforms addressing these issues were initiated or announced in 2008, but were not implemented.” Therefore, Serbia’s rating for local democratic governance remained unchanged from the prior year.

In the Rule of Law sector, Freedom House cited the implementation of a comprehensive set of judicial laws addressing the organization of courts, the election of judges, the formation of the High Judicial Council, the powers of the public prosecutor, and the administrative power and jurisdiction of courts. Freedom House left Serbia’s score unchanged, however, because of “lengthy court procedures and a substantial backlog of cases [that] continues to hinder the judicial process in Serbia”.

Freedom House also specified that widespread corruption is a key problem in Serbia as identified by EU monitors. The Law on Confiscation of Property Originating from Criminal Act and the Law on the Anti-Corruption Agency were adopted to curb widespread corruption. Nonetheless, one-third of state officials do not submit details on their assets, despite being legally required to so, and access to information on government bodies as required by the Law on Free Access to Information is hindered by improper classification and problematic access procedures.

According to Transparency International's measures, the perception of corruption in Serbia is also high, though not quite at the "rampant" corruption level (by Transparency International's definition) and comparable to other Southern Tier CEE countries (*Figure 9*).

The domination of TV stations over print media, the irresponsibility of tabloids, and some government involvement in media, were cited by Freedom House as the primary reasons Serbia's score on the independent media indicator did not improve in 2008.

Serbia's independent media is "nearly sustainable" and has closely tracked the Southern Tier CEE average, according to IREX's *Media Sustainability Index (Figure 10)*. Five components go into the index: free speech; professional journalism; plurality of news sources; business management; and supporting institutions. Progress along these five dimensions in most of Southern Tier CEE tends to be balanced or comparable. Serbia's leading area had been in business management, which was the only "sustainable" component in 2006-07. However, this component slipped out of the sustainable category and has declined for two consecutive years. According to IREX, much of the decline in the business management score is attributable to a saturated media market and budget shortfalls. Serbia's strongest component of the index is plurality of news sources. Its weakest area is professional journalism, which is rated as "unsustainable – mixed system."

Serbia's NGO sector is in "mid-transition," and well short of "consolidation," according to USAID's *NGO Sustainability Index (Figure 11)*. According to this measure, Serbia's NGO sector has made no progress since 2005, and is the least developed in the Southern Tier CEE (including Kosovo), though more advanced than NGO sectors in Eurasia on average. Serbia's NGO profile is similar to the Southern Tier CEE profile; i.e., advocacy is a leading component (alongside infrastructure) while financial viability is the lagging NGO component. According to the NGOSI, "Serbia lacks any significant membership-driven organizations and civil society has yet to figure out a way to survive without external donors. NGOs continue to rely on foreign funding in spite of stiff competition and a general decrease in available funds. The year 2008, however, saw an important increase in government and private sector support of civil society, especially on the local level." The *NGO Sustainability Index* measures eight components towards a sustainable NGO sector. In six of eight of those components, Serbia lags behind all other Southern Tier CEE countries, including Kosovo.

Recent opinion data in Serbia points to a trend of public disengagement from civil society and a declining trust in institutions. *Figures 12 and 13* reflect data collected in May 2009 survey by USAID, StrategicPuls Group, and the Institute for Sustainable Communities. *Figure 12* shows that a large majority of Serbian citizens do not belong to any groups, organizations, networks, or associations and that membership has declined across-the-board since 2006. *Figure 13* shows that, in comparison to 2006, already low trust in

institutions has decreased, especially in the case of the Serbian legislature and the Serbian government.

Economic Performance and Human Capital

Drawing from the *MCP* indices, Serbia's economic performance is among the poorest of the Southern Tier CEE countries and roughly Eurasian average (*Figure 14*). Within the Southern Tier CEE countries, perhaps only Kosovo's economic performance is as bad. Serbia's human capital is more advanced in relative terms; roughly comparable to that of Bulgaria's in the Southern Tier CEE. Serbia has far to go towards attaining the Romania-Bulgaria-Croatia in 2006 economic performance threshold. In contrast, Serbia has met the human capital standards of Romania-Bulgaria-Croatia in 2006.

Economic Performance *Figure 15* shows Serbia's economic performance trends over time. Similar to the economic and democratic reform trends, Serbia's economic performance stagnated through the early 2000s, and subsequently (with Milosevic's ouster) advanced impressively, particularly in the early post-Milosevic years. However, Serbia's economic performance score declined between 2007 and 2008 – the first such decline in the index for Serbia in almost a decade. If a more positive projection is used, based on the trend before the recent decline, Serbia could achieve the Romania-Bulgaria-Croatia in 2006 threshold in 2019.

Figure 16 disaggregates the economic performance index and shows the gaps against the Romania-Bulgaria-Croatia in 2006 thresholds. The biggest gaps are in long-term unemployment, domestic inequality, export sector, and macro-stability. Economic performance gaps are significant even though economic growth in Serbia in recent years has been good; 4% average annual from 2005-2009, which is also the Southern Tier CEE average. The 4% projected decline in GDP for 2009 in Serbia is similar, although on the high end, of that forecast for the rest of the Southern Tier CEE (*Figure 17*). Serbia's GDP today remains far below 1989 GDP, less than 70%, and well below the Southern Tier CEE average (*Figure 18*). All countries and sub-regions within E&E experienced a decline between 2008 and 2009. However, of all the transition countries, perhaps only Moldova, Ukraine and Georgia have a lower current GDP to 1989 GDP ratio than does Serbia.

According to the EBRD, following real GDP growth of 5.4 per cent in 2008, the crisis was increasingly felt in the first half of 2009, when the economy contracted sharply. Figures for the first half of the year showed a year-on-year fall of 4.1 per cent, while industrial output was down 17.4 per cent relative to the same period last year. Credit growth has slowed significantly from the rapid rates seen in recent years, and interbank interest rates stood at more than 13 per cent as of July 2009. The dinar depreciated sharply at the end of last year and the start of 2009, necessitating central bank intervention to prevent even greater falls, but has since stabilized. The NBS did not intervene further in the foreign exchange market between late February and September.

The government is struggling to keep to the commitments under the new arrangement with the IMF. In early September 2009 the IMF mission and the authorities agreed that the government deficit target for 2009 could be increased from 3 per cent to 4.5 per cent of GDP, but completion of the second review of the stand-by arrangement was delayed, pending further steps by the government to make firm commitments to reduce spending in 2010 and to implement reforms in health, education and pensions.

The EBRD Transition Report released in November forecasts that GDP will contract by about 4 per cent in 2009, with a modest recovery in 2010. According to the EBRD, the main macroeconomic challenge is on the fiscal side, as the authorities try to control pressures for greater spending. While there is still a significant pipeline of privatization projects, it may be difficult to obtain a politically acceptable price for these assets in the present environment. Furthermore, banks are reluctant to lend, especially to small and medium-sized enterprises, even though adequate funds are available. More positively, the country enjoys strong support from IFIs and from parent banks of subsidiaries in Serbia, and this is expected to continue. Over the medium term, prospects for further integration with the European Union should contribute to the country's good potential for resuming high growth rates.

Serbia's export share of GDP remains low, less than 30%, compared with a Southern Tier and Eurasian average of 44%. (*Figure 19*)

Foreign direct investment (FDI) flows have increased notably by 2008, particularly since 2003, though cumulative per capita FDI in Serbia remains well below CEE standards (*Figure 20*). However, the EBRD expects a sharp reduction in foreign direct investment (FDI) this year, which will make it harder to finance the current account deficit (over 17 per cent of GDP in 2008, although falling sharply in 2009).

Long term unemployment is particularly high in Serbia. A large majority of the roughly 18% unemployed were unemployed for more than one year in Serbia. Youth unemployment and youth informal sector employment in Serbia are also very high (*Figure 21*), though estimates from different sources vary widely. According to UNICEF, the youth unemployment rate (among ages 15-24) is over forty percent, although a declining trend may have begun. (*Figure 22*)

Human Capital Serbia's human capital, as measured by the *MCP* index, is quite high relative to Southern Tier CEE and Eurasian standards (*Figures 14* and *23*), though falls short of the levels attained in the Northern Tier CEE countries as well as in Croatia and Montenegro. Serbia's human capital level exceeds the Romania-Bulgaria-Croatia in 2006 threshold. However, current levels are less than what they were in the 1990s, though human capital may have bottomed out in 2001.

Figure 24 disaggregates the human capital index and shows the gaps against the Romania-Bulgaria-Croatia in 2006 thresholds. Basic health and education indicators are quite favorable. Serbia's under five years of age mortality rate is 8 per 1,000 children,

not quite as low as Northern Tier CEE standards, but notably lower than Southern Tier CEE average. Life expectancy in Serbia was 73 years in 2007 and has been increasing for both males and females. These levels are at the Southern Tier CEE average and are comparable to life expectancy in Estonia, Bulgaria, Romania, and Hungary.

Serbia's tuberculosis incidence rate is 27 per 100,000 in population, far closer to the Northern Tier CEE average of 25 than the Southern Tier CEE average of 50. The Romania, Bulgaria, Croatia average in 2006 was 62 per 100,000 in population. (*Figure 25*)

Serbia scores relatively well on education indicators – above the Romania Bulgaria Croatia threshold in Education Gaps. It has a gross primary enrollment rate of 99%, closer to the Northern Tier CEE than to the Southern Tier CEE average. (*Figure 26*)

One of the weakest indicators for Serbia within the human capital index is per capita income. Whether measured in purchasing power parity terms or in U.S. dollars via official exchange rates, Serbia's average income is well below the Romania-Bulgaria-Croatia in 2006 average and less than the Southern Tier CEE average. One of the ways a low per capita income is often manifested in E&E is through a reliance on remittances from citizens working outside a country's borders. While the trend has had a downward slope in recent years, remittances in Serbia in 2008 made up 11% of GDP (the same as Albania). Only Bosnia, with 16%, was higher within the Southern Tier CEE. (*Figure 27*)

Serbia's Human Capital performance is weakest on public expenditure on health & education as a percentage of GDP. The combined average score of 3.7% is below Montenegro (5.5%) and Kosovo (3.8%).

Peace and Security

Finally, we provide some analysis from the recent development of a peace and security (P&S) index. The components of this index are drawn closely from the U.S. government's foreign assistance strategic framework of peace and security. The P&S index is made up of six components, with data drawn from global datasets, each of which is an index in itself: (1) *counterterrorism*; (2) *combating weapons of mass destruction*; (3) *stabilization operations and security sector reform*; (4) *counternarcotics*; (5) *combating transnational crime*; and (6) *conflict mitigation*.

With a total P&S score of 2.9 out of 5.0, Serbia is below the 3.3 average for the Southern Tier CEE and even further behind the Croatia, Bulgaria Romania Average of 3.7. (*Figure 28*) *Figure 29* disaggregates these data and reveals gaps in most areas.

Further disaggregation of the index reveals that, although Serbia's counterterrorism score is at the Southern Tier CEE average of 3.3 (*Figure 30*), it scores particularly poorly on the indicator Political Stability and Absence of Violence. This indicator, taken from the World Bank Institute, is scored primarily by aggregating scores of various political and

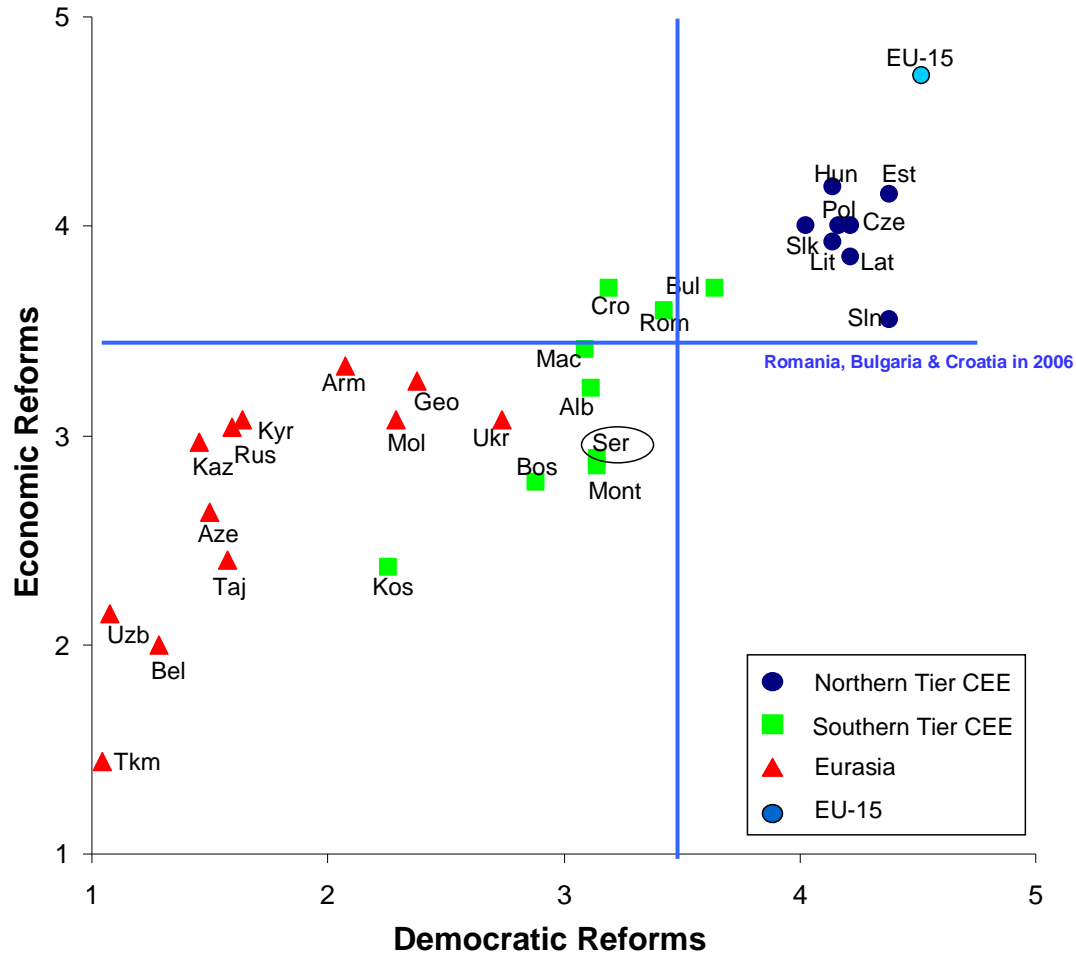
country risk surveys. It reveals that Serbia scores in the 28th percentile worldwide, the third worst performer in the Southern Tier CEE, after Kosovo and Bosnia, and comparable to Morocco. (*Figure 31*) The relatively low score indicates that Serbia continues to be perceived as an unstable, violence-prone country.

Figure 32 disaggregates the scores for Stabilization Operations and Defense Reform. Serbia receives a 3.4. However, this relatively high aggregate score is an average of very high scores for Military Expenditures (meaning that it is closely aligned with the NATO-recommended rate of 2% of GDP) and Human Rights, and lower scores for Homicide Rate and State Institutions. Taken from the Fund for Peace's *Failed States Index*, the State Institutions indicator looks at the quality of institutions considered critical to security sector. Overall, Serbia scores 2.4 out of 5.0, higher than Bosnia (2.2), but lower than Macedonia with 2.6. "State Institutions" can be further disaggregated to show individual scores on the institutions rated. *Figure 33* shows Serbia scoring particularly poorly (2 out of 5) on the quality of its institutions for the judiciary, police, and national leadership.

Various measures of illicit drugs show mixed outcomes in Serbia. (*Figure 34*) The relatively low rate of drug Seizures in Serbia results in a score on this indicator of 3.5 out of 5.0. On the Interdiction indicator, based on State Department *International Narcotics Control Strategy Report*, Serbia receives a 2.7. A further examination of the Interdiction indicator shows that Serbia does not have a significant production problem and its governmental counternarcotics capacity is adequate. However, Serbia is considered to be a significant narcotics transit route, bringing the Interdiction score considerably below the Romania, Bulgaria Croatia average of 3.4

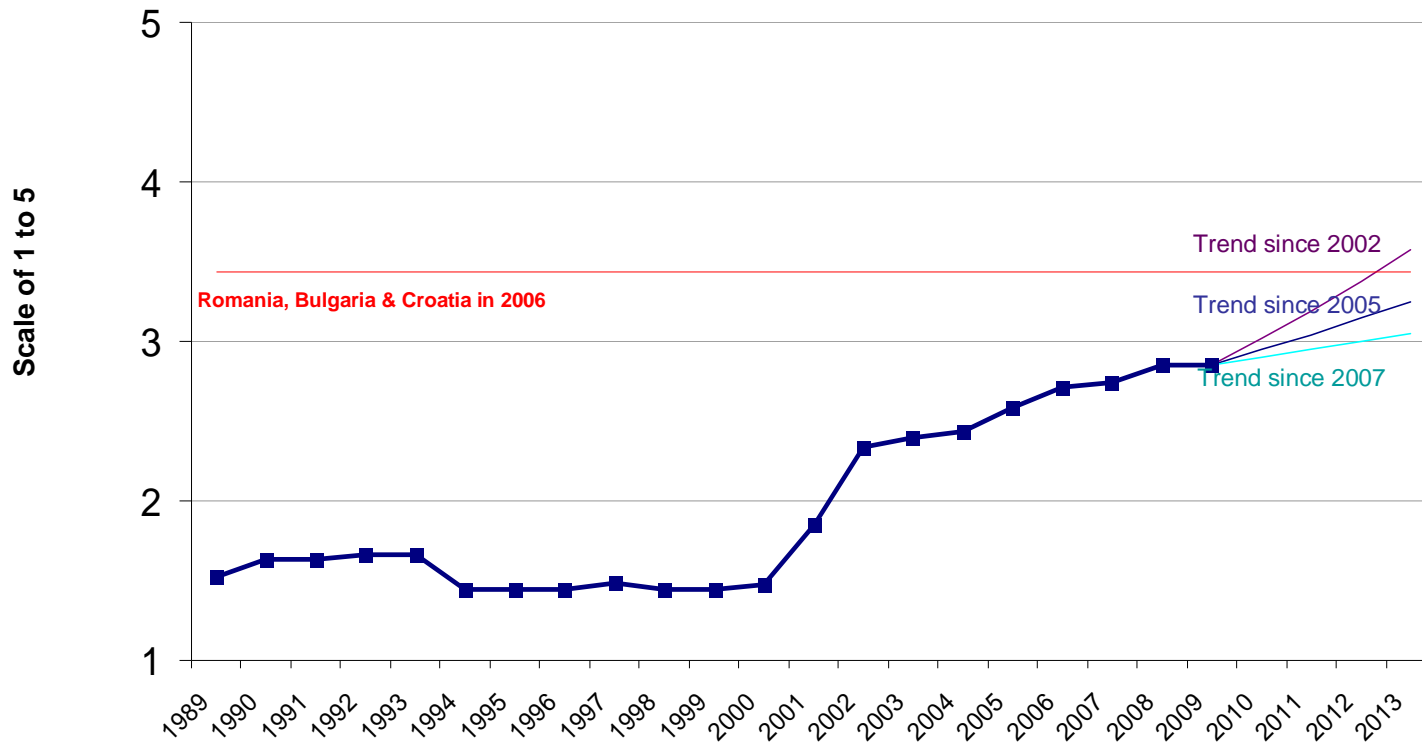
Another counternarcotics indicator on which Serbia scores poorly is Changes in Use Pattern. Drawing from UNODC data, Serbia receives the lowest score in the E&E region, meaning there has been a significant increase in the level of drug use since the last UN survey. The UNODC estimates there has been "some increase" in both opiate and cocaine use, and a "large increase" in both amphetamine and cannabis use. (*Figure 35*)

Economic and Democratic Reforms in 2008-2009



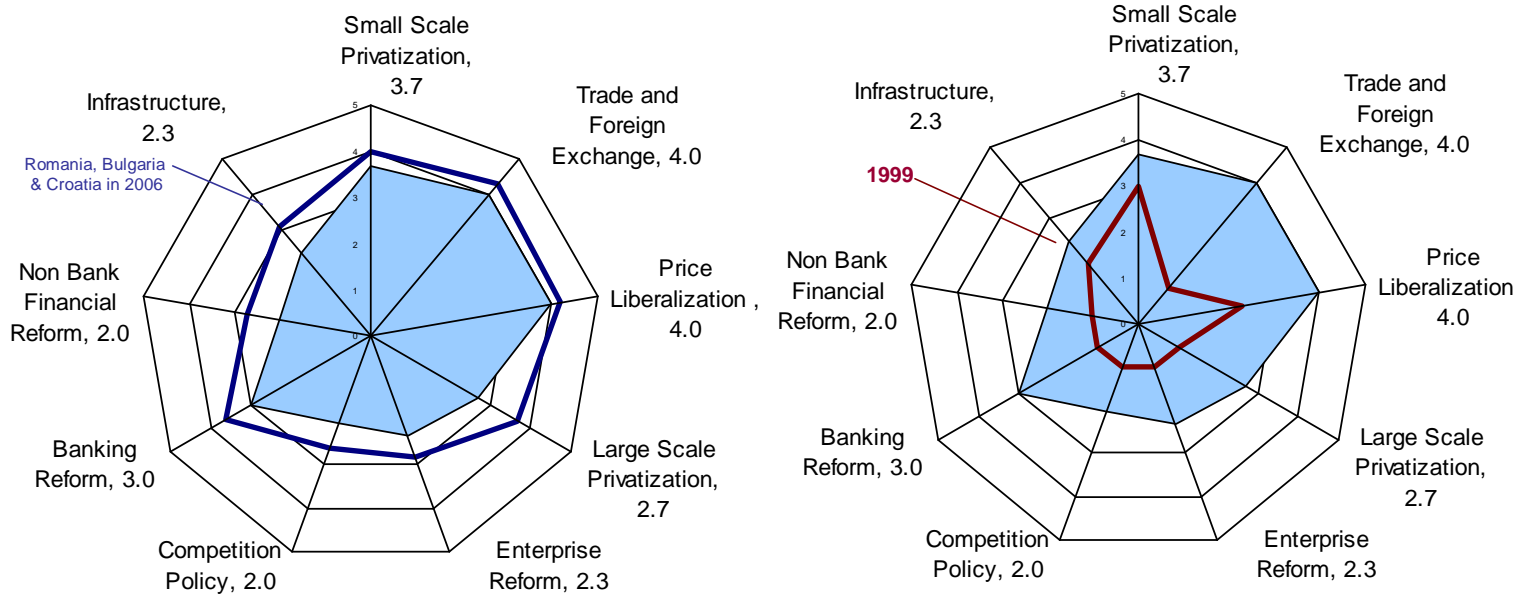
Ratings are based on a 1 to 5 scale, with 5 representing most advanced. Freedom House, *Nations in Transit 2009* (2009) and EBRD, *Transition Report 2009* (November 2009).

Economic Reform in Serbia in 2009



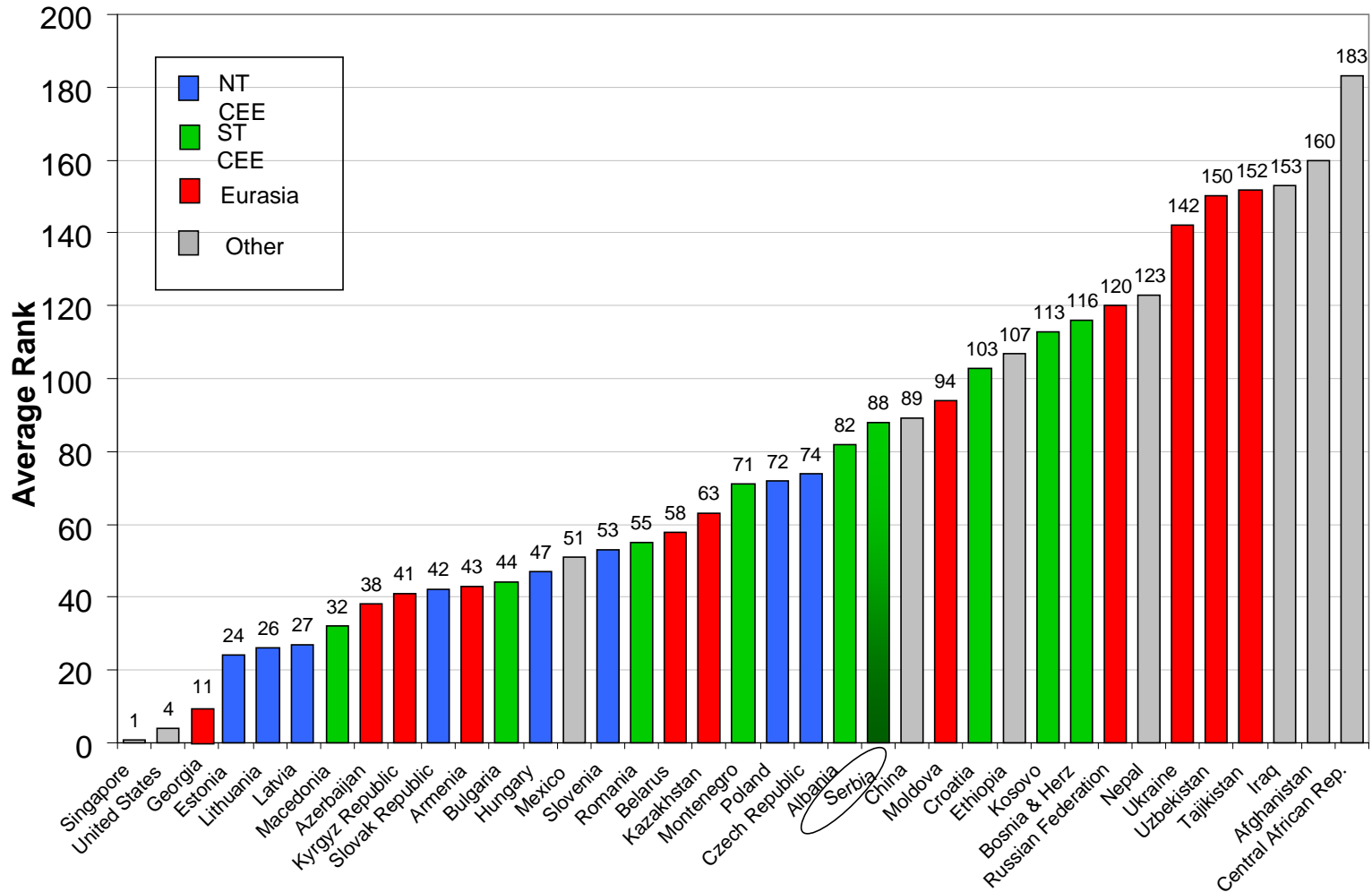
Ratings are based on a 1 to 5 scale, with 5 representing most advanced. USAID, Monitoring Country Progress in CEE & Eurasia system drawing from EBRD, *Transition Report 2009* (November 2009).

Economic Reform in Serbia in 2009



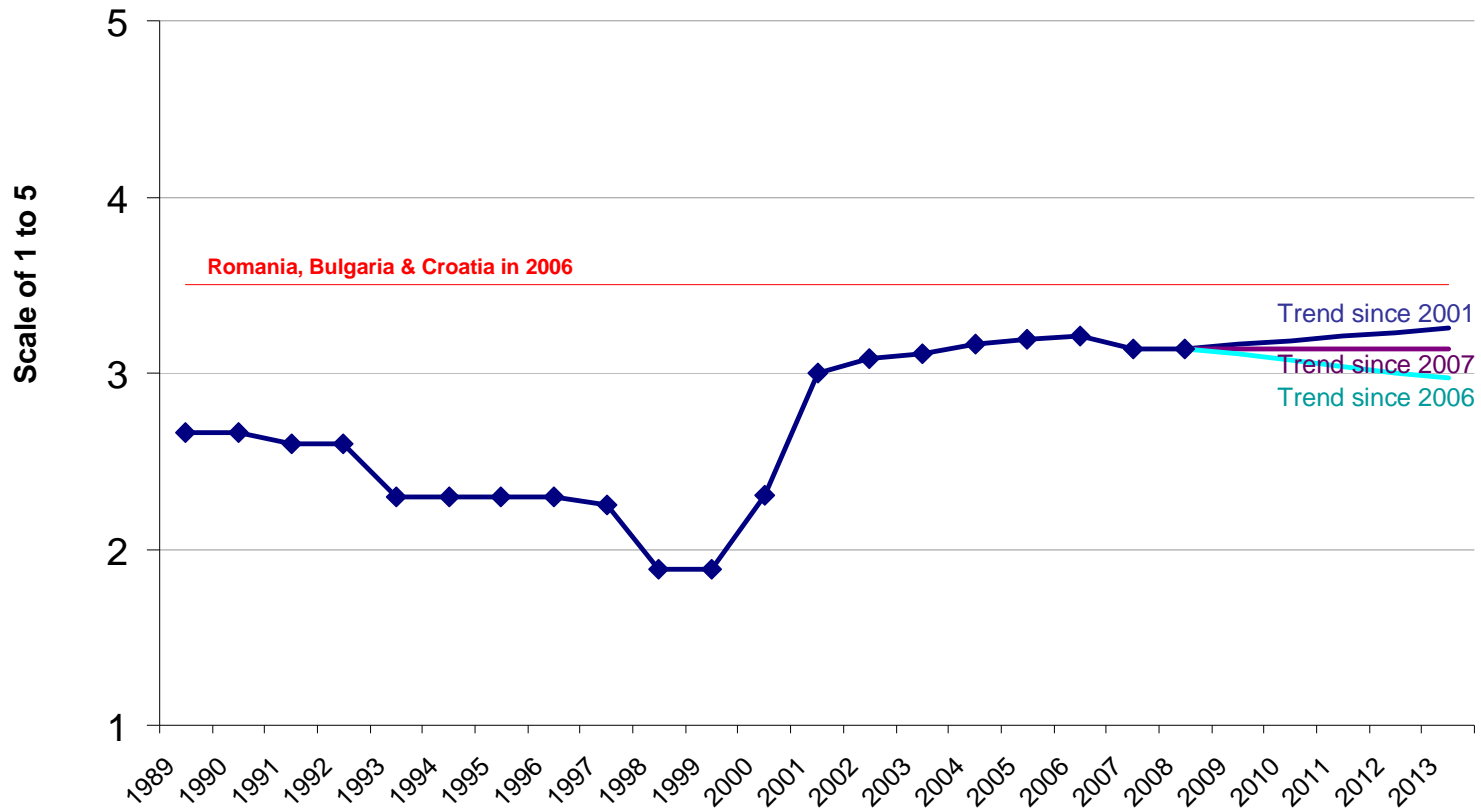
Ratings are based on a 1 to 5 scale, with 5 representing most advanced. USAID, Monitoring Country Progress in CEE & Eurasia system drawing from EBRD, *Transition Report 2009* (November 2009).

Business Environment in 2009



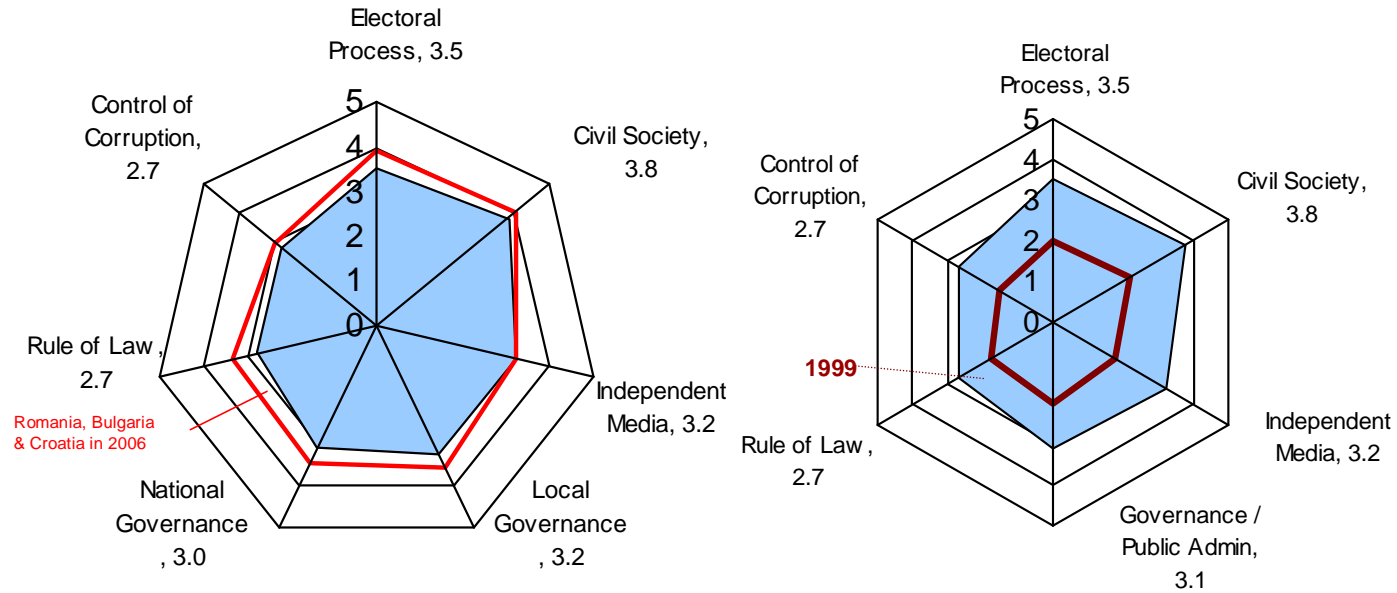
World Bank, *Doing Business in 2010* (September 2009). Worldwide scores range from 1 to 183 and include 10 topics: starting a business, dealing with construction, hiring and firing workers, registering a property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, closing a business.

Democratic Reform in Serbia (2008)



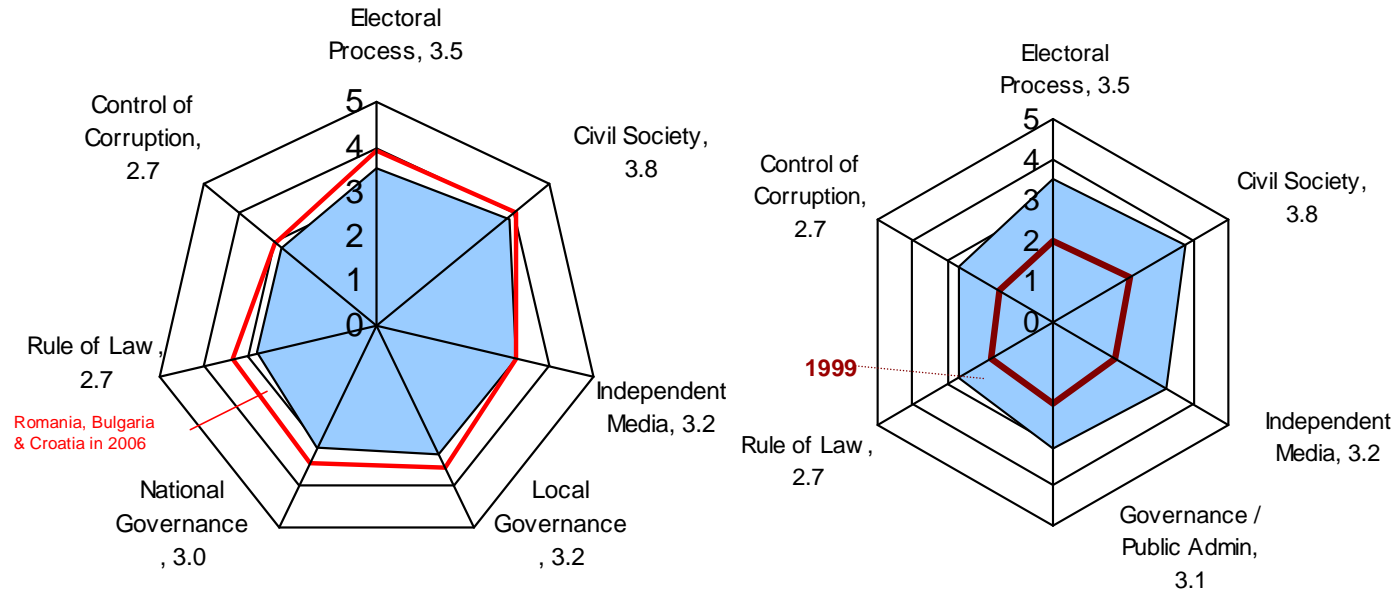
Ratings are based on a 1 to 5 scale, with 5 representing most advanced. Freedom House, *Nations in Transit 2009* (2008)

Democratic Reforms in Serbia in 2008



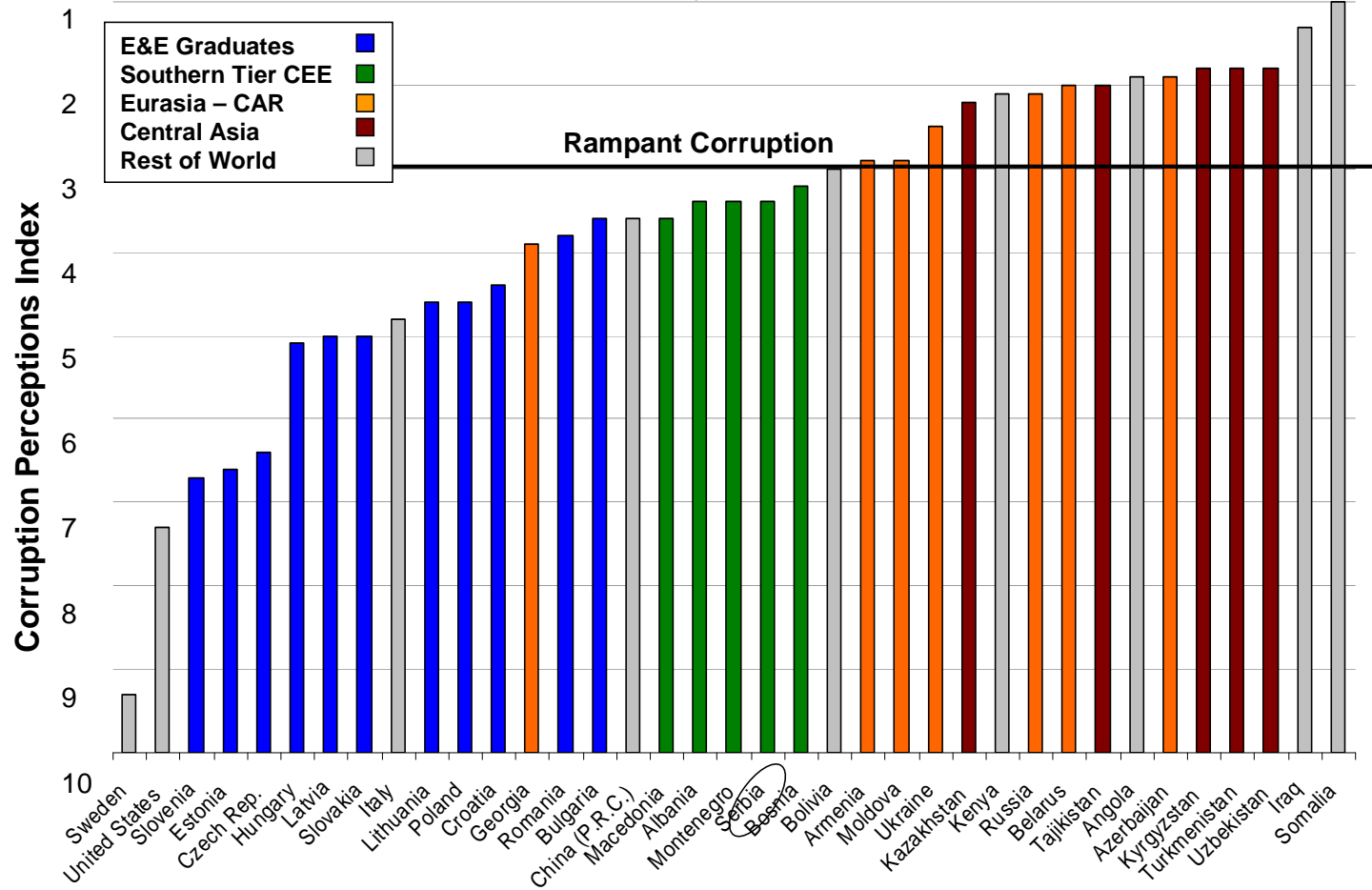
Ratings are based on a 1 to 5 scale, with 5 representing most advanced. Freedom House, *Nations in Transit 2009* (2008)

Democratic Reforms in Serbia in 2008



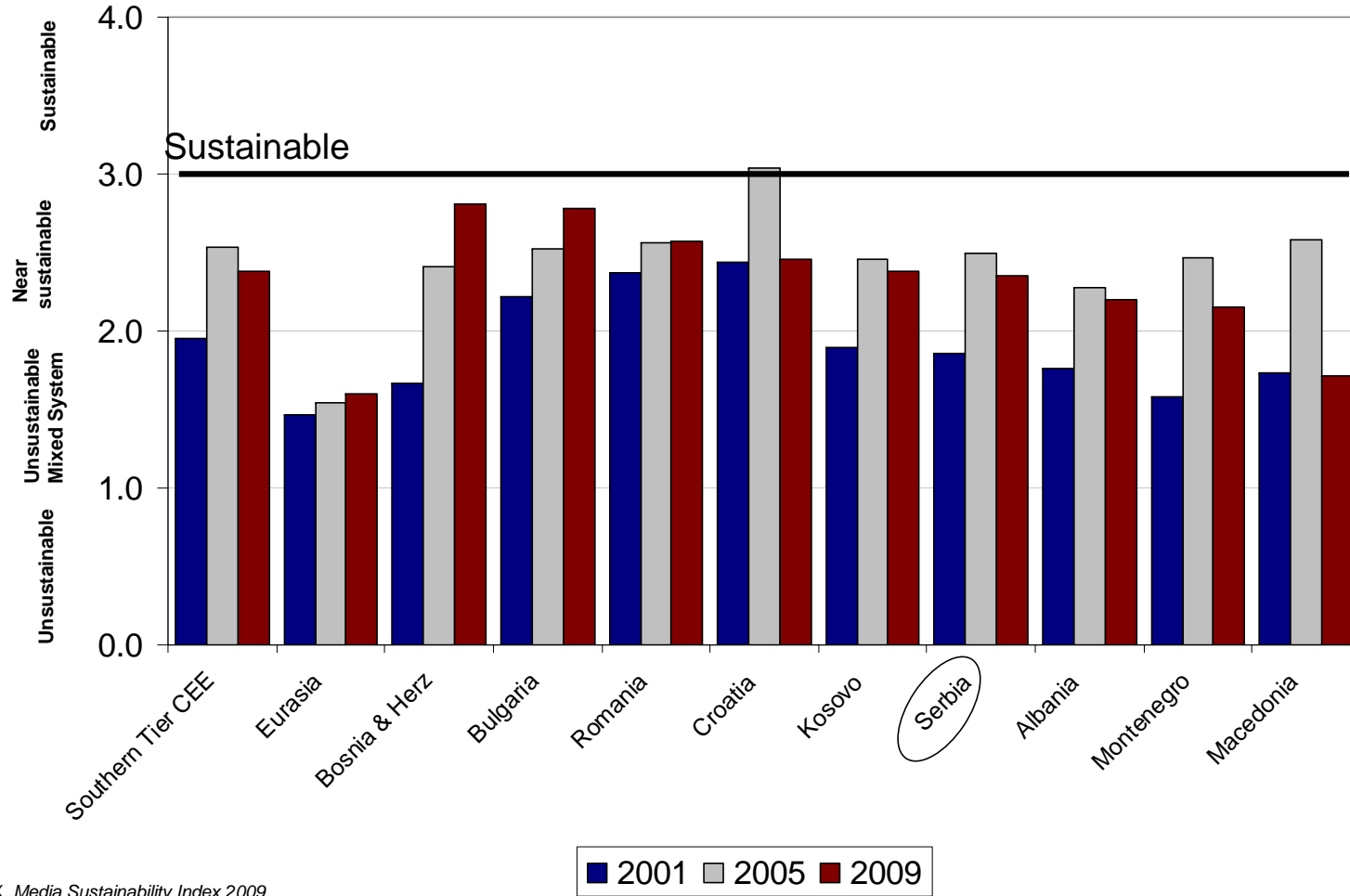
Ratings are based on a 1 to 5 scale, with 5 representing most advanced. Freedom House, *Nations in Transit 2009* (2008)

Corruption Perceptions in 2008 (Transparency International)



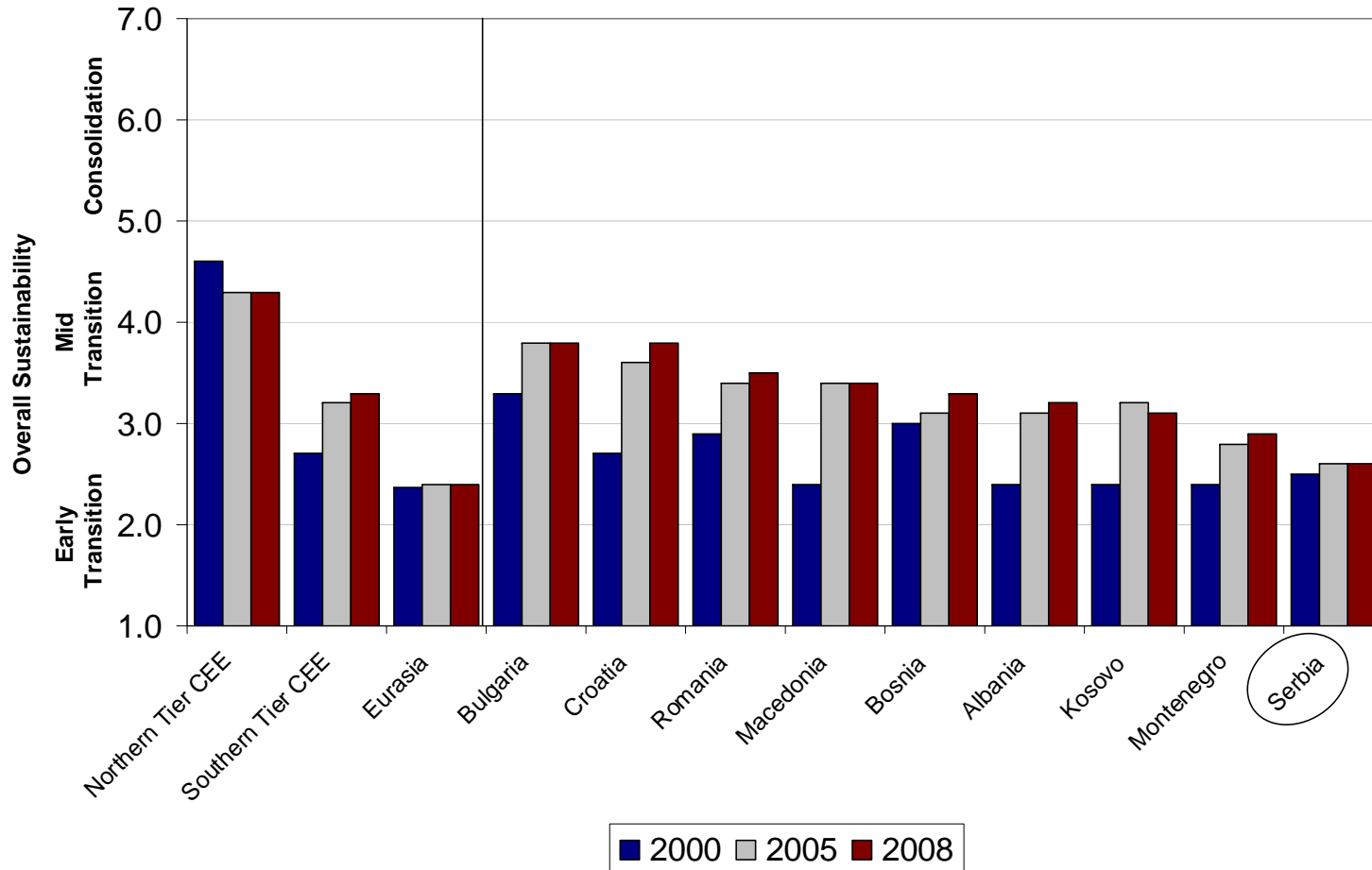
Transparency International, *Corruption Perceptions Index 2008* (September 2008). Ratings on a 1 to 10, with 10 representing least amount of corruption.

Media Sustainability Index



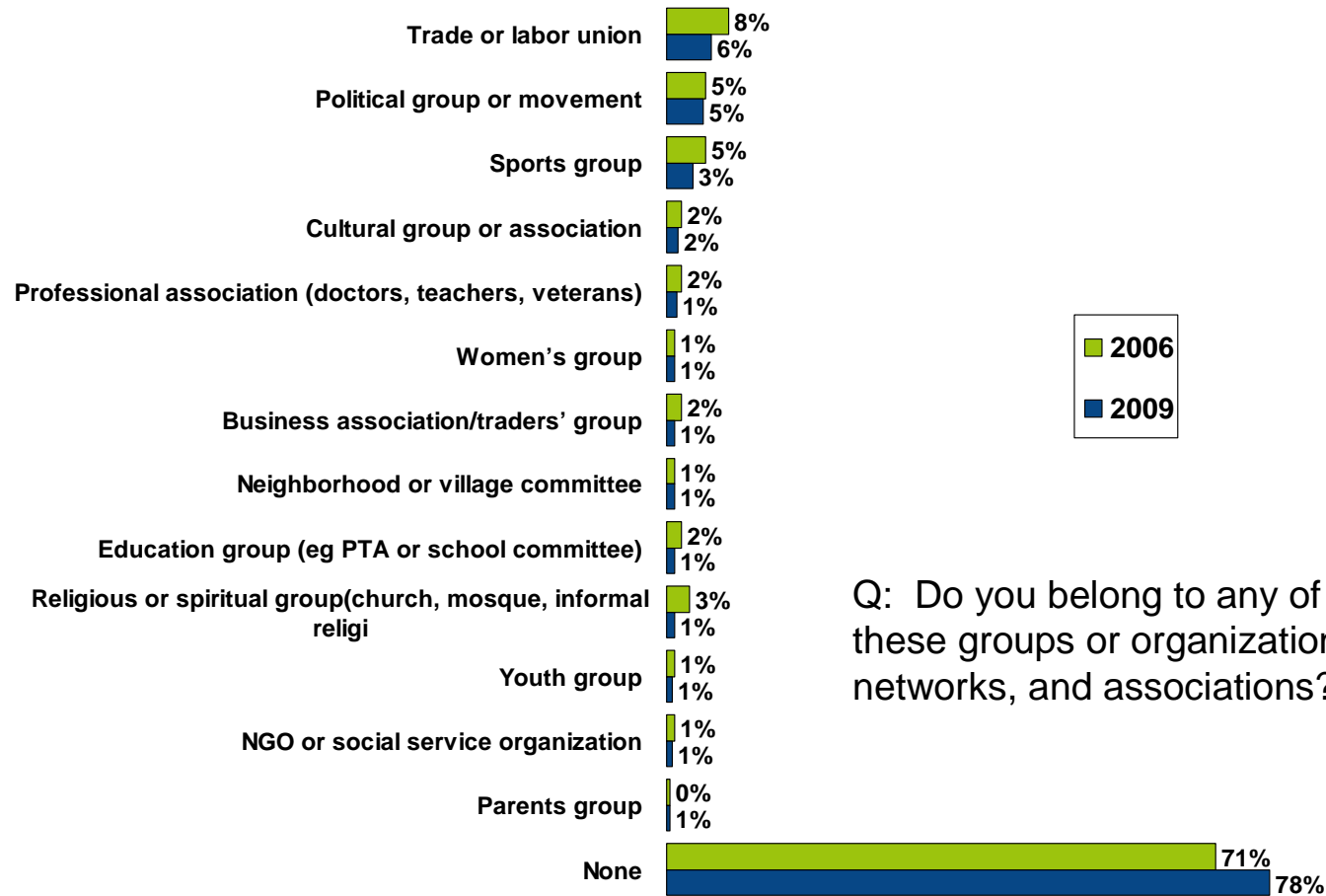
IREX, Media Sustainability Index 2009.

NGO Sustainability Index



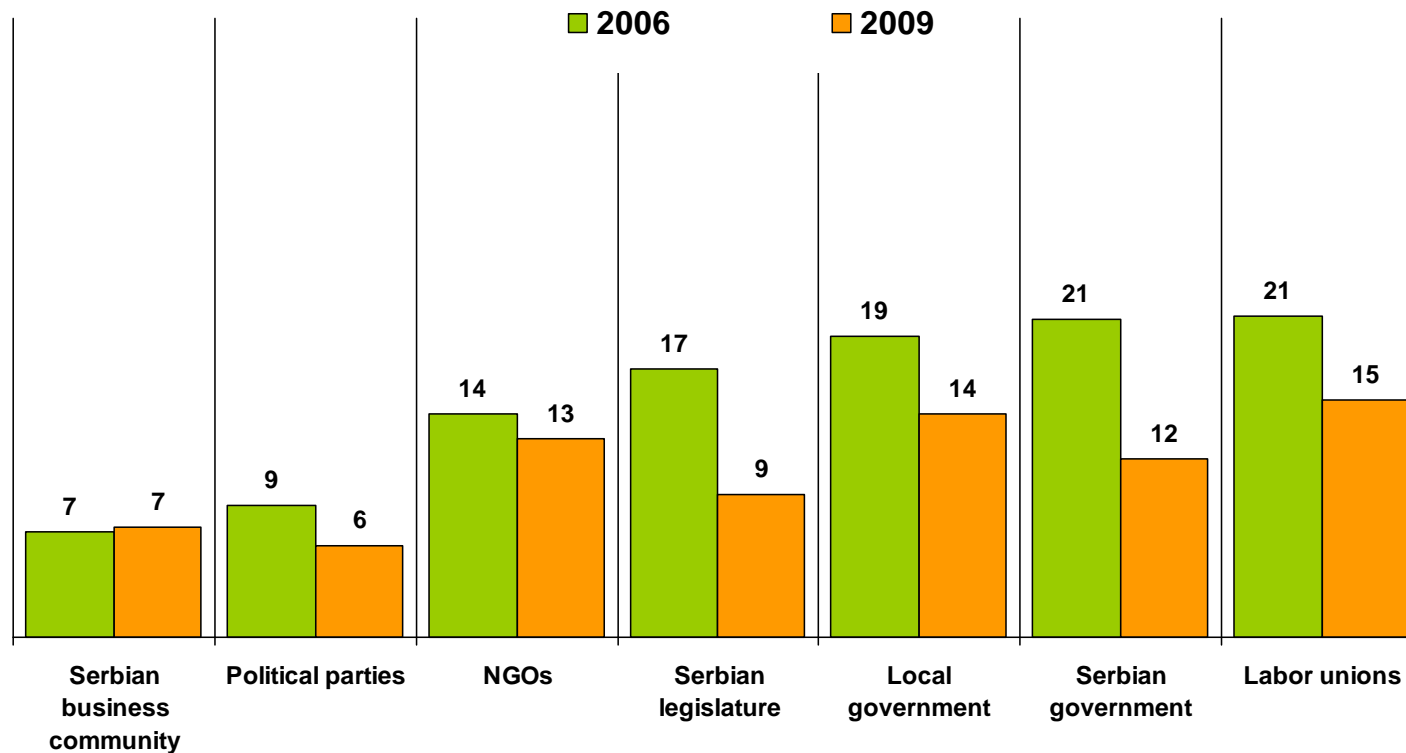
The NGO Sustainability Index is an average score of seven indicators; legal environment; organizational capacity; financial viability; advocacy; service provision; Infrastructure and public image. These are scored on a scale of 1-7 with 1 being the most sustainable. USAID/E&E/office of Democracy. Governance and Social Transition, 2006 NGO Sustainability Index for Central and Eastern Europe and Eurasia.

Civil Society Membership in Serbia



Trust in Institutions in Serbia

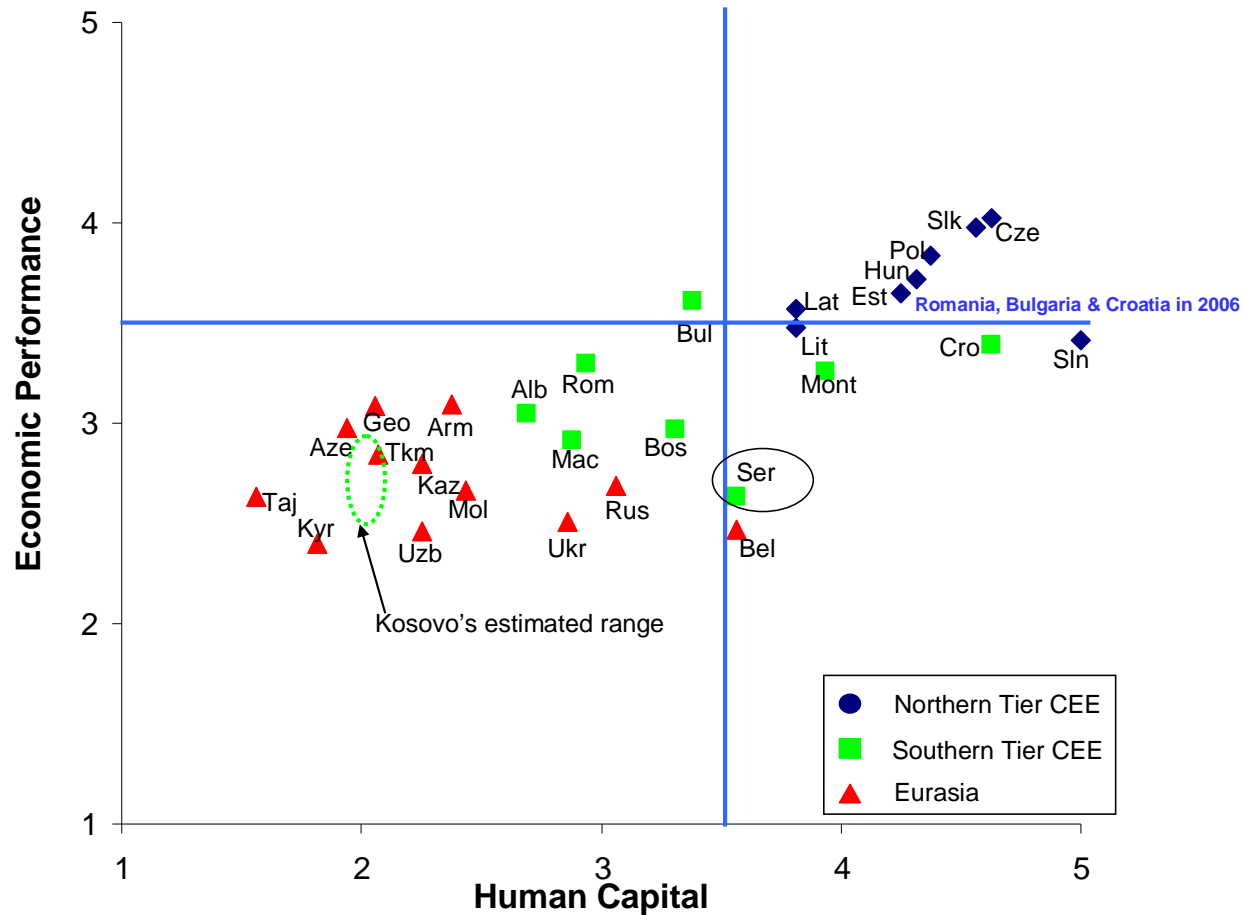
Q: How much do you trust the following institutions to work in the best interest of society – % answers: “mostly + completely trust”



USAID, StrategicPuls Group, Institute for Sustainable Communities, PUBLIC PERCEPTION AND ATTITUDES TOWARDS NGO SECTOR IN SERBIA, May 2009

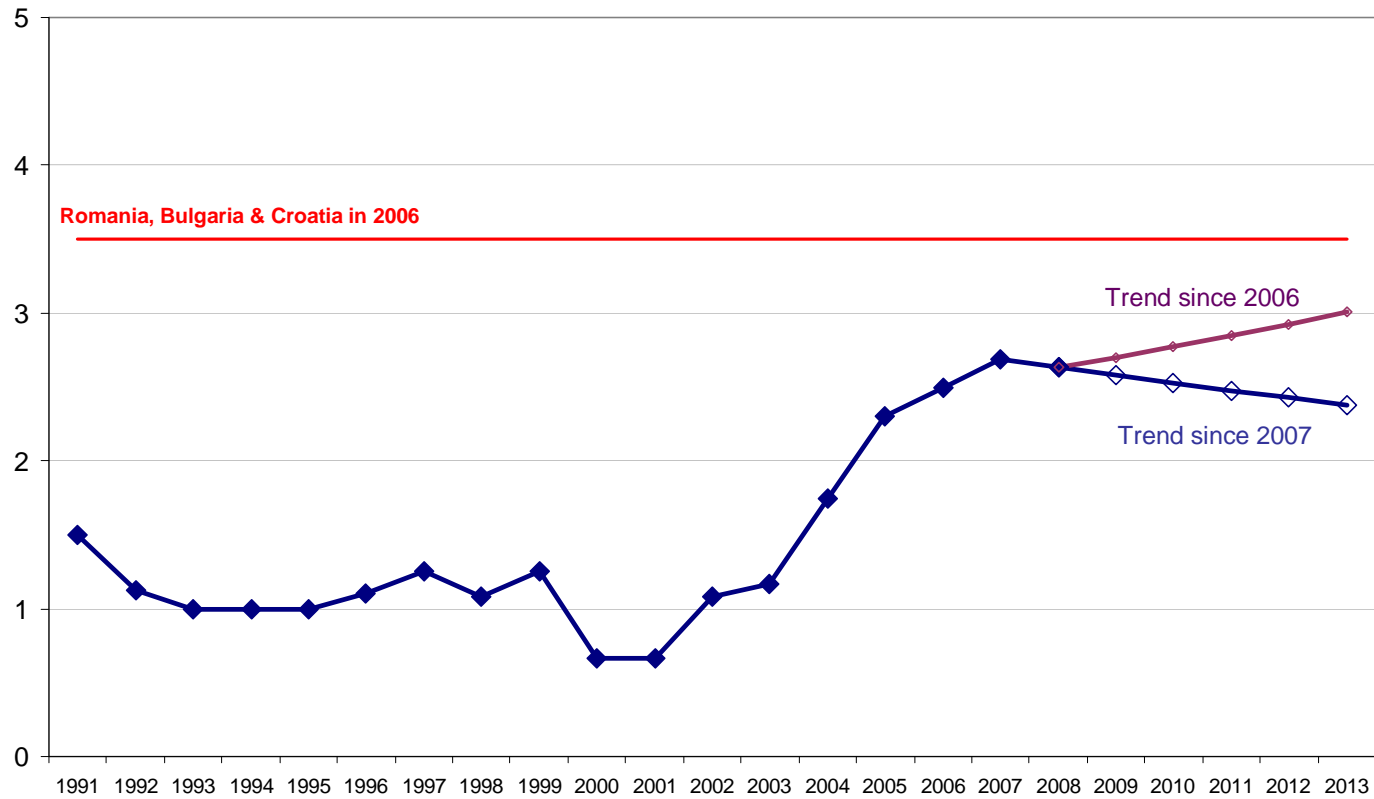
Figure 14

Economic Performance and Human Capital in 2006-2009



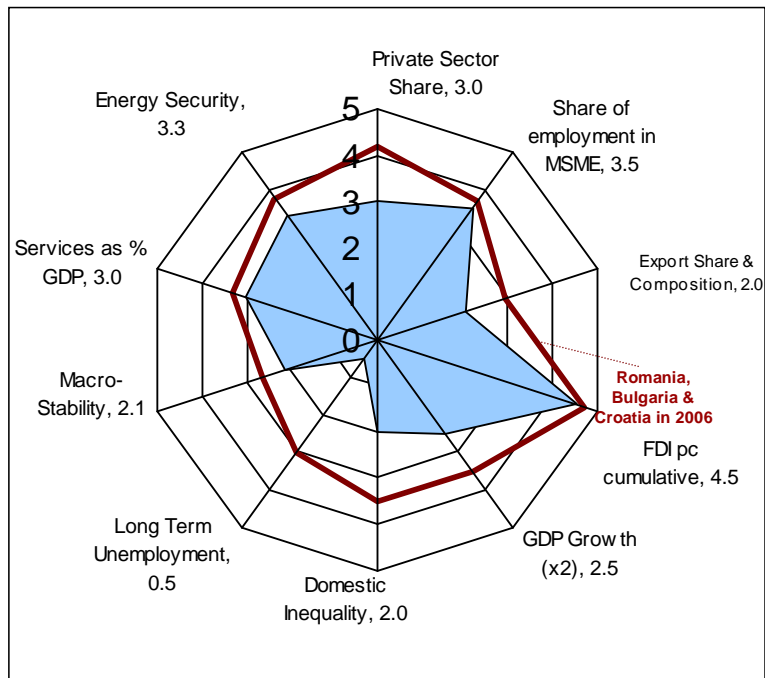
Ratings are based on a scale from 1 to 5, with 5 representing the best score. USAID, Monitoring Country Progress in CEE & Eurasia #12 (2009 forthcoming) drawing from World Bank, *World Development Indicators 2009* (April 2009); EBRD, *Transition Report 2009* (November 2009); UNECE, *Statistical Division Database* (2009); Fund for Peace, *Failed States Index* (2009); IFC & World Bank, *MSME Database* (2007); UNICEF, *TransMONEE Database* (2009); World Health Organization European Health For All Database (2009); IEA, *TIMSS 2003 International Mathematics Report* (2004), *TIMSS 2003 International Science Report* (2004) and *PIRLS 2001 International Report* (2003); OECD, *Literacy Skills for the World of Tomorrow: Further Results from PISA 2000* (2003), *First Results from PISA 2003* (2004) and *International Adult Literacy Survey* (2000).

Economic Performance in Serbia



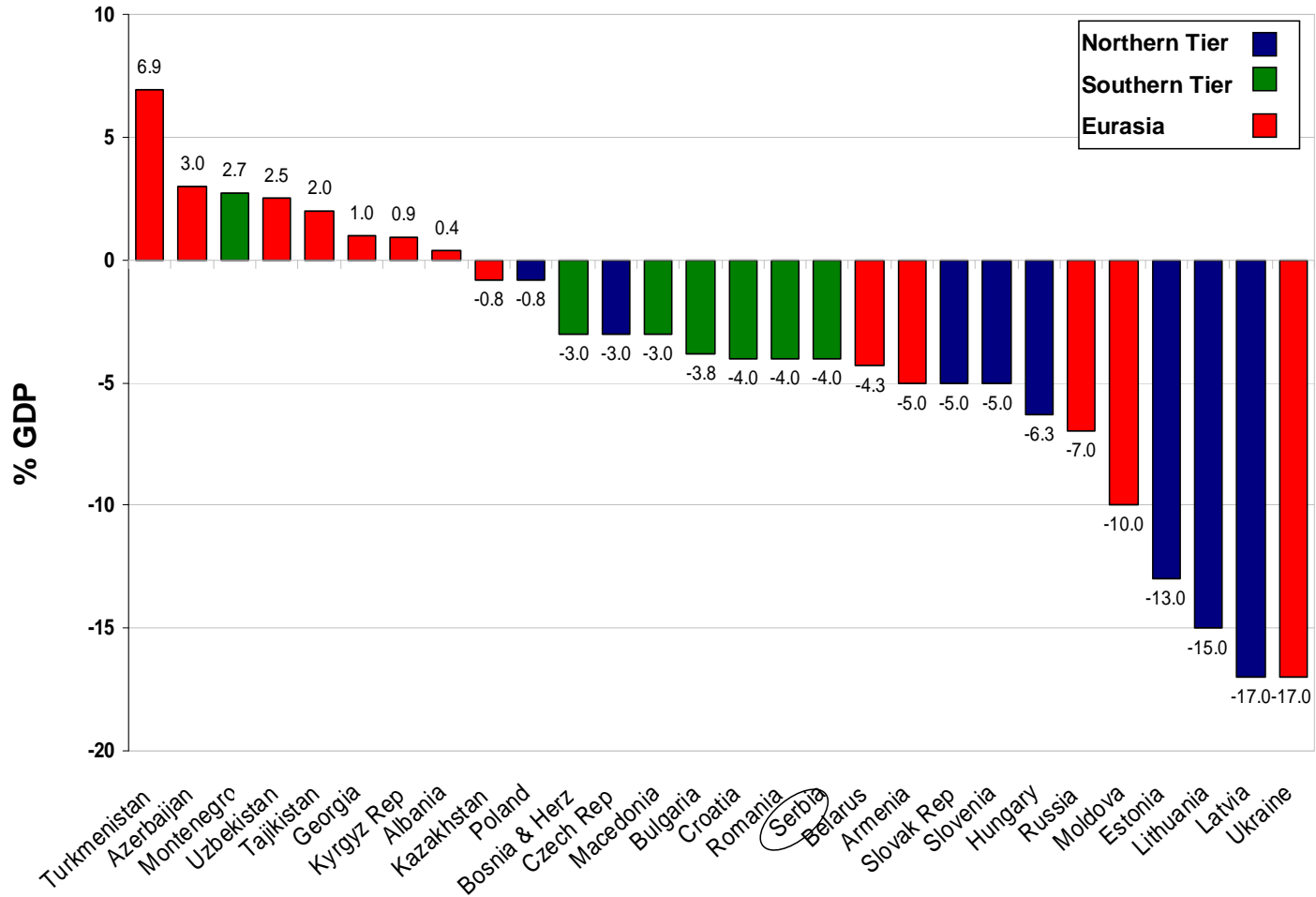
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Economic Performance in Serbia in 2006-2009



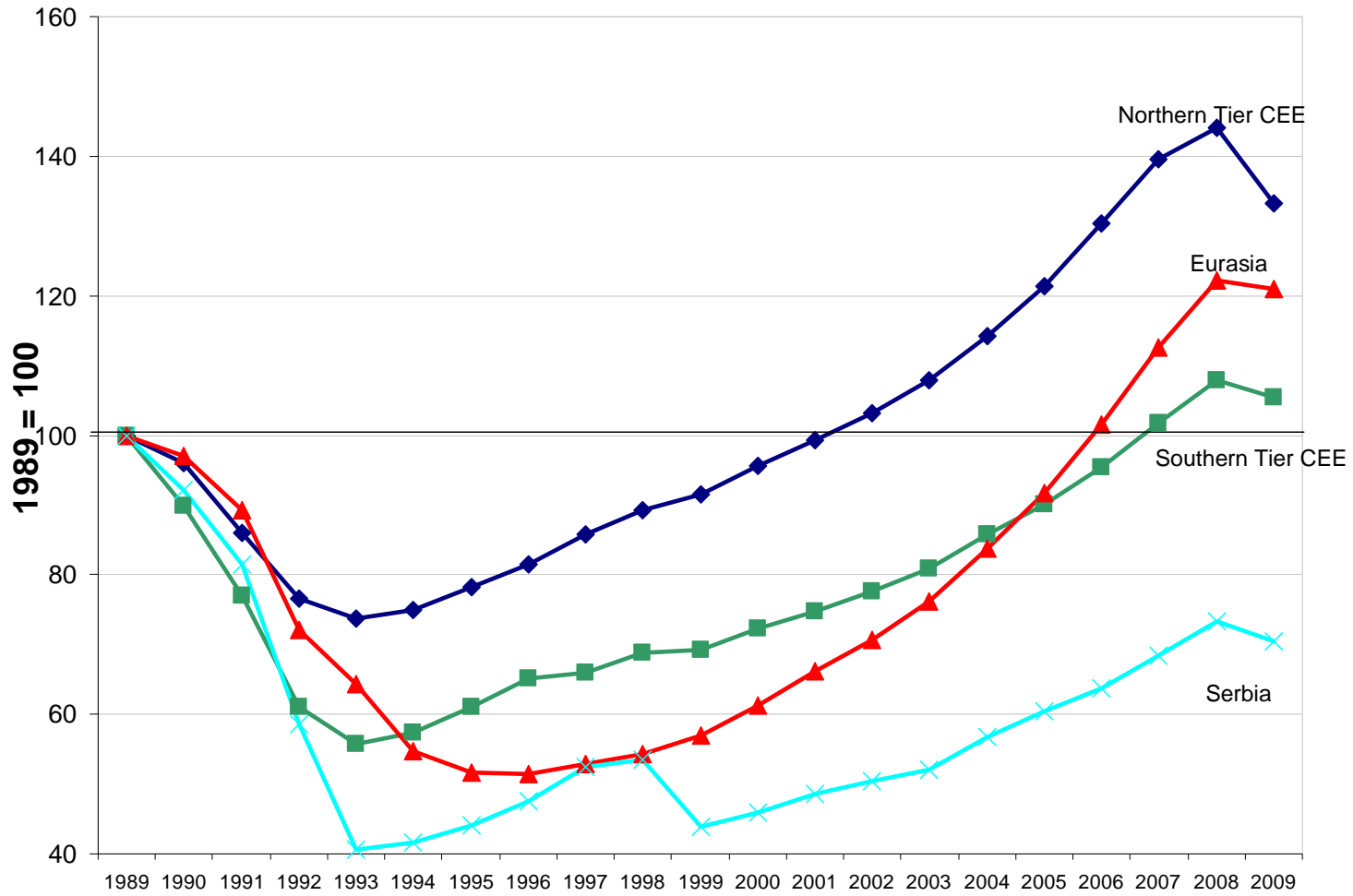
Ratings are based on a scale from 1 to 5, with 5 representing the best score. USAID, Monitoring Country Progress in CEE & Eurasia #12 (2009 forthcoming) drawing from World Bank, *World Development Indicators 2009*(2009); EBRD, *Transition Report* (November 2009), Fund for Peace, *Failed States Index* (2009); IFC & World Bank, *MSME Database* (2007).

GDP Growth Projections, 2009



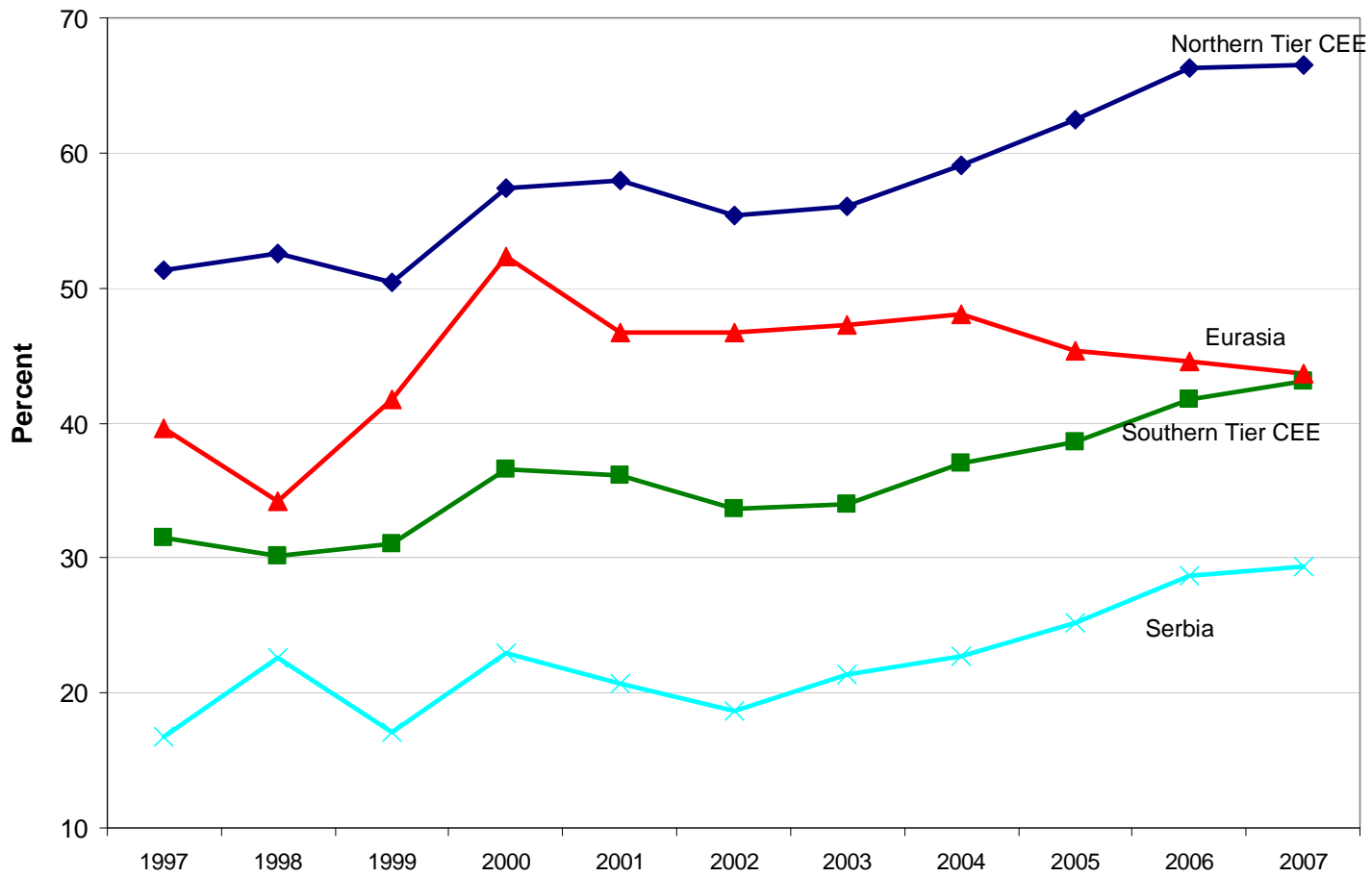
EIU Various Country Reports (May - July 2009), and IMF World Economic Outlook Database (April 2009)

Real GDP as % of 1989 GDP



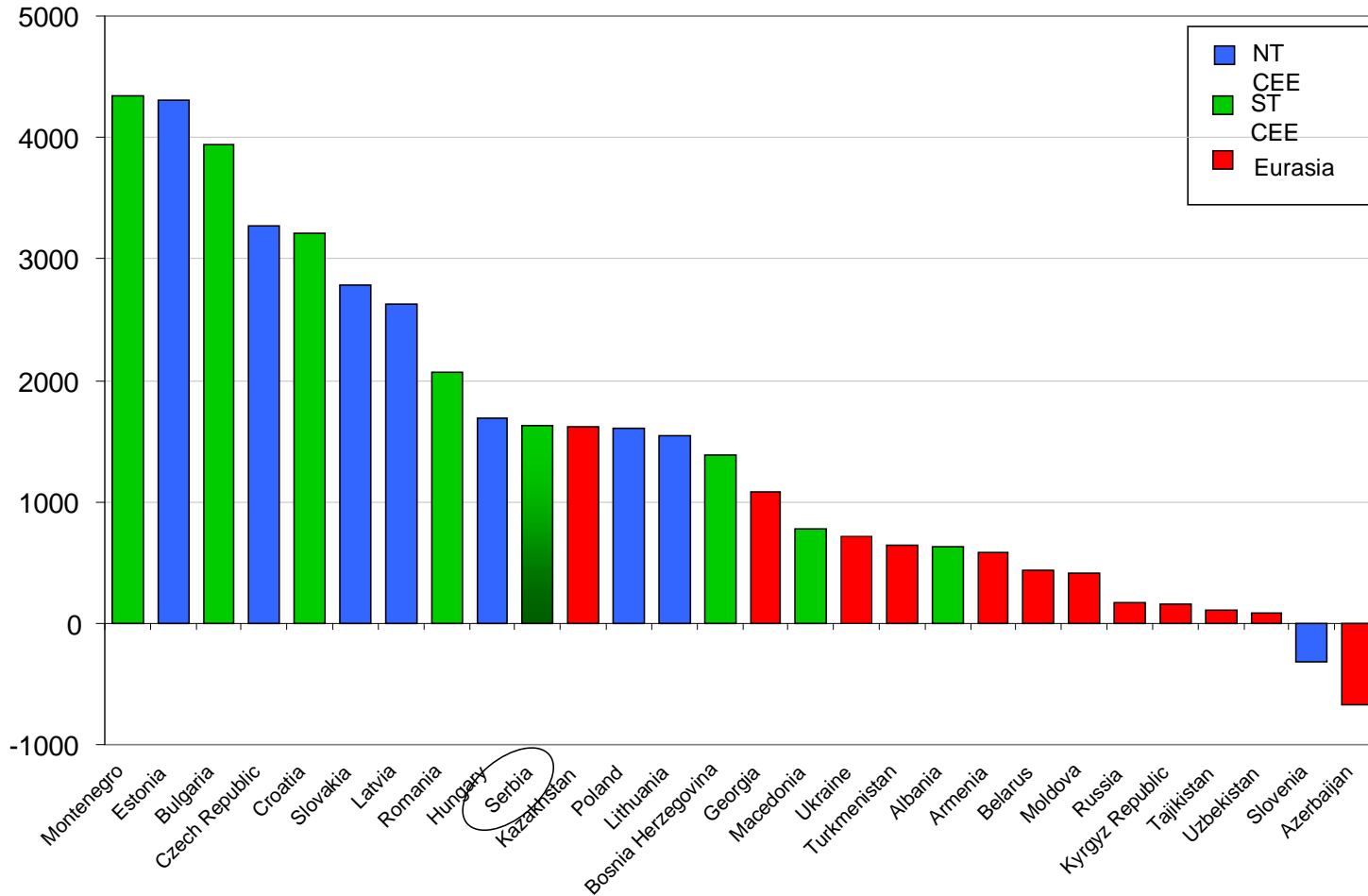
EBRD, *Transition Report* (October 2008); IMF, *World Economic Outlook Update* (July 8th, 2009) and EIU, *Various Country Reports* (January – August 2009).

Exports as % of GDP



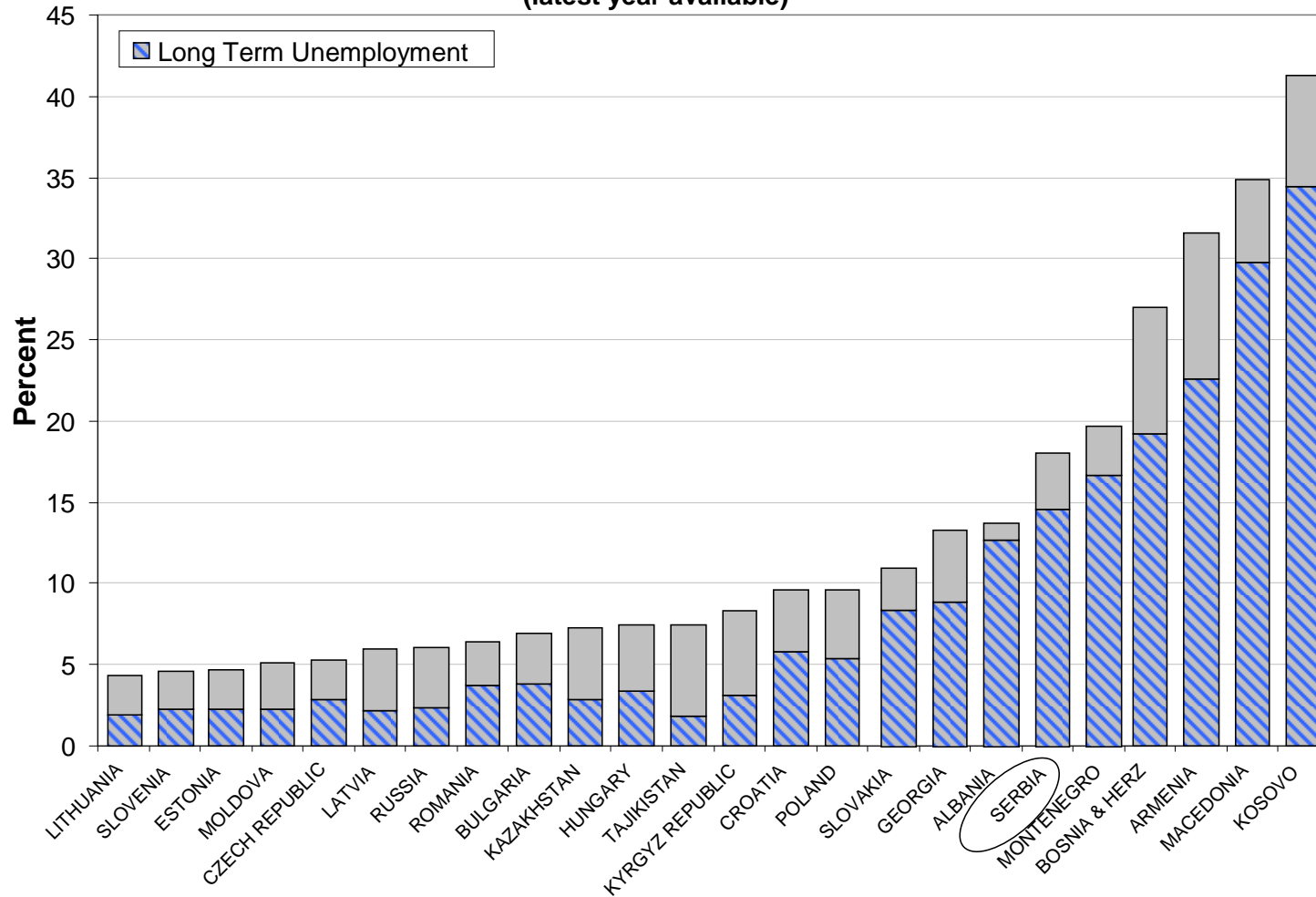
World Bank, *World Development Indicators 2009* (April 2009). Macedonia's exports as % GDP are estimated but EIU to decrease by 1% in 2008 and 4% in 2009.

Foreign Direct Investment 5 year cumulative per capita, 2004-2008



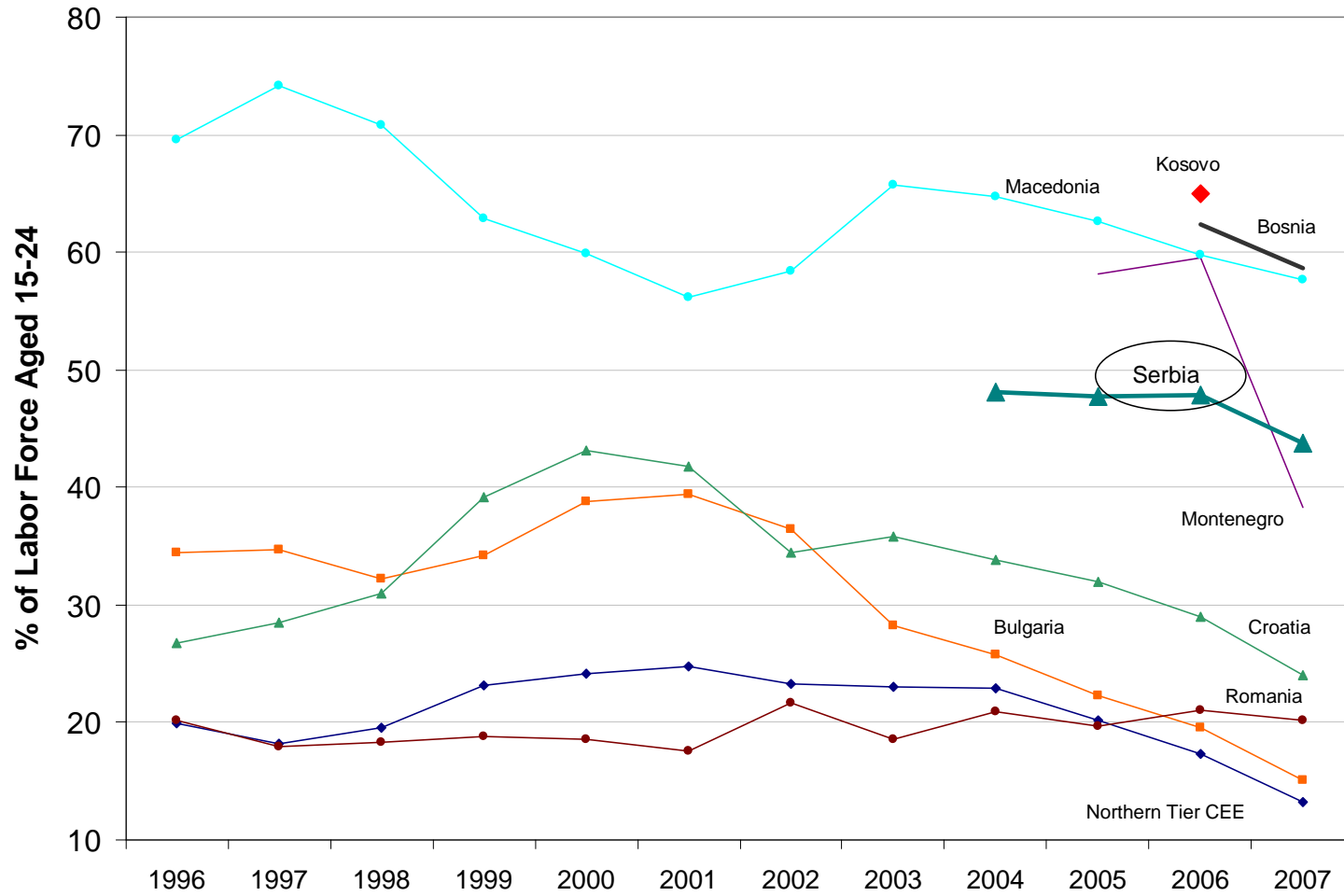
EBRD, *Transition Report 2008* (November 2008) and World Bank, *World Development Indicators 2008* (April 2008).

Unemployment Rate (latest year available)



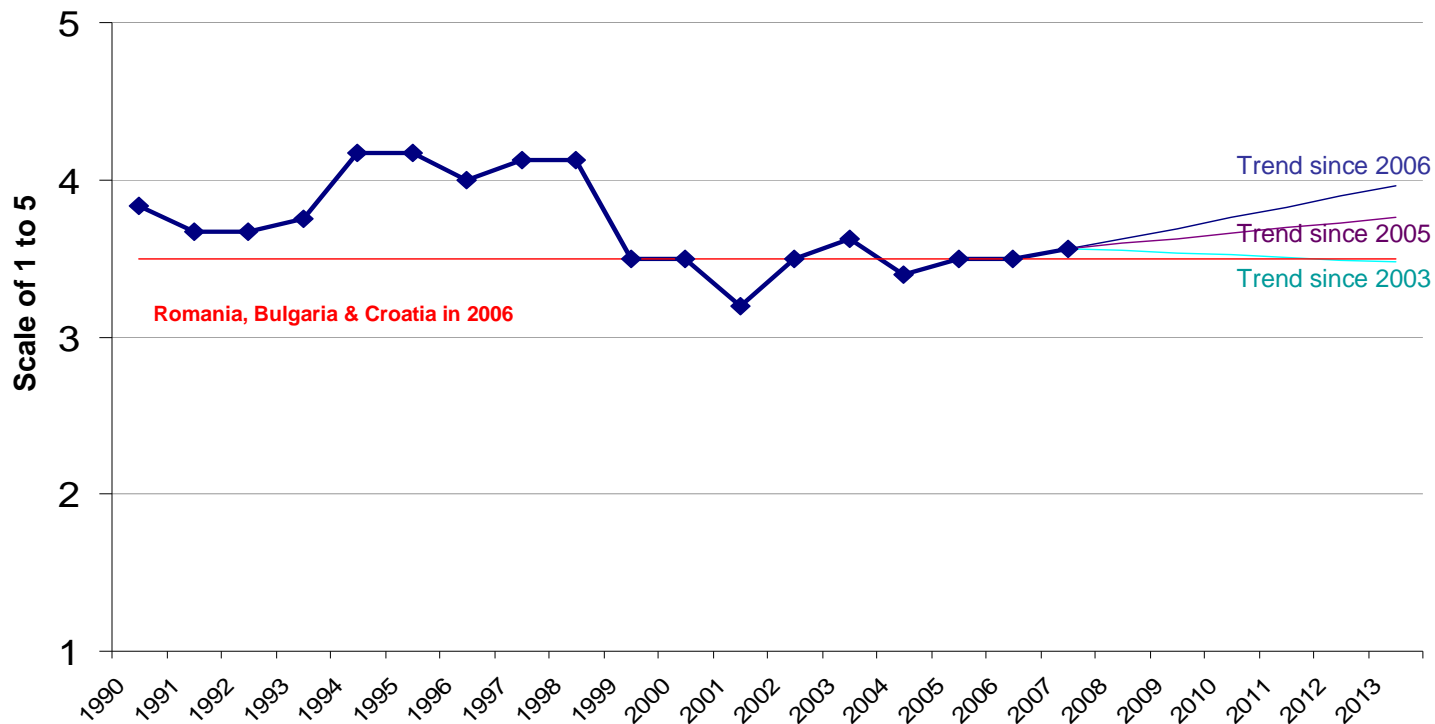
ILO, Labor Statistics (2008) and UNECE, Statistical Division Database (2007).

Youth Unemployment (Labor Force Survey)



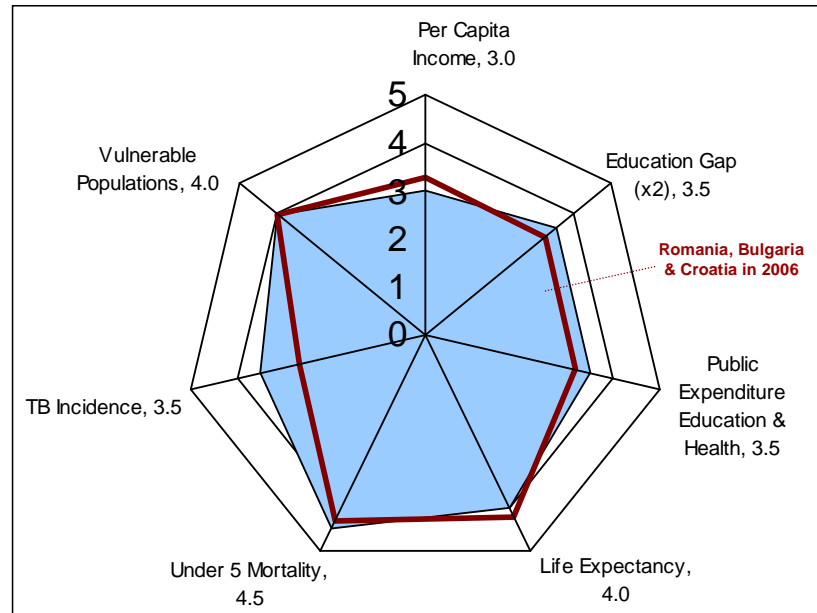
UNICEF, TransMONEE Database 2009.

Human Capital in Serbia



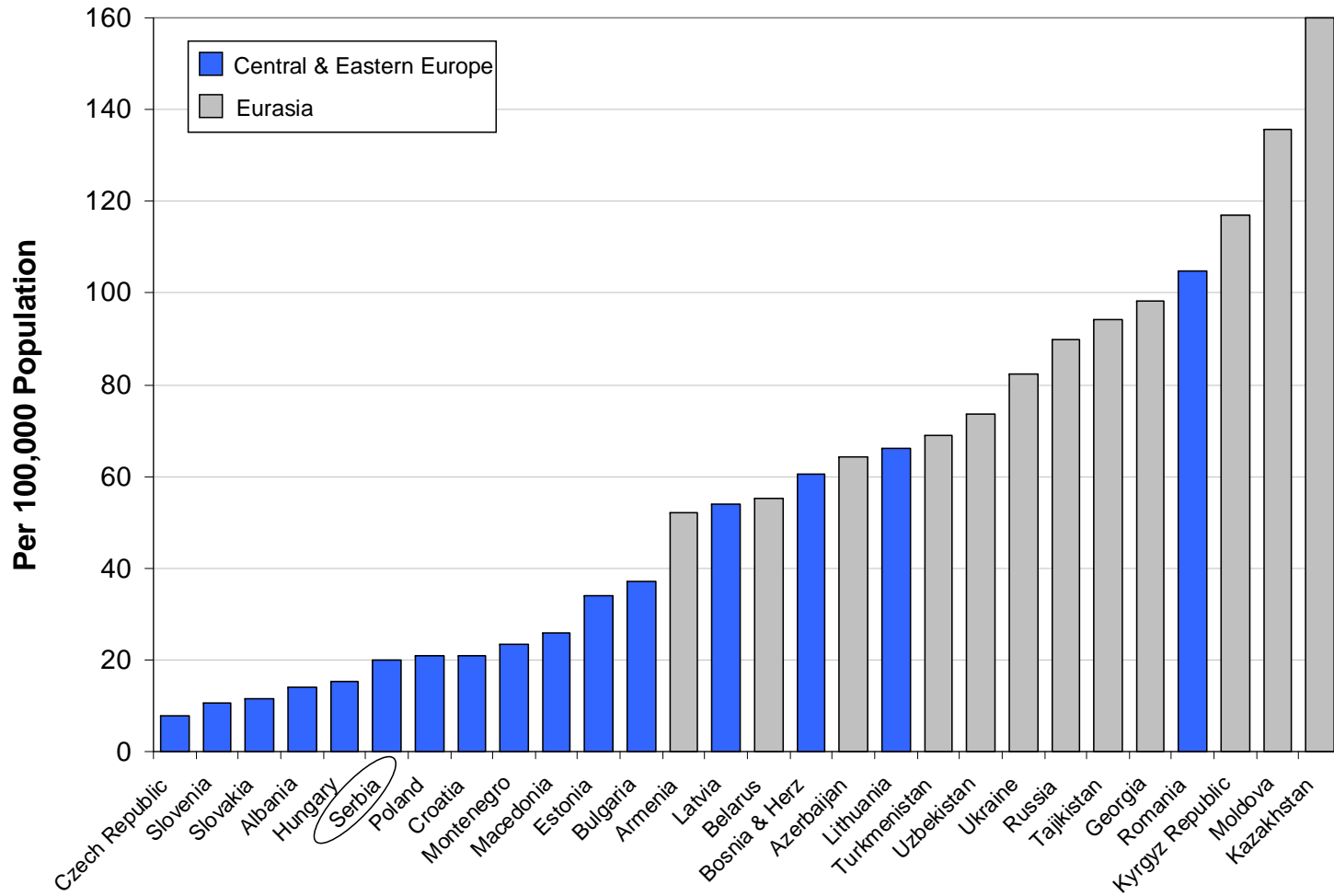
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Human Capital in Serbia



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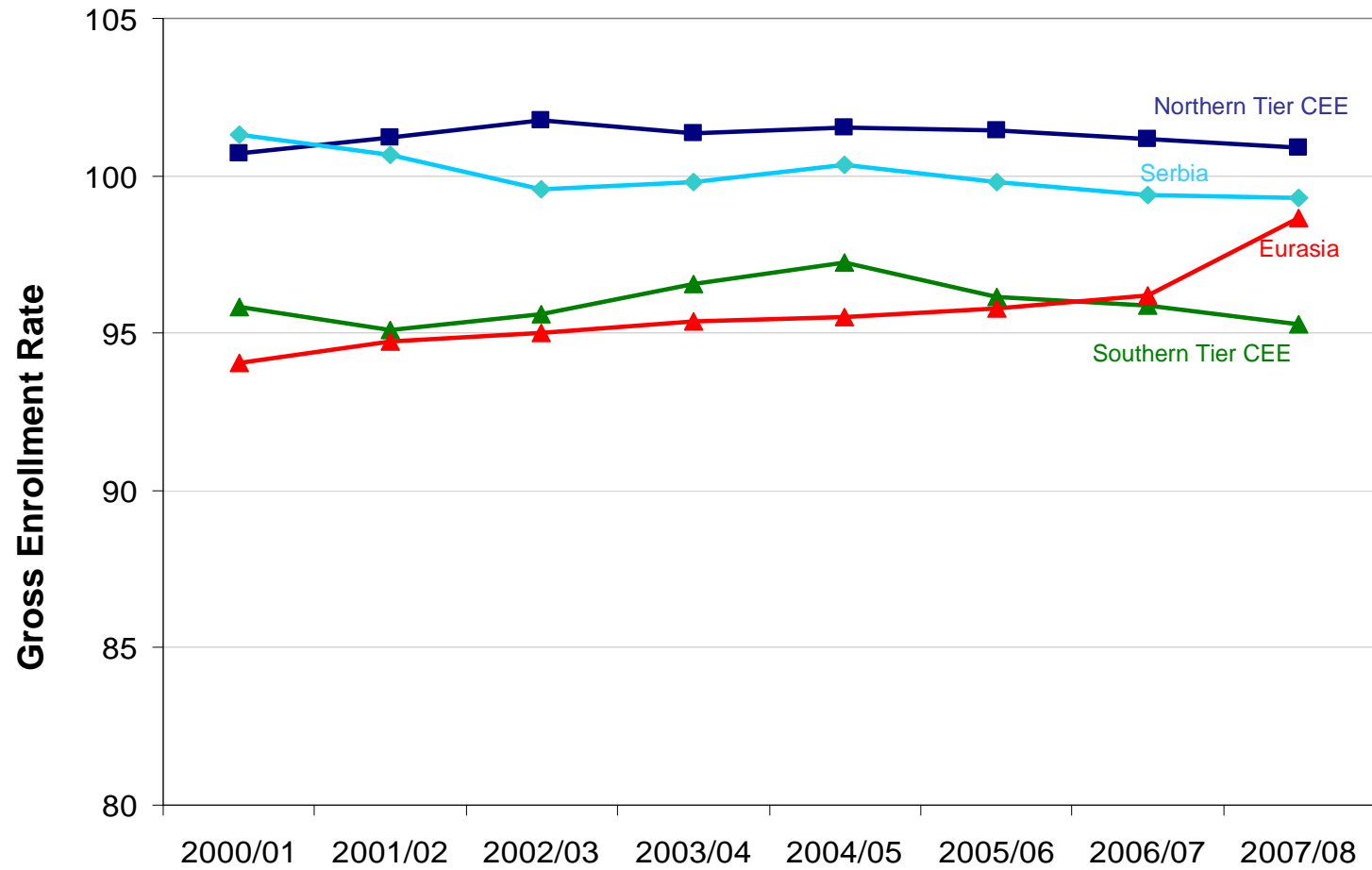
TB Incidence in 2007



World Health Organization, *European Health For All Database* (January 2009).

Figure 26

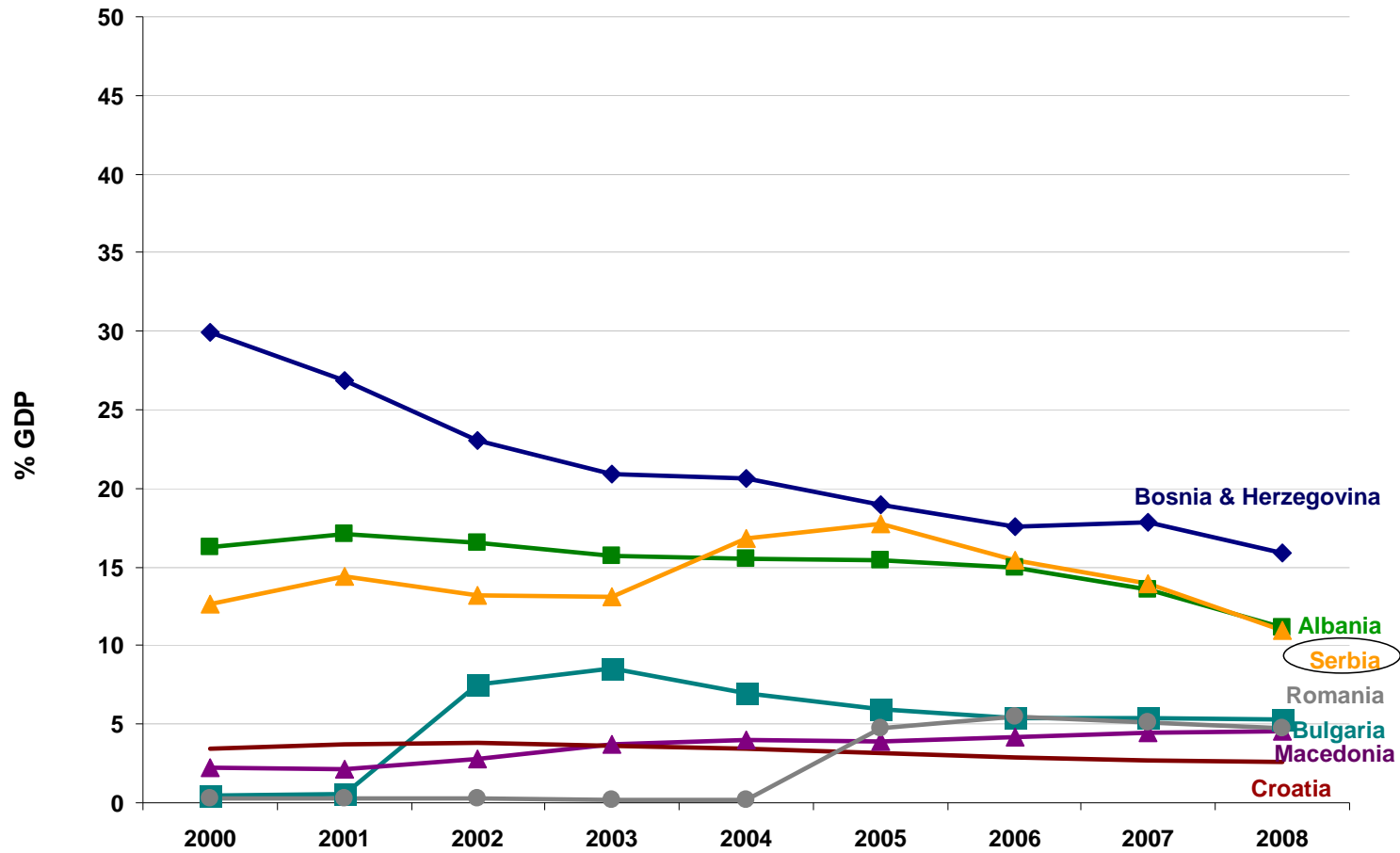
Primary School Enrollments



UNICEF, TransMONEE Database 2009.

Figure 27

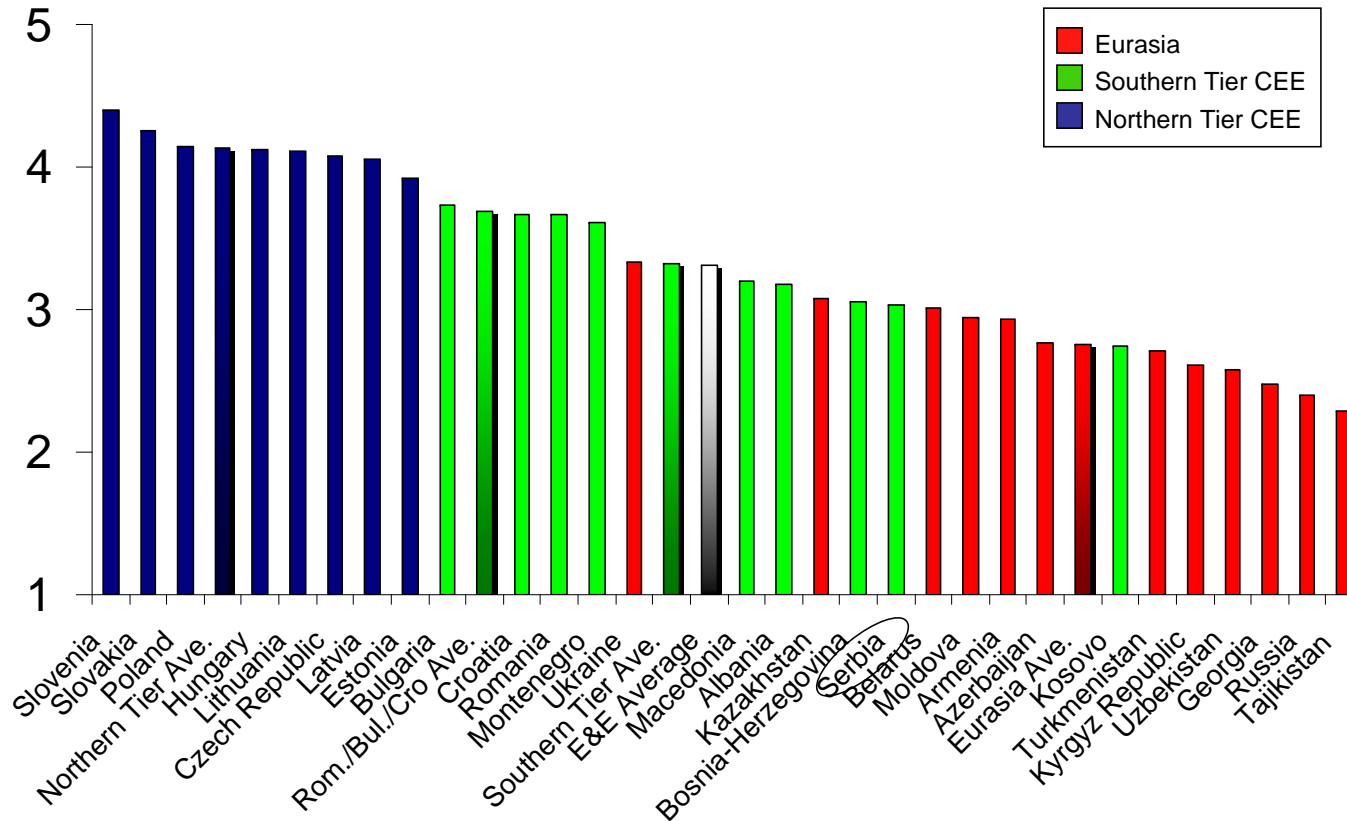
Remittance Flows: Southern Tier CEE



Source: World Bank staff estimates based on the International Monetary Fund's Balance of Payments Statistics Yearbook 2008

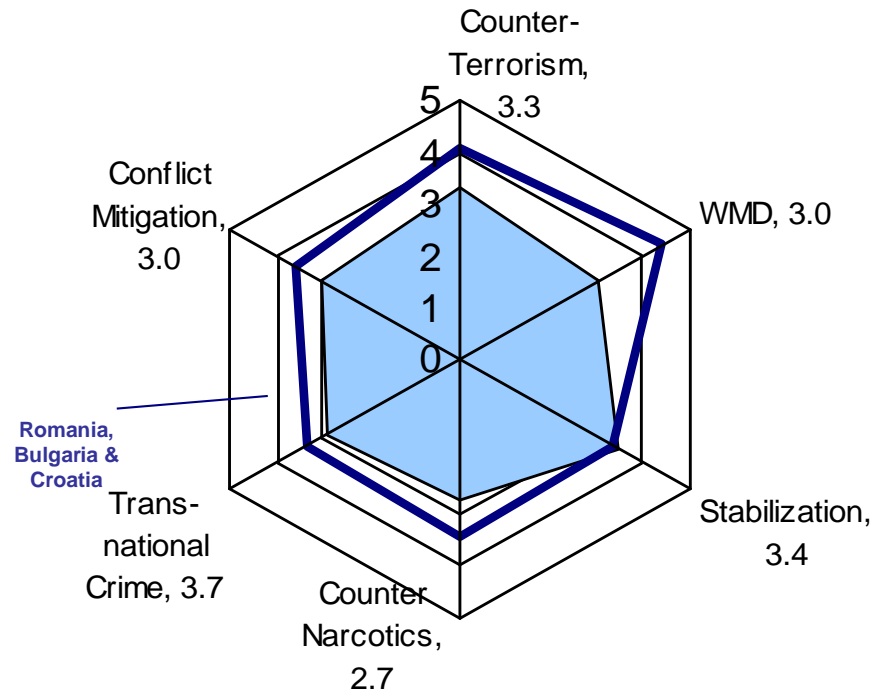
Figure 28

Peace and Security – E&E



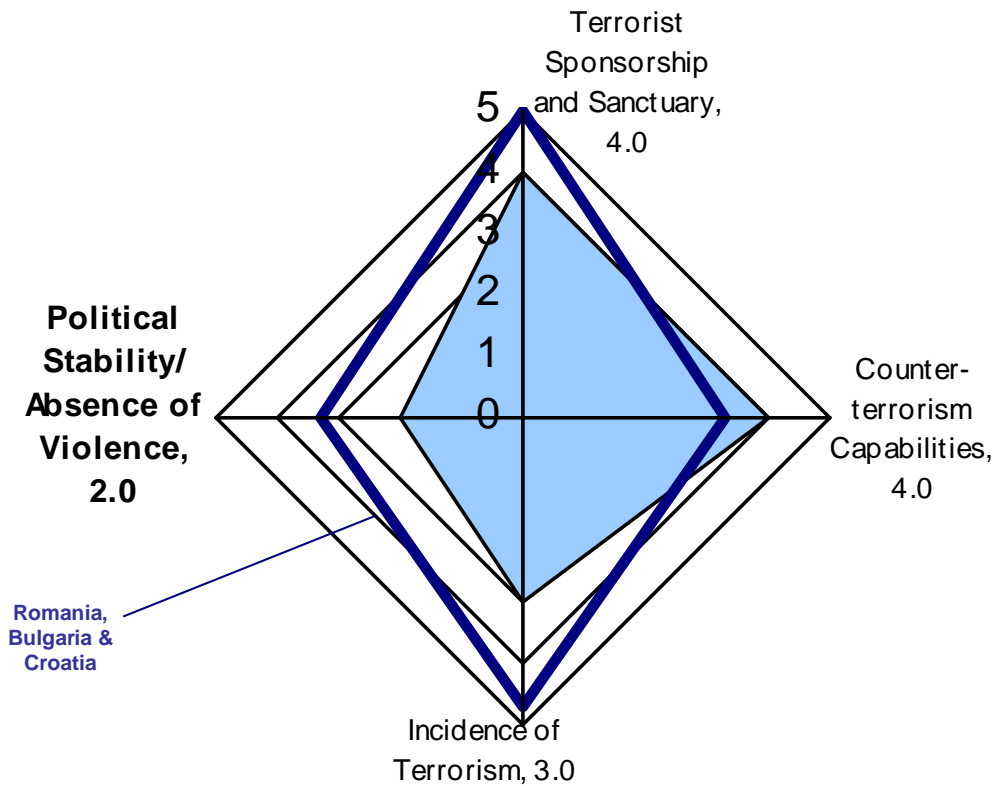
US State Department, *Country Reports on Terrorism* (2009); National Counterterrorism Center, (2008-2009); Foreign Policy Magazine and the Fund for Peace, *Failed States Index* (2009); World Bank Institute, *Governance Matters Indicators* (2008); US Commerce Department, *Export Control Policy*, (2009.) US State Department, *Export Control/Border Security Assessment* (2009) Binghamton University, Cingranelli-Richards *Human Rights Dataset*, (2007); UNICEF TransMONEE (2003-2006); World Bank, *World Development Indicators* (2009); A.T. Kearney/Foreign Policy Magazine, *Globalization Index* (2007) UNODC, *World Drug Report*, (2009); US Department of State, *Trafficking in Persons Report* (2009); USTR *Special 301 Report* (2009); US Department of State, *International Narcotics Control Strategy Report* (2009); Center for Global Policy, George Mason University, *Political Instability Task Force* (2006-0) USAID/DCHA/CMM *Instability Alert List* (2009)

Peace & Security in Serbia

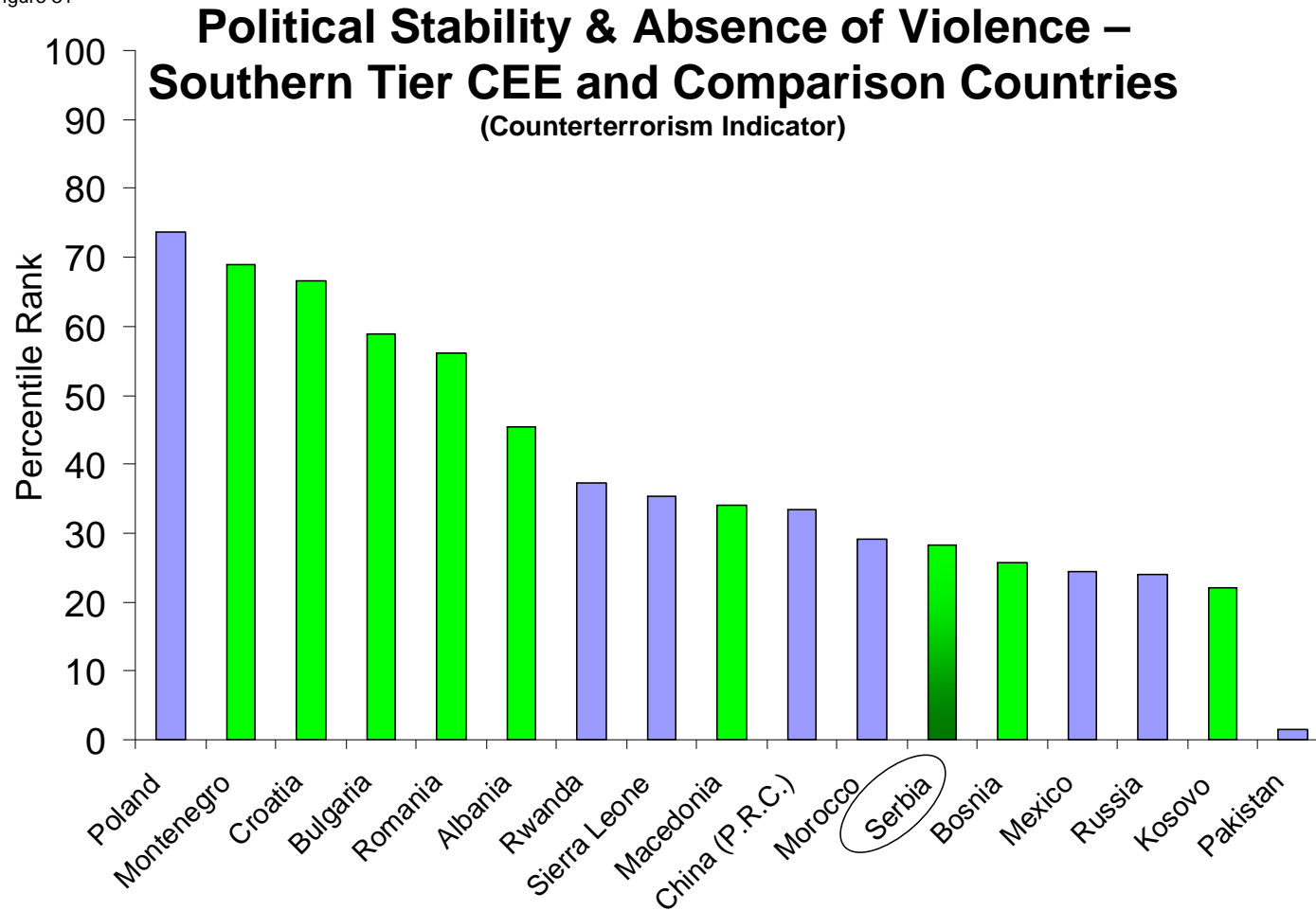


US State Department, *Country Reports on Terrorism* (2009); National Counterterrorism Center, (2008-2009); Foreign Policy Magazine and the Fund for Peace, *Failed States Index* (2009); World Bank Institute, *Governance Matters Indicators* (2008); US Commerce Department, *Export Control Policy*, (2009.) US State Department, *Export Control/Border Security Assessment* (2009) Binghamton University, Cingranelli-Richards *Human Rights Dataset*, (2007); UNICEF TransMONEE (2003-2006); World Bank, *World Development Indicators* (2009); A.T. Kearney/Foreign Policy Magazine, *Globalization Index* (2007) UNODC, *World Drug Report*, (2009) ; US Department of State, *Trafficking in Persons Report* (2009); USTR *Special 301 Report* (2009) ;US Department of State, *International Narcotics Control Strategy Report* (2009); Center for Global Policy, George Mason University, *Political Instability Task Force* (2006-0) USAID/DCHA/CMM *Instability Alert List* (2009)

Counterterrorism in Serbia

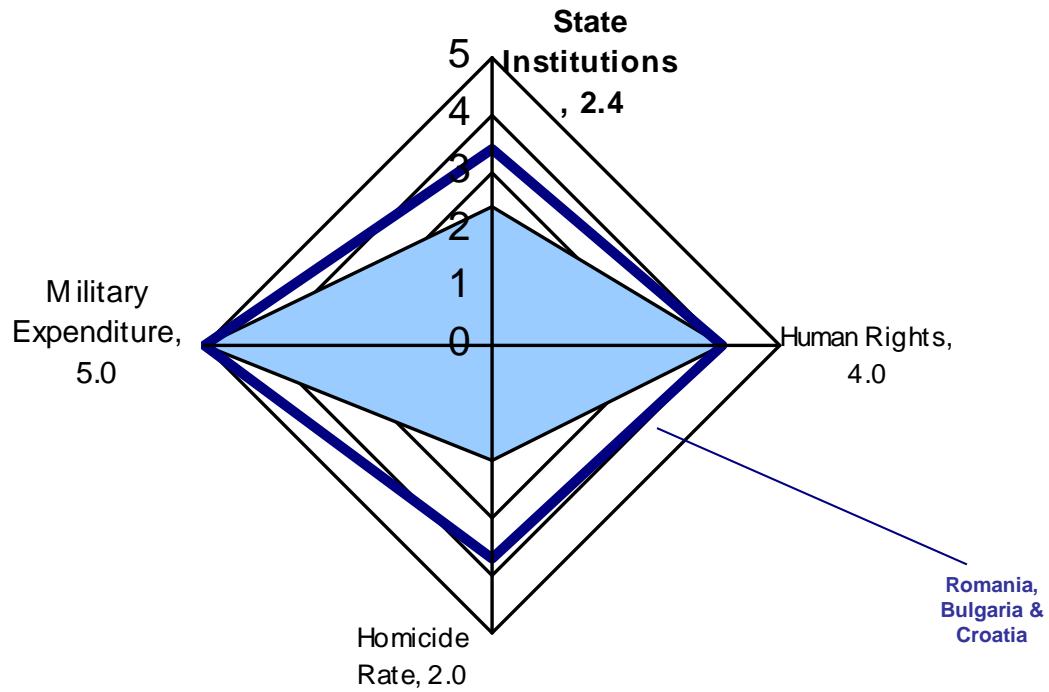


US State Department, *Country Reports on Terrorism* (2009); National Counterterrorism Center, (2008-2009); World Bank Institute, *Governance Matters Indicators* (2008);



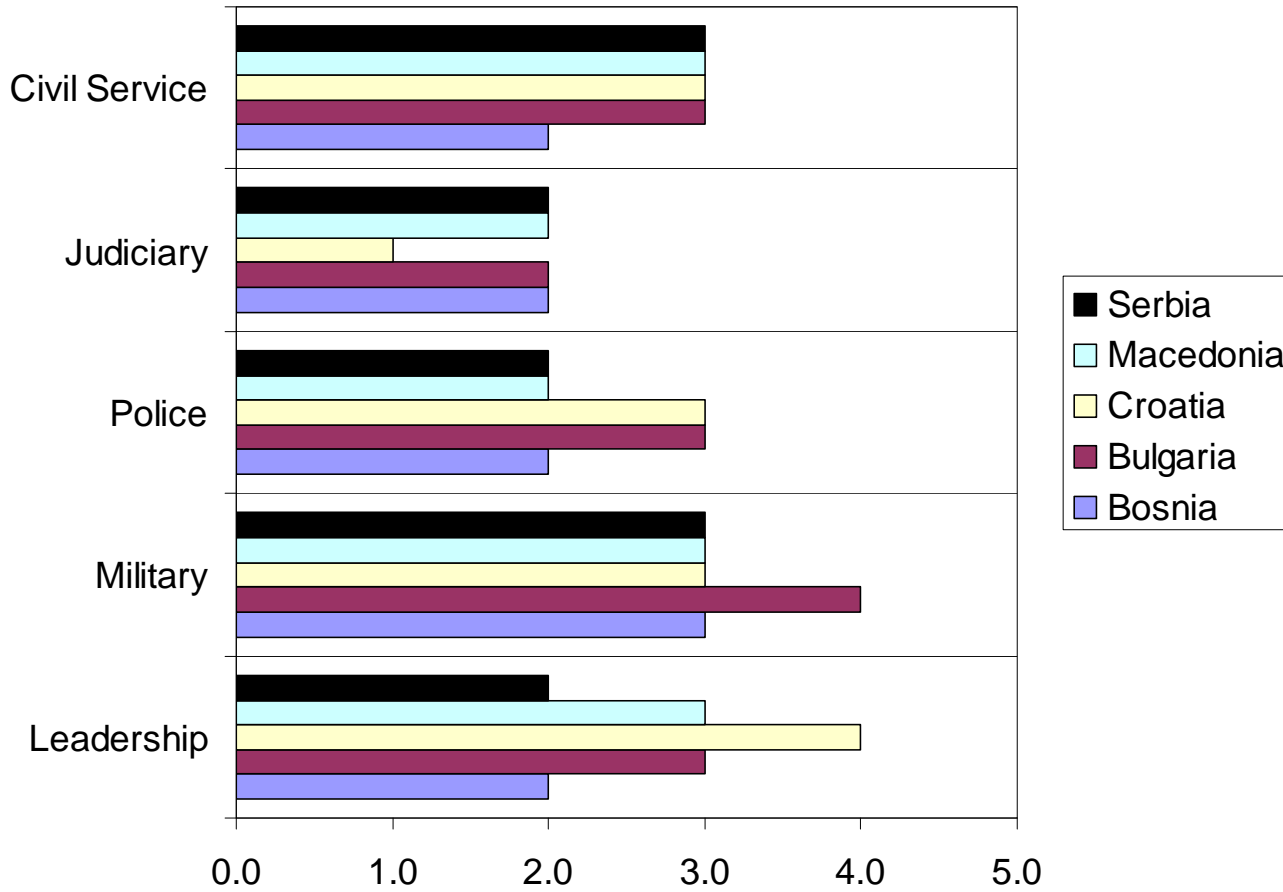
World Bank Institute, *Governance Matters Indicators* (2008);

Stabilization Operations and Defense Reform in Serbia



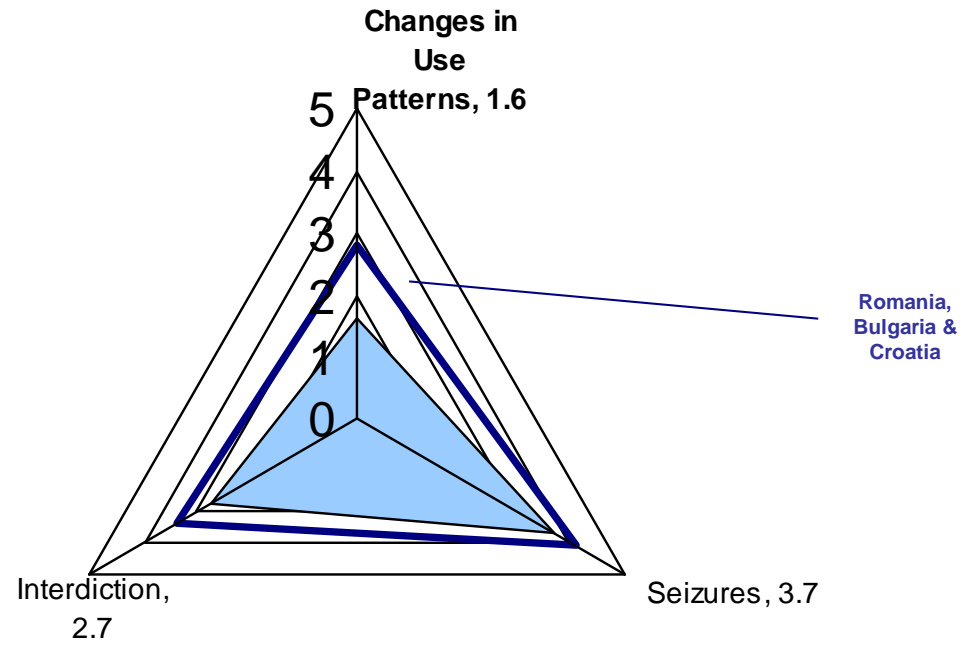
Binghamton University, Cingranelli-Richards *Human Rights Dataset*, (2007); UNICEF *TransMONEE* (2003-2006); World Bank, *World Development Indicators* (2009); A.T. Kearney/*Foreign Policy Magazine*, *Globalization Index* (2007) UNODC, (2009)

State Institutions - Selected Southern Tier CEE (Stabilization and Defense Reform Indicator)



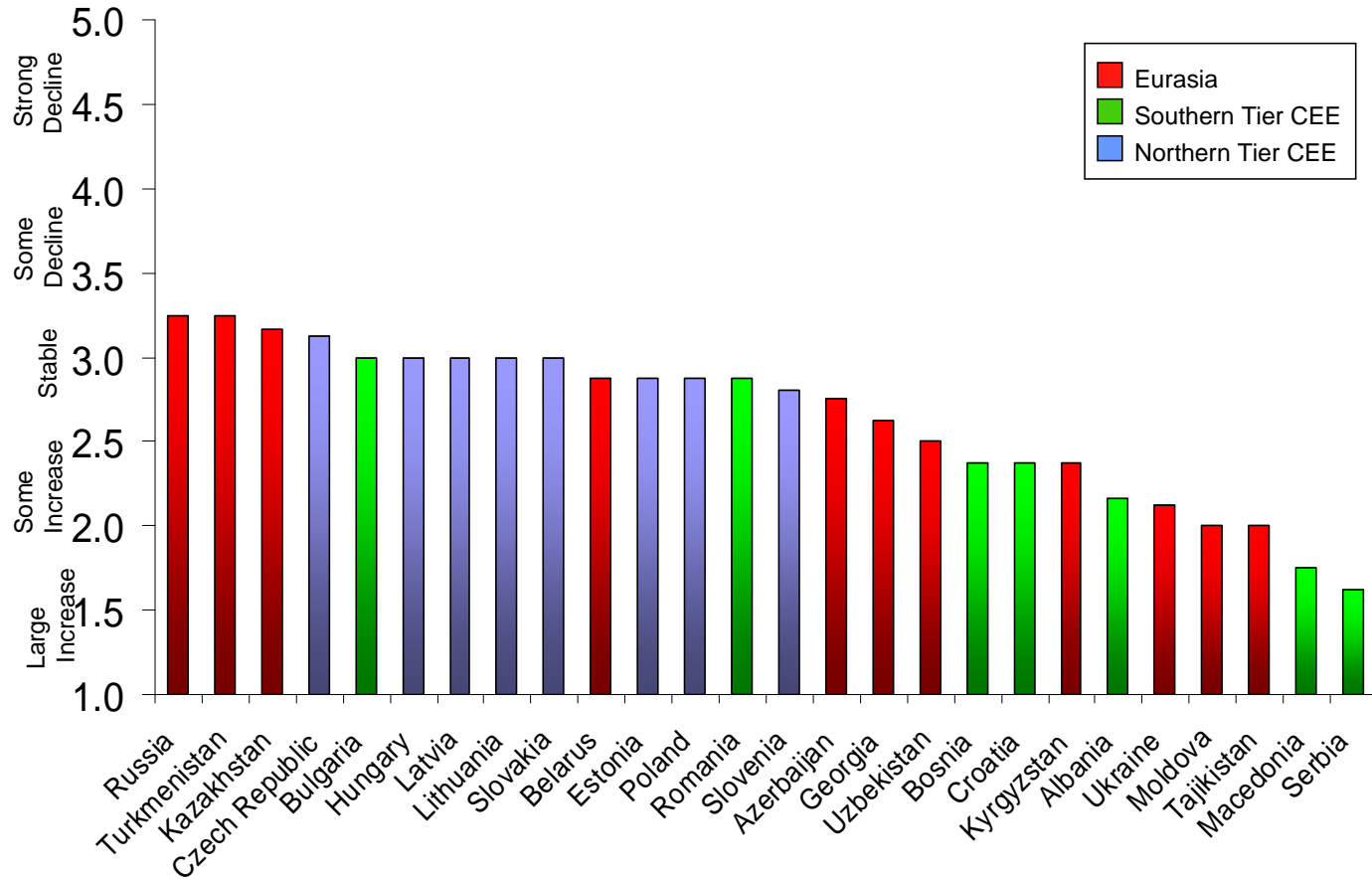
Fund for Peace, Foreign Policy – *Failed States Index* (2009);

Counternarcotics in Serbia



UNODC, *World Drug Report*, (2009) ; US State Department; International Narcotics Control Strategy Report (2009);

Changes in Narcotics Use Patterns (Weighted)



UNODC, *World Drug Report*, (2009); USAID Peace and Security Index, 2009 – Combination of 4 drug classes, Opiates triple weighted, Cocaine and amphetamines double weighted, cannabis un-weighted. Comparison between 2007 (or most recent year) and previous survey year.