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Final Report

North American Consortium for Free Market Study Program AID EUR-0002-g-2049-00

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February 1995

FINAL REPORT
NORTH AMERICAN CONSORTIUM FOR FREE MARKET STUDY PROGRAM
AID EUR-0002-g-2049-00

Background

Founded in 1990 with support from some 40 corporations, the North American Consortium for Free Market Study's goal was to provide opportunities for mid-career professionals, including managers of large enterprises, entrepreneurs, and new leaders from Central and Eastern Europe and the former Soviet Union (FSU) to study the free-market system at selected universities, business schools, and corporations in North America. The East Central European component of the second and third years of the program, included funding from USAID.

Selection of USAID Fellows

Competitions took place in Czechoslovakia, Poland, and Hungary in the spring of 1992. IIE advertised the availability of these fellowship opportunities throughout the region by notices in national newspapers fully describing the number of fellowships, the eligibility criteria, the selection procedures, deadlines and grant benefits.

In order to run fair, open, as well as cost-effective competitions, IIE arranged for an in-country partner agency in each country. The University of Economics/Prague (formerly the Prague School of Economics) and the Academic Information Agency of the Ministry of Education administered the distribution and collection of applications throughout Czechoslovakia. In Poland, IIE worked with the Polish-U.S. Fulbright Commission (formerly the Polish-U.S. Office of Educational Exchanges). The Commission served as the direct contact with applicants and IIE brought an in-depth knowledge of competition procedures to the program. At the suggestion of the USAID Mission in Hungary, IIE worked with the International Management Center (IMC), under an arrangement whereby students who had completed the first year of the MBA program at the IMC could apply to pursue the second year of MBA studies at the Katz Graduate School of Business, University of Pittsburgh; A.B. Freeman School of Business, Tulane University; and the University of South Carolina. The IMC student body represents the entire region of East Central Europe.

In December 1991, IIE sent applications to the in-country agencies to distribute to anyone who submitted an official request for an application. The candidates completed the IIE applications and returned them to the local agency, where they were reviewed for completeness and compliance with the program's criteria. The agencies followed up with candidates for missing documents and answering questions to clarify procedures. All applications were sent to IIE New York for review by a screening committee of business, host institution placement and exchange professionals. The committee determined those who were eligible and ranked those candidates who it felt would succeed in a U.S. graduate business school and who showed potential as business leaders. The overseas agencies were notified by IIE of those candidates chosen as finalists for the personal interview with a committee of business representatives, past Consortium participants and an IIE representative. USAID representatives were sent notification of the pre-selections and invitations to attend the interviews.

Immediately following the interviews, applicants were notified of their status. Fellowship recipients received follow-up information on the award, and official documentation was sent.

During this time IIE staff reviewed the students' applications and information which they elicited in the interviews to determine the appropriate U.S. university placement. Paperwork was completed with the university to register the students and immigration forms and other grant documents were prepared.

IIE selected universities to host students on this program based on proposals submitted by schools with a strong graduate business program, and a willingness to offer intensive programs, provide close supervision, and cost-reductions so that overall student costs would be kept to a minimum. IIE also looked to schools that have had experience with the countries of East Central Europe. In addition, the participating schools agreed to accept students recommended by IIE from the competitions and interviews organized overseas, waiving all of their own admissions procedures. All of the schools that participated during the Consortium's first year asked to participate again with an increased number of students. These schools brought additional know-how and experience to the group of host institutions.

There were sixteen participants (11 men and 5 women) active under this grant. The breakdown was as follows: one participant from Bulgaria; three participants from Slovakia; six participants from the Czech Republic; three participants from Hungary; and three participants from Poland.

The seven participating universities in the program were: The Woodrow Wilson School of Public and International Affairs, Princeton University; A.B. Freeman School of Business, Tulane University; Executive Development Center, College of Commerce and Business Administration, University of Illinois at Champaign/Urbana; Carlson School of Management, University of Minnesota; Graduate School of Business, University of Wisconsin, Madison; The Katz Graduate School of Business, University of Pittsburgh; and the College of Business Administration, University of South Carolina.

Students were required to enroll in a minimum of four courses per semester for each of two semesters on a non-degree basis. At the end of each term, the students were issued an academic transcript/report of grades. Some of the courses taken by the participants were: Macro/Microeconomics; Managerial and Cost Accounting; International Economic Policy; Financial Policies; Organizational Behavior; Industrial Organization; Marketing Research; Decision Science and Information Systems; Money & Capital Markets; and Strategic Marketing.

At the conclusion of the academic year, students were required to secure an internship for up to three months. Internships were completed at Sazerac Company, New Orleans; Household International, Prospect Heights, IL; and the Private Sector Development Department, The World Bank.

Students at the University of South Carolina pursued a field consulting project where they were matched up with local companies to solve a specific business problem. Some examples of these field consulting assignments were: Milliken & Co; Clinton Mills; Professional Medical Products; Blue Cross/Blue Shield; the Westinghouse Savannah River Co.; and HomeLite Textron.

Attached is a chart listing the participants, home countries, host U.S. universities, and present employment.

The success of the program was recently evidenced by comments made by Petr Kasal of the Czech Republic who, upon his return home last year, became Technical Director of a cable and wire company. He has recently been offered two other jobs - one as General Manager of the Czech plant of a large French-German company, and the other as a technical director of the Czech plant of a U.S. based cryogenic equipment company. In his letter, Mr. Kasal reflected on his year at the University of South Carolina and stated that "It is really more and more obvious to me how much I received through your program. Not only the school education but also international environment, language and way of thinking has influenced my today's professional development."

Mr. Ivan Honzak also of the Czech Republic also mentioned how much the program meant to him both professionally and personally. In his correspondence, he stated that "I would like to highlight that the program that we went through was an excellent experience and we learned a lot."

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Comments-Implementation Problems

There were a number of implementation problems which affected the smooth administration of this program. For example, due to USAID's grant approval calendar, the final selection process for the competition for this program only took place in early summer for fall placement. This delayed every aspect of the initial stages of the program. There was limited time to arrange for the students to get airline reservations on a U.S. carrier (flights were particularly full during the summer months) and there was no time to issue an AID IAP-66A form. As a result, AID authorized IIE to provide the students with its own IAP-66 to secure a J-1 visa under IIE's sponsorship on the condition that the grantees transfer visa sponsorship once they arrived in the U.S. IIE sent each student an IAP-66; however, this process was rushed since time was short.

Registration for HAC insurance for the grantees was also delayed, causing some confusion and concern to the students.

Due to the short notice of time, there was also difficulty in locating qualified applicants for the available fellowships. Once applicants were found and notified of their award status, they were expected to leave for the U.S. immediately with little preparation.

The HAC insurance premium for participants on this program also increased 100% in the course of the year, which changed the overall budget of the program and reduced the balance of funds available. Additional money had to be allocated to each active AID student's grant.

For the last two students chosen on this grant (who studied in the U.S. during 1993-94), IIE was unaware of the AID regulation that participants had to fulfill an English language requirement. Although these students fulfilled the language requirement, there was some confusion and miscommunication between AID, PIET, IIE and the students.

Overall, the most serious problem was USAID's inflexibility in insisting on Handbook 10 compliance for the USAID-supported students in a pre-existing, privately-funded program for which other policies and procedures had already been established. This resulted in the division of participants into two groups - a result that was particularly troubling to the corporate sponsors by whom the program had been established. The inability of USAID to cooperatively policy-share in this private/public initiative was a major factor in the subsequent withdrawal of corporate support for the Consortium program.

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FINAL REPORT

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<u>Name</u>	<u>Country</u>	<u>U.S. University</u>	<u>Current Employment</u>
Anatoli Beltchev	Bulgaria	Univ. of South Carolina	Deloitte & Touche Sofia, Bulgaria
Inocencia Bonova	Slovakia	Univ. of South Carolina	Sorea Hotel Bratislava, Slovakia
Ewa Czyzewska	Poland	Univ. of South Carolina	Pepsico Foods Int'l.
Jan Grof	Slovakia	Univ. of Wisconsin, Madison	U. Nitra & VAAGES Nitra Nitra, Slovakia
Ivan Honzak	Czech Republic	Carlson School of Management, Univ. of Minnesota	Johnson & Johnson Prague, Czech Repub.
Andrej Juris	Slovakia	Woodrow Wilson School of Public and International Affairs Princeton University	Center for Development Economics Bratislava, Slovakia
Peter Kasal	Czech Republic	Univ. of South Carolina	Technical Director Cable & Wire Company Prague, Czech Repub.
Peter Koncz	Hungary	Univ. of South Carolina	Nat'l. Medical Care Kft. Budapest, Hungary
Zdenek Mikulanda	Czech Republic	Univ. of Illinois at Urbana-Champaign	Foto-World Prague, Czech Repub.
Judit Molnar-Lombar	Hungary	A.B. Freeman School of Business Tulane University	Biogal Pharmaceutical Budapest, Hungary
Marcel Mottl	Czech Republic	Univ. of Illinois at Urbana-Champaign	Dopravni Stavby a Mosty a.s. Czech Republic
Pavel Pulpan	Czech Republic	Univ. of South Carolina	Deloitte & Touche Prague, Czech Repub.

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Katarzyna Rozynek	Poland	Univ. of Illinois at Urbana-Champaign	Solidarnosc Chase Bank Gdansk, Poland
Zsuzsanna Szendrey	Hungary	Katz School of Business Univ. of Pittsburgh	Petroteam Fuzesgyarmat, Hungary
Marek Sztafa	Poland	Univ. of Illinois at Urbana-Champaign	P.Z. "Marbet" Bielsko-Biala, Poland
Radovan Vavra	Czech Republic	Univ. of South Carolina	Creditanstalt Securities, a.s. Prague, Czech Repub.

FINANCIAL STATUS REPORT

(Short Form)

(Follow instructions on the back)

1. Federal Agency and Organizational Element to Which Report is Submitted <p style="text-align: center;">USAID</p>	2. Federal Grant or Other Identifying Number Assigned By Federal Agency <p style="text-align: center;">EUR-0002-G-00-2049-00</p>	OMB Approval No. <p style="text-align: center;">0348-0039</p>	Page <p style="text-align: center;">1</p>	of <p style="text-align: center;">1</p>	pages
3. Recipient Organization (Name and complete address, including ZIP code) <p style="text-align: right;">Institute of International Education 809 United Nations Plaza New York, N.Y. 10017</p>					
4. Employer Identification Number <p style="text-align: center;">13-1624046</p>	5. Recipient Account Number or Identifying Number <p style="text-align: center;">35250</p>	6. Final Report <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	7. Basis <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual		
8. Funding/Grant Period (See Instructions) From: (Month, Day, Year) <p style="text-align: center;">3/31/92</p>	To: (Month, Day, Year) <p style="text-align: center;">12/31/94</p>	9. Period Covered by this Report From: (Month, Day, Year) <p style="text-align: center;">10/01/94</p>	To: (Month, Day, Year) <p style="text-align: center;">12/31/94</p>		
10. Transactions:	I Previously Reported	II This Period	III Cumulative		
a. Total outlays	\$355,637.37	\$1,526.81	\$357,164.18		
b. Recipient share of outlays	-	-	-		
c. Federal share of outlays	\$355,637.37	\$1,526.81	\$357,164.18		
d. Total unliquidated obligations			\$42,835.82		
e. Recipient share of unliquidated obligations			-		
f. Federal share of unliquidated obligations			\$42,835.82		
g. Total Federal share (Sum of lines c and f)			\$400,000.00		
h. Total Federal funds authorized for this funding period			\$357,164.18		
i. Unobligated balance of Federal funds (Line h minus line g)			(\$42,835.82)		
11. Indirect Expense	a. Type of Rate (Place "X" in appropriate box) <input checked="" type="checkbox"/> Provisional <input type="checkbox"/> Predetermined <input type="checkbox"/> Final <input type="checkbox"/> Fixed				
	b. Rate	c. Base	d. Total Amount	e. Federal Share	
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation.					
13. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.					
Typed or Printed Name and Title <p style="text-align: center;">Charles Cantone, Operations Controller</p>			Telephone (Area code, number and extension) <p style="text-align: center;">(212) 984-5427</p>		
Signature of Authorized Certifying Official 			Date Report Submitted <p style="text-align: center;">1/24/95</p>		

**QUARTERLY REPORT: Technical Programs
Training Cost Analysis (TCA)**

SEE "Instructions: Quarterly Report", Reverse of Page 4

PROJECT TITLE USAID - North Ame. Consortium - #35250	PROJECT NUMBER EUR-0002-G-00-2049-00	IMPLEMENTOR Institute of International Educ.
CONTRACT QUARTER 11 of 11	REPORT PERIOD 10/01/94 - 12/31/94	DATE January 25, 1995

I. PARTICIPANT TRAINING COSTS

ACADEMIC PROGRAMS:	BUDGET	PROJECTED THIS QUARTER	EXPENDED THIS QUARTER	EXTENDED TO DATE	BALANCE REMAINING	% OF BUDGET
A. Education/Training Cost	123,200.00	\$	\$ 0.00	\$ 107,917.56	\$ 15,282.44	12.404 %
B. Allowances	147,600.00		1,163.50	136,012.17	11,587.83	7.85 %
C. Travel	40,000.00		0.00	18,067.34	21,932.66	54.831 %
D. HAC	9,408.00		0.00	18,173.00	(8,765.00)	-93.165 %
E. Supplemental Activities	8,000.00		(423.00)	8,574.52	(574.52)	-7.181 %
Total, Academic Costs	\$ 328,208.00	\$	\$ 740.50	\$ 288,744.59	\$ 39,463.41	12.023 %

THIS QUARTER:

Number of Participant Months Projected: _____

Number of Participant Months Completed: 33

TOTAL PROJECT:

Number of Participant Months Projected: _____

Number of Participant Months Completed: 270

IMPORTANT: SPECIFY PROGRAM TYPE
(Check Only One Category)

Classroom Training

Observation Tour

On-the-Job Training

BY TYPE OF TRAINING

**QUARTERLY REPORT: Technical Programs
 Training Cost Analysis (TCA)**

****SEE "Instructions: Quarterly Report", Reverse of Page 4****

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II. ADMINISTRATIVE COSTS

II. F. ADMINISTRATIVE COSTS	BUDGET	PROJECTED THIS QUARTER	EXPENDED THIS QUARTER	EXTENDED TO DATE	BALANCE REMAINING	% OF BUDGET
1. Salaries	\$ 22,081	\$	\$ 340.92	\$ 25,396.22	\$ (3,315.22)	115.013 %
2. Fringe Benefits	6,845		105.68	8,373.95	(1,528.95)	122.336 %
3. Travel	7,850		0.00	922.35	6,927.65	11.749 %
4. Consultants	0		0.00	0.00	0.00	0 %
5. Equipment	0		0.00	0.00	0.00	0 %
6. Sub-Contracts	0		0.00	0.00	0.00	0 %
7. Indirect Costs	20,508		262.32	26,828.13	(6,320.13)	130.817 %
8. Other	14,508		77.39	6,898.94	7,609.06	47.552 %
II. F. TOTAL ADMINISTRATIVE COSTS	\$ 71,792	\$	\$ 786.31	\$ 68,419.59	\$ 3,372.41	95.302 %
GRAND TOTAL, TRAINING COSTS:	\$ 400,000.00	\$	\$ 1,526.81	\$ 357,164.18	\$ 42,835.82	89.291 %

NOTE: % Of Budget refers to that %age of the total budget (for each line) that has been spent.

$$\% \text{ of Budget} = [\text{Expended to Date}] / [\text{Budget}]$$