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SEMI-ANNUAL SUBSTANTIVE REPORT

Environmental Sub-component

April 15 / October 15, 1993

CAPITAL DEVELOPMENT INITIATIVE COMPONENT

AMERICAN BUSINESS AND PRIVATE SECTOR

INITIATIVE FOR EASTERN EUROPE PROJECT

Project Number 180-0028

Contract Number EUK-0028-C-00-2048-00

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**SEMI-ANNUAL SUBSTANTIVE REPORT
FOR THE PERIOD
APRIL 15 - OCTOBER 15 1993**

Work to further two of the three overall project objectives as outlined in the Second Year Draft Annual Workplan has progressed according to plan. These objectives were defined as follows:

- to help CEE countries ameliorate serious environmental problems through development of infrastructure projects and local environmental businesses.

- to encourage and assist U.S. environmental firms which specialize in services and technologies needed in CEE to make investments and/or engage in joint ventures in the region.

With the redirection of the Capital Development Initiative to become primarily demand driven by the environmental needs identified by the region, efforts to achieve the third objective (to help U.S. companies of any viable size to become more competitive in the region) have been discontinued.

STATUS OF WORK UNDER CONTRACT:

Almost all "Target Areas for Environmental Project Development" as listed under II(D)(2) of the Second Year Annual Workplan have demonstrated significant progress. Each Sanders office has followed an overall project management structure focussed on the deliverables described as Task A: Administration/Coordination and Support for Others; Task B: Stimulating Awareness/Information Dissemination; and Task C: Facilitating Transactions/Priority Project Development.

TASK A: Administration/Coordination & Support for Others

Sanders/Washington:

- All required reports filed - contractor coordination meetings attended.

- "Summary of Activities for Environmental Subcomponent - Year I compiled.

- Project Manager traveled to CEE on 3-28/4-11, 7-28/8-11, 9-22/10-11 and 10-17/24.

- Regional staff meetings held in April and July.

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Sanders/Warsaw:

- RBDO accompanied Project Manager on travel through region 3-28/4-11.
- RBDO traveled to Slovakia, Prague and Budapest in June; additional trips made to Slovakia in July and September and to Budapest in October.
- RBDO participated in cooperative efforts with other CDI RBDO's based in Warsaw.
- Meetings held with representatives of CABEE to identify areas of cooperation and discuss possible sharing of office space.
- Efforts are being made to identify projects suitable for consideration by the EAP
- Talks initiated by CBDA between **USDA Extension Service** and **The National Fund of Environmental Protection and Water Management** resulted in an official invitation for the **USDA Extension Service** to participate in two of the **Fund's** projects.

Sanders/Prague and Sanders/Budapest attended regional meetings and held briefing sessions with respective AID missions as requested.

TASK B: Stimulating Awareness/Information Dissemination

- All offices met with numerous local private industry, NGOs and government officials to publicize objectives of CDI.
- Announcements placed in the April, June and August issues of Eastern Europe Looks for Partners.
- All offices cooperated with PRIDE and WEF in planning a USAID workshop, "Environmental Business Development in the Near East and Eastern Europe," held at the WEF 66th Annual Conference in Anaheim, CA, October 6th.
- Project Manager was speaker/panelist at "1993 Ambassadors' Tour of the American Heartland" and WWEMA's "1993 Washington Forum".
- E. Sanders led environmental finance seminar at program sponsored by USAID and INTRODOS.

- Sanders/Washington organized and participated in business briefing in conjunction with Department of Commerce and USAID.
- Sanders/Budapest gave presentation on CDI to "National Environmental Conference" at Siofok.

Task C: Facilitating Transactions/Priority Project Development

Poland:

Utilization of Wood Waste: Intensive negotiations by Sanders/Washington and Sanders/Warsaw resulted in meetings between Polish firms, **Nabru/Modestus/Kometa**, and US firm, **Natural Recovery Group** to discuss joint venture to produce biobriquettes from wood waste and to manufacture the processing equipment. This in turn has led to a follow up meeting being scheduled between these companies on December 1-2 to pursue this JV. Sanders/Warsaw's CBDA will also attend.

Solid Waste Incineration: A Letter of Intent was signed on August 18th between **Nowiny Cement Works** at Kielce and U.S. firm, **CEVA, Int'l** to enter into a joint venture in cement kiln solid waste incineration. Sanders/Warsaw was instrumental in the development of this partnership.

Municipal Solid Waste Plant: Sanders/Warsaw arranged contact between **EKO-BUD** (Warsaw) and U.S. company, **EURO-AM Resources Corp.** which has led to the signing of a letter of intent and an invitation for the Warsaw CBDA to assist in talks on November 17th to set up a joint venture.

Gryzbow Coal Enrichment Plant: Meetings arranged by Sanders/Warsaw between Polish firm, **Progres, SA** and U.S. firm, **CARPCO** to launch this project has resulted in **CARPCO** appointing a representative to Poland, inviting a member of the **Progres, SA** technical staff to come to the U.S. for training and the offering of a model for cleaning fine coal to the **Central Mining Institute** at no charge for evaluation.

Natural Cleaning Product Distribution: Joint venture agreement scheduled to be signed on November 29, 1993 between Polish firm, **ETZ** and U.S. firm, **Earthshield**, to produce and market **Earthshield's** patented natural commercial cleaning agents. Sanders/Warsaw and Sanders/Prague cooperated in developing this effort.

Collection of PET Containers: Sanders/Warsaw facilitated agreement between **Eko-Efekt** (a consulting company of the **National Fund of Environmental Protection and Water Management**) and **CEMG** (representing U.S. firm,

Wellman Inc.) to compile an expertise/feasibility study of collection of PET type containers.

Environmental Software: Sanders/Warsaw promoted cooperation between Polish firm, **INTERGEO** and U.S. firm, **Mayfair Environmental Services** which has led to the signing of a letter of intent to form a joint venture for environmental software translation, installation, maintenance and training. Joint venture to be signed in December.

Czech Republic:

PCB Cleanup: Cleanup work began at Rozmytal (the cooperative effort Sanders/Prague facilitated between Czech firm, **Comco-Martech** and U.S. firm, **Earthshield**).

Brno Air Quality Monitoring Program: In response to local request for assistance in developing monitoring program Sanders/Prague arranged for U.S. firm, **K3**, to come to **Brno** to discuss their technology. Meeting was successful and **Brno** will request funding from **USTDA** for feasibility study developed by **K3**.

Low Cost Wastewater Systems: Sanders/Prague identified need for this technology in the **Palava** and **Orlice Regions** and contacted two U.S. firms who could supply appropriate technology: **Spec Industries** and **Chief Industries**. Arrangements were made for both companies to travel to region to present their technologies and Sanders/Prague will attend meetings to assist in presentations.

Recycled Paper: Studies produced by Sanders/Prague on supply of paper available for recycling resulted in U.S. firm, **Fieldstone** and a local Czech firm entering into a memo of understanding to develop a local recycled paper facility.

Solid Waste Management: Sanders/Prague prepared an in-depth report on solid waste management in the Czech Republic and developed a database of companies offering waste management services.

Hungary:

Lowcost Wastewater Treatment: Sander/Budapest has done extensive background research on the need for lowcost wastewater treatment systems in Hungary. A U.S. provider of this technology, **Spec Industries**, has been assisted in setting up meetings with local officials to present their technology; Sanders/Budapest has translated documents and licensing agreements; a representative of Sander/Budapest will accompany the **Spec** representative throughout the region to assist in the meetings; efforts have been made to develop a cooperative effort between **Spec** and the local firm, **Hydroferr**.

Slovak Republic:

Tire Recycling Project: The Sanders organization has devoted extensive efforts during this period to assist local firm, **Euro•Sarm** to develop a tire recycling facility in the Slovak Republic. A short-term technical expert traveled to the region to assess tire recycling market in Slovak Republic; the short-term expert, the RBDO and Sanders/Washington cooperated in efforts to develop a comprehensive business plan for **Euro•Sarm** and a final application for them to present to the **Slovak American Enterprise Fund** for project funding. The short-term expert and the RBDO accompanied representatives from **Euro•Sarm** when they made their presentation to the **Fund**. The **Fund** judged **Euro•Sarm's** business plan as the best they have received to date and are proceeding with the due diligence on the project.

PLANS FOR THE ENSUING PERIOD:

Poland:

The contract with the RBDO expires in May of '94. From that time until the expiration of the CDI contract in December of '94, Sanders' CBDA in Poland will provide the local oversight for the Warsaw office. For the remainder of the RBDO's tenure there will be an emphasis on the closure of the projects to which he is most integral:

Utilization of Woodwaste - Finalization of JV between **Nabru/Modestus/Kometra** and **Natural Recovery Group**.

Solid Waste Incineration - Assist formation of partnership between U.S. supplier of technology, **Olivine, Inc.** and Polish investors and finalization of JV between **Nowiny Cement Works** and **CEVA, Int'l.**

Gryzbow Coal Enrichment Plant - Assist formation of partnership to launch project.

Environmental Software - Finalization of JV in December.

Projects that will be carried forward by the CBDA through this period to the end of the contract are: utilization of flyash, collection of PET type containers, low cost wastewater treatment, municipal solid waste plant, mobile incinerators, and soil remediation after oil spills.

Czech Republic:

Sanders/Prague will focus on several projects in the ensuing period:

- obtain funding for the Brno Air Quality Monitoring Program, possibly through the USTDA program.
- work with officials responsible for environmental planning in the **Palava Region** to create low cost wastewater treatment projects.
- assist U.S. firm, **Fieldstone**, and local firm in efforts to develop partnership to construct local recycled paper facility.
- promote appropriate U.S. biotechnology to enable local firms to perform site remediation.

Slovak Republic:

Sanders/Washington with the assistance of the RBDO is in the process of interviewing candidates for the position of CBDA. It is imperative to have this representative in place by the start of January '94. If the position is not filled by this time, the effort will be abandoned since there will not be time under the contract to make a significant contribution.

All Sanders offices will devote resources needed to finalize project for Euro•Sarm's construction of a tire recycling facility in the Slovak Republic.

Bulgaria:

Targets of opportunity in Bulgaria will be assessed.

Ecotourism: Plans are already being made to provide the assistance of a short term expert to create a business plan for development of concessions and tourist facilities at **Vitosha National Park, Bulgaria**. Additional CDI assistance may be required on a sustained basis.

There also continues to be a possible opportunity for the creation of a tire recycling project in the region.

Hungary:

It is the USAID Mission to Budapest's decision that, due to the administrative burden and shift in priorities, that Sanders International, the contractor for the Environmental Subcomponent of the CDI, should not renegotiate a second year subcontract with ForEnviron, the CBDA in Hungary. As a result, as of January 1, 1994, Sanders will no longer have CBDA representation in Hungary.

RECOMMENDATIONS COVERING CURRENT NEEDS:

Lack of available financing is the most significant impediment to establishing environmental projects in CEE. U.S. small businesses that can supply low cost technology solutions to environmental problems lack funding to travel throughout the region to develop business investments and partnerships that could utilize their expertise. In addition, demonstration projects, necessary to promote new technologies cannot be developed; again due to the lack of available financing. Sanders International will allocate a significant portion of their resources for the ensuing period to identify sources for project financing. This issue has become even more critical with the cancellation of the CDI Development Cost Support Fund.