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**UNITED STATES AGENCY
FOR
INTERNATIONAL DEVELOPMENT**

BUCHAREST, ROMANIA

RESULTS REVIEW AND

RESOURCE REQUEST

FY 97 and FY 98

MAY 1996

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USAID/ROMANIA

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PART I.

**FACTORS AFFECTING
PROGRAM PERFORMANCE**

USAID/BUCHAREST

RESULTS REVIEW AND RESOURCE REQUEST

FY 97 and 98

PART I.

**Factors Affecting Program Performance,
Including Transition Issues for ENI**

Significant Factors in the Enabling Environment

Often called a "Latin Island in a Slavic Sea," Romania has been distinguished from other countries in Central Europe, due to its unique history; its Communist dictator who resisted the reform deemed inevitable in other countries in the region, its staunch pro-natalist policy; and its strategic geo-political location.

A lower-middle income country of about 23 million people, Romania experienced a slow and stumbling start following the fall of its dictatorship in 1989. From 1989 through 1993, output fell by 32 percent with industrial output down 54 percent; unemployment rose to 10 percent of the labor force, while real wages fell by about 30 percent. However, a major fiscal adjustment of 1993 turned around the macro-stabilization process and upward trends have continued to date. Economic indicators, finally beginning to be positive, continue to be supportive of required transition changes to a market-oriented democracy. Although inflation is about 30%, it is much lower than earlier rates. GDP grew by 6.9% in 1995, though Romania's per capita GDP of \$1,352 in 1995, remains among the lowest in Central Europe. The government has shown a strong commitment to the stabilization effort, which is supported by the International Monetary Fund (IMF), the World Bank, the IBRD, and the EBRD.

Some problems currently do exist in the area of foreign exchange and balance of payments, meaning that the currency will continue to depreciate and pressures on inflation will persist; such problems will no doubt restrict key imports and could have an impact on efforts to build up the private sector through imported inputs and equipment necessary to modernize the industrial sector. Additionally, there is some concern that the economic gains in recent years are fragile, being based more on increased consumer demand, rather than on capital investment or exports.

The Government has also been working on structural reforms

supportive of the transition to a market-oriented economy. A land reform program resulted in 80 percent of agricultural land being privatized. The housing stock was also privatized. The majority of state-owned companies were transformed into commercial entities and progress has been made since mid-1993 in the liberalization of prices, including elimination of most price controls on industrial and agricultural products, energy and agricultural products, energy products and consumer goods.

Romania is considered to be a politically stable country. Elections in 1992 were considered to be fair and open. Upcoming 1996 elections, both local and national, will clarify current power and ideological relationships.

As a consequence of the above listed factors, the enabling environment for the transition of Romania to a market-oriented economy continues to be positive, with the caveat that the problems facing Romania remain among the most challenging in the region.

Factors Which Could Limit Progress Toward Transition

One of the major economic problems facing Romania which could have far-reaching impact on its ability to successfully transition is its need for foreign investment. Thus far, it has failed to attract the investment it needs for growth and stability. This lack has forced the government to rely on short-term borrowing to finance the country's current account deficit. Foreign investors still lack the confidence to invest in Romania due to cumbersome processes and corruption. Enterprises will not be able to modernize and compete internationally without this influx of foreign capital, technology, and knowhow.

1996 is an election year and the government is thus hesitant to make major decisions until after November. This fact could affect progress on some of USAID/Bucharest's projects. For example, rationalization of energy prices under the petroleum restructuring initiative may be delayed due to the negative public image of increasing prices. Action on the Refinery Restructuring Study, which proposes the elimination of excess capacity and would likely result in unemployment for thousands of workers, will almost certainly be delayed due to the government's fear of making a politically difficult decision.

The Government of Romania has found it difficult to address the problem of chronic loss-making enterprises and the associated accumulation of inter-enterprise arrears. Many of the largest enterprises continue to run significant losses and to build up new arrears to banks and to their suppliers. This lack of financial discipline in state enterprises has had a serious negative impact on the banking system which has been compelled to provide financing to ailing industries. These issues could

seriously impinge upon the development of the enterprise and financial sectors and the entire transition process.

In the political realm, Romania is working out its particular form of democracy. There are unresolved issues regarding presidential terms; the relationship between the executive, legislative, and judicial branches; the correct balance of power and authority between the between central and regional government; the ideal balance between public and private; and other basic issues of establishing market-oriented democracy.

In the social sector, the time is not yet ripe for the privatization of social services, such as health. The central government has staunchly held onto to the necessity to control this sector. Indeed, even the health reform calls for only one, government-owned insurance fund. Due to continued government resistance to change, it is also not appropriate for USAID to focus on social system transformation in pensions or unemployment or other areas in which USAID programs in the region are working. The consensus of individuals working in Romania is that reform in the social sector will come about by building up a network of non-government organizations which will provide parallel services and become catalysts for higher-level system change through training of government staff and actively advocating laws and regulations in support of more privatized services.

Progress Towards Successful Transition by the Cooperating Country and Transition Points for Individual Strategic Objectives

Although Romania has made and continues to make progress in its transition to a market-oriented democracy, it continues to lag behind other countries in Central Europe. This is partly because problems which the political and economic legacies of the Ceausescu era left behind are more severe than most other countries in the region. International donor and diplomatic pressure and Romania's desire to join the European Union have been important elements in the change process. The Government of Romania has begun to put into place many of the required laws and regulations for macroeconomic stabilization and now is beginning to lay the necessary foundation for structural changes. Key changes to date have included the ratification of a new Constitution, the establishment of a multi-party electoral system, the holding of two elections deemed open and fair, the accelerated mass privatization law, the bankruptcy law, the environmental law, the health reform and all their permutations to restructure and re-texture society toward transition goals.

Key transition points for USAID's economic restructuring objectives include a number of pending laws and actions. For private sector development, Romania's commitment to continued privatization targets and to dealing with lack of enterprise financial discipline are critical points for future progress.

The successful completion of the current privatization of 3,900 firms is a major transition point for the development of a capital market, a key cornerstone for strategic objective 1.4. Pending bank privatization is also essential to this strategic objective. In the area of energy, strategic objective 1.5, major transition points are the government's willingness to select an option for power sector reform and to follow recommendations for restructuring the petroleum industry.

In the area of democratic transition, a key transition point for both strategic objectives 2.1 and 2.3 will be the outcome of the 1996 local and national elections which will influence future policy making decisions. In the realm of social stabilization, the government's willingness to deal with the provision of family planning throughout Romania is critical to strategic objective 3.2 as well as their willingness to facilitate the development of NGOs. A key transition point for strategic objective 3.3 will be the government's enforcement of its recently passed environmental law.

PART II

STRATEGIC OBJECTIVE

RESULTS REVIEWS

PART II

STRATEGIC OBJECTIVE RESULTS REVIEWS

USAID/Bucharest is pursuing a strategy consisting of seven strategic objectives and three special initiatives. In the ENI lexicon., the strategic objectives selected by the Mission include S.O.s 1.3, 1.4, 1.5, 2.1, 2.3, 3.2, and 3.3. Three special initiatives include 1.2, in fiscal reform, 4.1, in health reform, and 4.2, crosscutting training.

USAID/Bucharest worked together to develop a Mission Statement, a Vision, and a statement of common values to provide the framework within which to build its program. We concluded that our "shared" mission is:

"Together (with our partners and customers) we create a democratic political system and free market economy which protects the interests of individuals."

The values which we embrace and hold dear are, in addition to USAID's four core values, an emphasis upon the individual and the assurance that individual needs (broadly defined) are met in the restructured Romanian society.

The vision statement which the Mission sketched out and embraced intellectually and emotionally is:

"An open society, emphasizing fairness, which functions with a smooth balance of power between the three branches of government and in which power is shared among a responsive central government, local government, individuals, interest groups, and professional organizations; in which the private sector is producing in an environmentally sustainable way the predominant amount of goods and services; which is characterized by an informed and active public and a large, dynamic middle class; and in which people are empowered to make key economic and political choices and are able to meet their basic needs."

Thursday, March 28, 1996

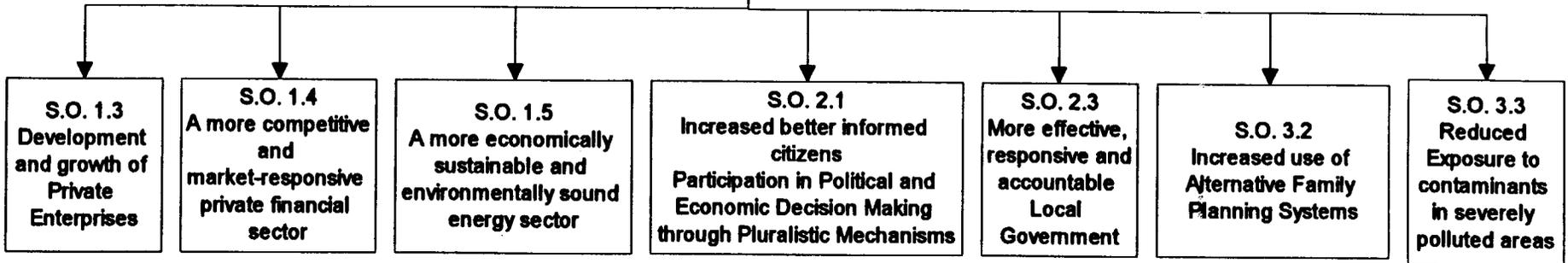
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**USAID/ROMANIA
STRATEGIC FRAMEWORK**

OUR SHARED MISSION: Together (with our partners and customers), we create a democratic political system and free market economy which protects the interests of individuals.

OUR VISION

An open society, emphasizing fairness, which functions with a smooth balance of power between the three branches of government and in which power is shared among a responsive central government, local government, individuals, interest groups, and professional organizations; in which the private sector is producing, in an environmentally sustainable manner, the predominant amount of goods and services; which is characterized by an informed and active public and a large, dynamic middle class; and in which people are empowered to make key economic and political choices and are able to meet their basic needs.



S.O. 1.3
Development and growth of Private Enterprises

S.O. 1.4
A more competitive and market-responsive private financial sector

S.O. 1.5
A more economically sustainable and environmentally sound energy sector

S.O. 2.1
Increased better informed citizens
Participation in Political and Economic Decision Making through Pluralistic Mechanisms

S.O. 2.3
More effective, responsive and accountable Local Government

S.O. 3.2
Increased use of Alternative Family Planning Systems

S.O. 3.3
Reduced Exposure to contaminants in severely polluted areas

STRATEGIC OBJECTIVE

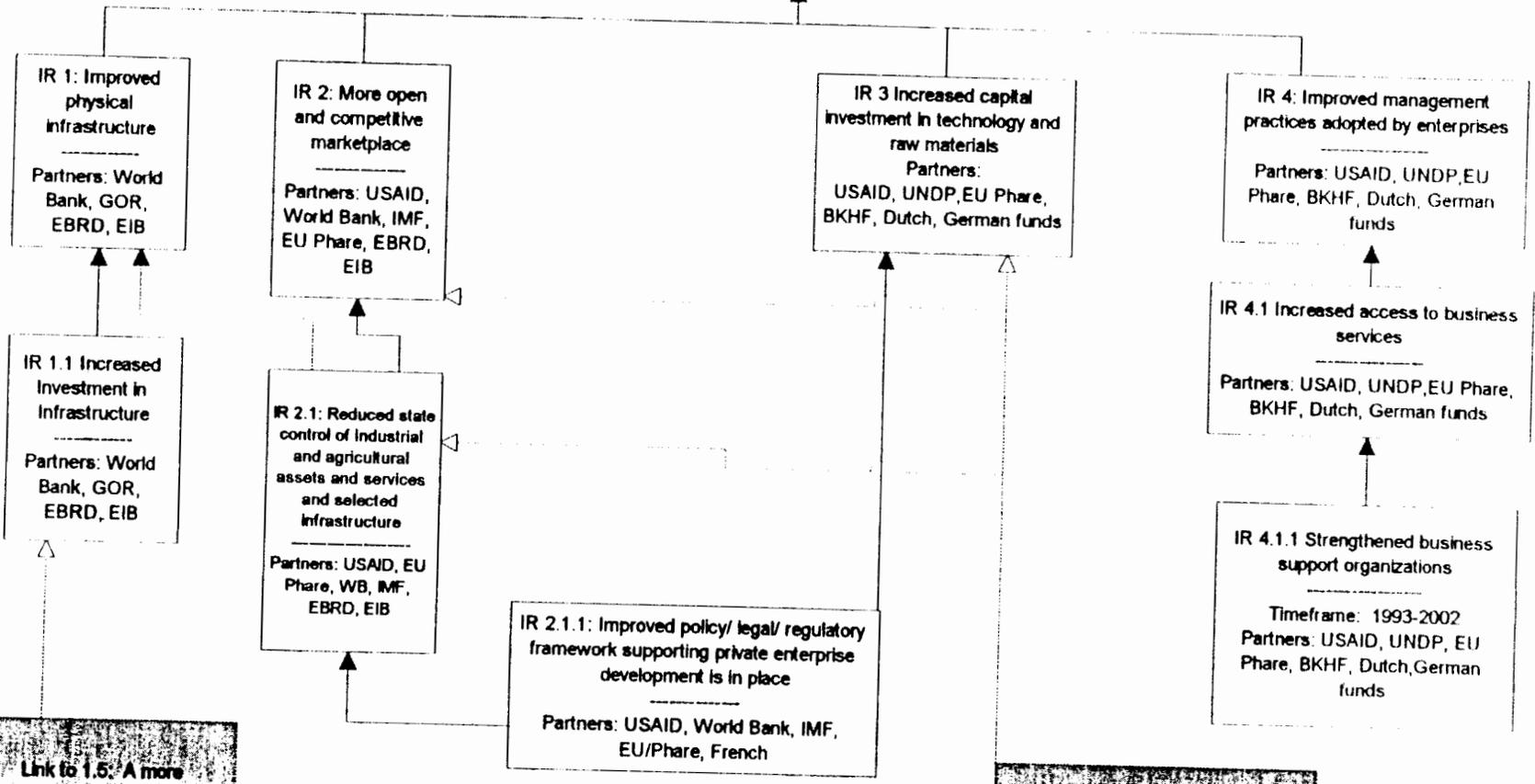
RESULTS REVIEW

S.O. 1.3

**DEVELOPMENT AND GROWTH OF PRIVATE
ENTERPRISES**

SO 1.3 Development and Growth of Private Enterprises
 Time frame: 1993-2002
 Partners: USAID, World Bank, IMF, EU Phare, British Know-How Fund (BKHF), Dutch, German Funds, GOR, EBRD, EIB, French

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Link to 1.5: A more economically sustainable and environmentally sound energy sector

(link to SO 1.4): A more competitive and market responsive private financial sector

USAID/Romania Strategic Objective 1.3

Development and Growth of Private Enterprises

I. Rationale/Transition Hypothesis:

Improved performance and growth of private enterprises in Romania is essential for overall economic growth and the continued transition to a market economy in which the majority of economic resources are privately owned and managed. Since the 1989 change of government, considerable progress has been made in laying the basis for comprehensive reforms aimed at improving economic performance. However, serious gaps remain in the implementation of needed legal and regulatory reform programs. Additional constraints faced by private enterprises include inadequate infrastructure, constrained market environments, an underdeveloped financial sector, and use of inefficient business practices. Continued external support is critical to further progress toward private enterprise development. USAID/Romania has been a critical actor supporting private enterprise development for several years, drawing on the expertise and experience of the Agency in this sector. The USAID program includes assistance activities aimed at providing business support services to improve private enterprise management and technical skills, assistance to restructure state-owned firms, financial market development (a separate Strategic Objective 1.4), and legal and regulatory reform needed to establish the framework for a free market, private sector oriented economy. USAID assistance for improved fiscal policy, a special initiative, also contributes to the achievement of Strategic Objective 1.3.

The Mission decided to eliminate the word "Accelerated" from the ENI Objective 1.3, which is "Accelerated development and growth of private enterprises." It was felt that the meaning of accelerated was unclear. If accelerated refers to development of enterprises, accelerated development may be conceptually equivalent to growth. On the other hand, if accelerated refers to growth of enterprises, the concern was that achieving increases in the growth rate of private enterprises (growth is already a rate of increase - thus it would mean increasing the rate of increase), may be beyond the manageable interest of the mission program to achieve.

II. Causal Linkages:

Changes in four major areas must occur in order to foster the development and growth of private enterprises in Romania. Physical infrastructure must be improved; markets for goods and

services need to become increasingly fair, open and transparent, competitive, and efficient; there needs to be increased capital investment (both domestic and foreign) in technology and raw materials, and enterprises need to adopt improved management practices. These constraints are expressed in four key intermediate results that contribute directly to the accomplishment of the Strategic Objective. Together, the achievement of these four intermediate results will stimulate the development and growth of private enterprises by providing an enabling environment, increased resources, and more effective and efficient use of these resources.

Intermediate Result 1 is "Improved physical infrastructure." Inadequacies in transportation systems, telecommunications systems, and access to basic utilities constrain the development of private enterprises in Romania. In order to achieve the result, increased investment in infrastructure systems (IR 1.1) must be achieved. In addition, reduced state control of selected aspects of infrastructure service provision (IR 2.1), would contribute to the improvement of infrastructure. However, since significantly reduced state control of infrastructure is probably unlikely to occur during the time frame of this strategy period, and since infrastructure may be improved to at least some degree without first achieving reduced state control, this causal linkage is shown with a dashed line. Improved infrastructure in the power sector may result, to a certain extent, from progress made in USAID's Strategic Objective 1.5. Hence, the relationship to this S.O. is shown in the results framework.

Intermediate Result 2 is "More open and competitive marketplace." This result refers to aspects of markets that are not directly concerned with financial transactions, including markets for goods and services. Characteristics of the improved market place will be transparency, openness, competitiveness and efficiency of transactions. This Intermediate Result will be achieved by the accomplishment of IR 2.1, "Reduced state control of industrial and agricultural assets and services and selected infrastructure." State ownership of commercial activities inhibits the efficient functioning of free markets. IR 2.1.1, "Improved enforcement/application of legal/regulatory framework supporting private enterprise development," is also necessary to achieve IR 2, since currently some laws and regulations inhibit the smooth functioning of competitive free markets.

Intermediate Result 3 is "Increased capital investment in technology and raw materials." Lack of capital investment (both foreign and domestic) is a serious obstacle to private sector development. One of the major results required to increase investment will be the establishment of an open and competitive financial market, which comprises S.O. 1.4. Hence the link to S.O. 1.4 is shown here; the results of that S.O. are critical to success to this S.O. Financial markets consist of the banking

sector, securities exchanges, commodities exchanges, and foreign exchange markets. IR 2.1 (Reduced state control of industrial and agricultural assets and services) and IR 2.1.1 (Improved policy/legal/regulatory framework supporting private enterprise development) both influence the achievement of IR 3. The 2.1 and 2.1.1 Intermediate Results shown here correspond directly to specific IRs in the SO 1.4 framework also.

The fourth Intermediate Result that contributes directly to the Strategic Objective is "Improved management practices adopted by enterprises." This refers to the internal management and production related systems and functions inside the firm, through which inputs are transformed into value added. The achievement of IR 4 will be brought about by the achievement of increased access to business services (IR 4.1), which in turn will be accomplished by IR 4.1.1, strengthened business support service organizations (including trade associations, professional associations, and chambers of commerce).

Intermediate Result 2.1.1, "Improved policy/legal/regulatory framework supporting private enterprise development," is also critical to the development and growth of the private sector and affects progress in all higher level results. A diverse array of policy, legal and regulatory reforms are needed to support private enterprise development, including reforms in commercial law, tax law, trade law, price controls and subsidies, foreign exchange regulations, privatization, and so on. Enforcement of these laws and regulations is also critical.

III. Critical Assumptions:

An important Critical Assumption is that needed information will be available. Information is a critical factor necessary to achieve many of the other intermediate results in the framework, including increased investment in and the resulting improvements in infrastructure, establishment of the appropriate legal/regulatory framework and enforcement of it, reduced state control of assets and services, an improved marketplace, improved financial markets, and of course, improved management practices adopted by enterprises. Improved flows and quality of information are also critical elements of market systems.

Another assumption is that the overall macroeconomic environment will continue to increase in stability. Mission activity in Special Initiative 1.2, dealing with improved fiscal policy and fiscal management practices, contributes to an improved macroeconomic environment.

Another key assumption is that the political will to continue the march toward a private sector economy will last in spite of the potential repercussions of needed policy changes on the population at large.

PERFORMANCE DATA: BASELINE, TARGETS, AND ACTUAL RESULTS
S.O.1.3: Development and Growth of Private Enterprises

RESUL T LEVE L (S.O. OR I.R.) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
				YEAR	VALUE	1996		1997		1998		1999		2000	
						Targ et	Actu al (year end)	Targ et	Actu al	Targ et	Actu al	Targ et	Actu al	Targ et	Actu al
SO 1.3	Development and growth of private enterprises	Percent of annual GDP that is from the private sector	Definition: value of GDP that is produced by private sector/total value of GDP Unit: Percentage	95	45%	55%		60%		65%		70%		75%	
IR 1	Improved Physical Infrastructure	Increase in % of population with access to basic services	Definition: Access to roads, telecommunications, water and sewer services Unit: %	95	TBD	+2%		+2%		+2%		+2%		+2%	
IR 1.1	Increased Investment in Infrastructure	World Bank Infrastructure loan tranche levels	Definition: Unit: USD	1995	TBD										
IR2	A more open and competitive market place	Time for licensing procedure for new firms is reduced as per World bank conditionality	Definition: Unit: avg # of weeks	1995	12	8		6		4		4		4	
		Government meets IMF requirements for price decontrol	Definition: Unit: Yes/No	1995	No	Yes		X		X		X		X	

IR 2.1	Reduced state control of industrial and agricultural assets and services and selected infrastructure	Number of companies privatized under Mass Privatization Plan (e.g. 51% private ownership)	Definition: cumulative number Unit: number	1995	1,500	2,500	3,500	4,000	4,500	4,800
		Number of state-owned banks that are privatized	Definition: % of total Unit: %	1995	0%	17%	33%	50%	67%	100%
IR 2.1.1	Improved policy/ legal / regulatory framework supporting private enterprise development is in place	Laws passed identified by World Bank/IMF as necessary for private sector development	Definition: Unit: Yes/No (meets World Bank/IMF conditionality)	95	No	Yes	X	X	X	X
IR 3	Increased capital investment in technology and raw materials	Annual levels of foreign investment (proxy for total investment)	Definition: Annual FDI Unit: USD	95	\$300M	\$400 M	\$500 M	\$600 M	\$700 M	\$800 M
IR 4	Improved management practices adopted by enterprises	Average increase in sales for USAID-assisted firms (%)	Definition: % increase of avg. annual sales Unit: %	95 TBD	5%	5%	5%	5%	5%	5%
IR 4.1	Increased access to business services	Number of enterprises assisted	Definition: cumulative Unit: number	95	500	1000	1500	2000	2500	3000
IR 4.1.1	Strengthened business support service organizations	Number of advisors in-country	Definition: Unit: % increase	95	TBD	5%	5%	5%	5%	5%

2

		<i>Number of support service staff trained</i>	<i>Definition:</i> <i>Unit: % increase</i>	95	TBD	5%		5%		5%		5%		5%	
		<i>Comments/Notes:</i>													

**PERFORMANCE DATA TABLE
NARRATIVE ANALYSIS**

S.O. 1.3 Development and Growth of the Private Sector

Overall Progress

Romania has made slow but steady progress toward the establishment of a private sector, which accounted for 45% share of the GDP in 1995, up from 39% in 1994. This sector currently comprises about 600,000 private enterprises according to the World Bank. Romania's transition to a market economy more supportive of private enterprises began in 1991 with the legal establishment of two categories of commercial entities via The Privatization Law (Law No. 58): (1) "regies autonomes," which consist of about 800 enterprises involved in "strategic activities" (i.e. defense, energy, mining, railway, utilities, etc.) and hence remain completely under state control; and (2) 6,300 joint-stock "commercial companies," whose capital was split between the State Ownership Fund (SOFs) (70%), and five Private Ownership Funds (PFOs). The By-laws of the SOF require it to sell all its shares to private individuals by 1999, thus completing the privatization process. In actual practice, however, privatization has occurred much slower than envisaged. The Mass-Privatization Program (MPP) was postponed for largely political reasons; instead initial privatization occurred through Management-Employee Buyouts (MEBO) of small firms. By the end of 1995, only 1,484 out of 6,291 firms were privatized. However, responding to international pressure to initiate the mass privatization process, the government finally launched the Accelerated MPP in late 1995, which allows all adult Romanians to obtain shares in 3,900 companies through a voucher distribution system and subsequent establishment of a capital market for over-the-counter trading of issues. Obviously, this program is one of the linchpins of private sector development and its success is key to further progress.

As previously stated, a critical barrier to the development of the private sector continues to be the disastrous losses of state-owned enterprises which are absorbed by banks and other companies. The government has taken steps to deal with this problem by placing select enterprises in a special isolation program. The Agency for Restructuring has been established to assist a portfolio of some 200 troubled state-owned enterprises; about 60 of these appear to have long-term viability. The solution to lack of financial discipline is key to further success in the transition process.

An increasing number of multinational companies are investing and

carrying on business in Romania; although the amount of foreign investment is still far less than required, the influx of multinationals have introduced a model of the free enterprise system which is having an impact on the way business is carried out in Romania in addition, of course, to the economic impacts.

Further success in private sector development will depend upon further privatization, financial discipline, restructuring state-owned enterprises, the creation of a dynamic financial market, simplification of the enterprise licensing procedure, replacement of outmoded technology and equipment, further development of management skills, establishment of a more pro-private enterprise legal and regulatory system, a change in mentality to favor private enterprise, the establishment of more open and honest business practices, and a more competitive market. The World Bank's Financial and Enterprise Sector Adjustment Loan (FESAL) will push for more privatization and financial discipline plus key changes in regulations and procedures. USAID will continue to work toward improved management practices through firm-level assistance and training programs, legal reform, and enterprise restructuring.

USAID/Bucharest's Significant Contributions

USAID/Bucharest has played a significant role in promoting the development and growth of private enterprises through enterprise level technical assistance, training in management practices, the establishment of the Romanian-American Enterprise Fund, assistance in restructuring financially-challenged state enterprises, and legal reform in support of privatization.

IR 2.1: Reduced State Control of Industrial Assets and Services and Selected Infrastructure: USAID has played a significant role in assisting the government to restructure its losing state enterprises as a prelude to privatization. In 1995, state assets worth 121 billion lei (\$56 million) were financially restructured by the Agency for Restructuring prior to privatization. These assets were subsequently sold by the State Ownership Fund (SOF). As stated previously, according to the terms of the World Bank's FESEL, Romania will speed up its privatization process over the next few years, thus contributing to this result. Moreover, USAID's efforts to rationalize the petroleum industry and power sector under strategic objective 1.5, which will result in part in less state control, will contribute to this result as well as to IR 2, a more open and competitive marketplace.

IR 2.1.1: Improved Policy/Legal/Regulatory Framework Supporting Private Enterprise Development is in Place: USAID funded activities have assisted in the establishment of a more pro-private enterprise framework. Training has been provided to the School of Magistrates with an emphasis on Romania's business related body of laws, covering intellectual property protection,

bankruptcy, managing a private law practice and international joint ventures. Key personnel in the judicial sector were trained in interpreting company financial statements to build an understanding of the private sector into the legal system. The passage of the bankruptcy law was a key step in establishing a sound legal basis for the development of the private sector.

IR 3: Increased Capital Investment in Technology and Raw Materials: The Romanian American Enterprise Fund (ROMAEF) has already had a significant impact upon increasing investment in private enterprises, as well as in affecting the development of the financial market under closely-linked strategic objective 1.4. ROMAEF has already closed on deals worth almost \$10 million in such areas as cosmetics (\$550,000 loan/equity financing), garments, publishing, agriculture, and the manufacture of fine china. ROMAEF's channels \$1 million in loans to small businesses through World Vision. Results discussed in strategic objective 1.4 are also impacting this result.

IR 4: Improved Management Practices Adopted by Enterprises: USAID has much evidence that assisted firms have adopted improved management practices and that their sales have increased. Several hundred assisted firms have achieved sale increases of 10% or more through training and technical assistance.

IR 4.1 Increased Access to Business Services: Private enterprises have increased their access to business services through USAID funded projects focused on IR 4.1.1. In addition to direct USAID-funded advisory services, business service centers, business associations, business counselors have all been trained and expanded to a wider geographical range, thus increasing access.

Expected Progress in FY96-FY98

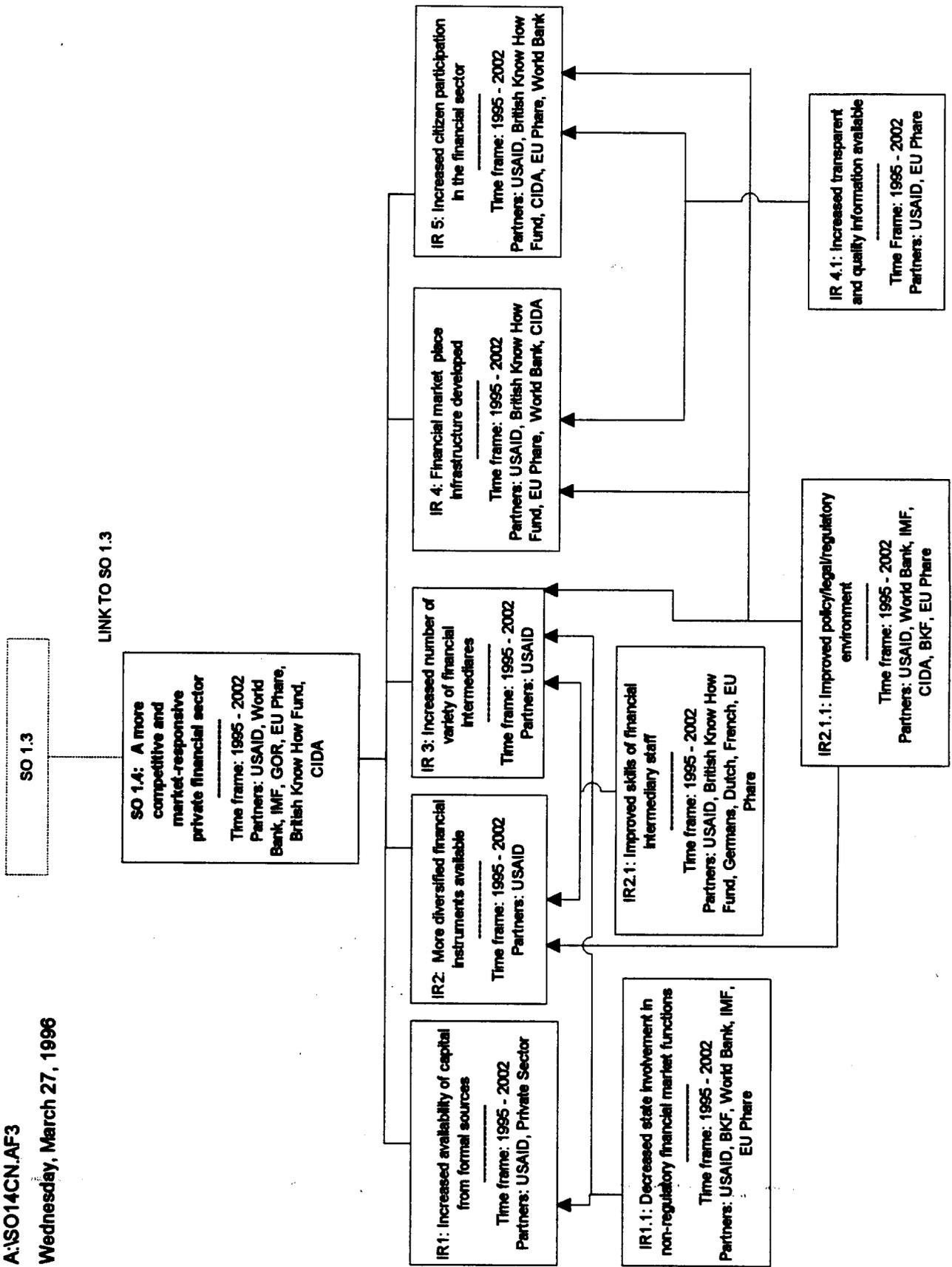
USAID will continue its support of restructuring activities and is supportive of the idea of eventually transforming the Agency for Restructuring into a post-privatization agency which will provide assistance to newly privatized firms in how to operate profitably. The Romanian-American Enterprise Fund will continue to provide equity investment and loans to private enterprises and continue to develop new loan instruments. USAID will continue to support the further development of business associations and business support services which will provide advice to private enterprises on obtaining financing and improving their management systems. Firm-level assistance to firms will continue as a centerpiece of the USAID portfolio. Together with the World Bank, we will be making an effort to reduce the time that it takes for firms to register, thus facilitating entry into the market. The World Bank is working at the higher governmental levels to obtain a simplification of procedures here and USAID is working directly with firms to more effectively "work the system."

STRATEGIC OBJECTIVE

RESULTS REVIEW

S.O. 1.4

**A MORE COMPETITIVE AND
MARKET-ORIENTED
PRIVATE FINANCIAL SECTOR**



USAID/Romania Strategic Objective 1.4

A More Competitive and Market-Responsive Private Financial Sector

I. Rationale/Transition Hypothesis:

A competitive and market-oriented private financial sector is essential for a competitive, market based economy in which the majority of economic resources is privately owned and managed (ENI Bureau Strategic Assistance Area I Goal). The accomplishment of Strategic Objective 1.4 is also necessary for, and contributes to the achievement of Strategic Objective 1.3 in Romania, which is development and growth of private enterprises. (See linkages shown in results frameworks for SOs 1.3 and 1.4). Important progress toward developing the private financial sector has been made since 1994-5 when the government agreed to key structural reforms. However, significant constraints remain. USAID, as one of the leading donors, plays an important role in supporting reforms and development of a competitive, vibrant financial sector in Romania. USAID sponsored financial and technical assistance is developing an over-the-counter trading system, contributing to legal and regulatory reform, decreased state involvement and increased private activity, infusion of new capital for investment in financial intermediaries, development of new financial instruments and strengthening of intermediaries, development of an improved financial market place, and increased citizen participation in financial markets.

II. Causal Linkages:

Five key intermediate results are identified as necessary for the accomplishment of SO 1.4 in Romania. The underlying hypothesis is that an infusion of capital for investment from formal sources, increased availability of more diversified financial instruments, increased number and variety of financial intermediaries, development of the financial market place infrastructure, and increased citizen engagement in the financial sector, are all necessary for and contribute to the accomplishment of the Strategic Objective of a more competitive and market responsive private financial sector.

The first Intermediate Result is "Increased availability of capital from formal sources." This refers to the need for availability of capital for a rapid infusion into financial institutions to help "jump start" financial market activity and to increase the capital available for credit in the economy. Decreased state involvement in non-regulatory financial market

functions is an intermediate result, (IR 1.1), that contributes to IR 1. State involvement in various non-regulatory aspects of financial markets inhibits increased availability of capital for investment in financial intermediaries by dampening efficiency, competitive behavior, and incentives for profits. Specifically, state owned banks need to be privatized, although state involvement in owning and running other types of financial intermediaries also needs to be decreased.

Intermediate Result 2 is "More diversified financial instruments available." This refers to the introduction and more widespread availability of new types of investment vehicles in Romania. A set of key product types will be identified by the Mission, including such instruments as mortgage loans, more types of credit lines and loan types available to consumers and enterprises, variety in Treasury bills, mutual funds, individual checking accounts, etc. The result of more diverse instruments being available will be achieved in turn by an Intermediate Result of "Improved skills of financial intermediary staff" (IR 2.1), and by improvements in the legal/regulatory framework and its enforcement (IR 2.1.1) that facilitate use of new financial instruments in Romania.

The third key Intermediate Result that contributes to the achievement of the Strategic Objective is "Increased number and variety of financial intermediaries operating." This result refers to the need for new types of financial intermediaries, or new roles for old types of intermediaries. Intermediaries are defined as institutions that provide financial products and services to the public. Specific types of new institutions (or roles) include stock brokerage houses, credit unions, mutual funds, insurance companies and commercial banks. This IR also expresses the need for increased numbers of institutions operating within each type. Decreased state involvement in non-regulatory financial market functions (IR 1.1), improved skills of financial intermediary staff (IR 2.1), and an improved legal/regulatory/policy environment (IR 2.1.1) are Intermediate Results that all contribute to the accomplishment of Intermediate Result 3.

The fourth principal Intermediate Result that contributes directly to the achievement of the Strategic Objective is "Financial market place infrastructure developed." This IR refers to the aspects of setting up the market-place within which financial transactions can take place, including both physical infrastructure as well as systems such as telecommunications systems and operating procedures. The key types of market place that need to be established include the Bucharest Stock Exchange, the over the counter (OTC) trade market, credit market infrastructure, and foreign exchange market infrastructure. This IR itself will be accomplished by Intermediate Results of an improved legal/regulatory/policy environment (IR 2.1.1 - both

passage of laws and regulations and transparent and consistent enforcement of regulations); and increased transparent and quality information being available (IR 4.1). In addition, the key Intermediate Result 3 of "Increased number and variety of financial intermediaries operating" contributes to the accomplishment of "Financial market place infrastructure developed". Financial intermediaries are active participants in helping to develop the market place in which transactions take place. This causal relationship is shown by an arrow leading from the financial intermediaries IR 3 to the financial market place IR 4.

The fifth key Intermediate Result that is essential for the SO and which contributes directly to its achievement is "Increased citizen participation in the financial sector." A dynamic private financial sector will only be achieved if more of the population invests savings in formal financial institutions and people actually engage in trading on the newly established Bucharest Stock Exchange and the soon to be established Over the Counter Trading System. In Romania there is currently a significant amount of excess liquidity that is not captured in the formal financial sector - the majority of people do not invest their savings, but keep them "in the mattress" at home. This situation seems to be partly a legacy of past mistrust of more limited, corrupt or inefficient public sector dominated financial systems. In order to achieve increased public investment of savings and increased participation in capital markets, it will be necessary to achieve an improved legal/regulatory environment (IR 2.1.1, with an emphasis on improved and consistent enforcement of transparent regulations to build public confidence); and increased availability of transparent and quality information on how financial institutions and markets work and on specific investment options (IR 4.1).

It should be noted that Intermediate Result 2.1.1, "Improved policy/legal/regulatory environment" refers not just to reforms in policy, laws and regulations, but to improved enforcement and application of the (reformed) legal/regulatory framework.

III. Critical Assumptions:

A key critical assumption is that the overall macroeconomic environment will continue to increase in stability. Mission activity in Special Initiative 1.2, dealing with improved fiscal policy and fiscal management practices, contributes to an improved macroeconomic environment.

PERFORMANCE DATA: BASELINE, TARGETS, AND ACTUAL RESULTS
S.O.1.4: A more competitive and market-responsive private financial sector

RESULT/IR YPL (L.O. OR I.R.) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
						1996		1997		1998		1999		2000	
				YEAR	VALUE	Target	Actual (Fo or-est)	Target	Actual	Target	Actual	Target	Actual	Target	Actual
SO 1.4	A more competitive and market-oriented private financial sector	Annual volume of government security transactions	Definition: Unit: \$ US	1995	\$0	\$200 M		\$300 M		\$350 M		\$400 M		\$450 M	
		Foreign exchange trading is free of government interference (IMF conditionality)	Definition: Inter-bank market Unit: yes/No	1995	No	Yes		X		X		X		X	
		Average Volume of Equity trading per week	Definition: Bucharest stock market and OTC market % increases Unit: %	1995	\$50,000	+50 %		+30 %		+20 %		+20 %		+20 %	
IR 1	Increased availability of capital from formal sources	Combined social capital of Romanian banks (proxy for availability of funds)	Definition: "social capital" = net worth Unit: billions of lei	1995	TBD										
IR 1.1	Decreased state involvement in non-regulatory financial market functions	Number of state-owned banks that are privatized	Definition: Percent of total Unit: %	1995	0%	17%		33%		50%		67%		100 %	

IR 2	More diversified financial instruments available	New financial product developed (variety of T-bills)	Definition: new varieties of T-bills exist (T/30, T/60, T/90, etc) Unit: Number	1995	0	T/90		T/ 6 mo.		T/12 mo.		T/ 1.5 Yr.		T/ 5 Y & 2 Y
		Number of credit unions introduced	Definition: cumulative Unit: Number	1995	0	2		6		10				
		Mutual funds increase	Definition: Cumulative number Unit: number	1995	3	15		30		45		60		
IR 2.1	Improved skills of financial intermediary staff	Number of staff of financial intermediaries trained (proxy for skills)	Definition: Unit: Number of staff	1995	TBD									
		Romanian Securities Institute Established and Active	Definition: Unit: Yes/No	1995	No	Yes		X		X		X		X
IR 2.1.1	Improved policy/legal/regulatory environment	National Securities Commission is established and enforces standards	Definition: Unit: Yes/No	1994	Yes	X		X		X		X		X
		Bank Privatization Law passed	Definition: Unit: Yes/No	1995	No	Yes		X		X		X		X

IR 3	Increased number and variety of financial intermediaries	Number of key types of financial intermediaries doing business	Definition: Financial intermediary = an institution that provides financial products/services to the public, including commercial banks, credit unions, stock brokers, mutual funds, insurance companies, etc Unit: percent growth/year	1995	100	+5%		+5%		+5%		+5%		+5%
IR 4	Financial marketplace infrastructure developed	OTC trading market established	Definition: Unit: Yes/No	1995	No	Yes		X		X		X		X
		Bucharest stock Exchange established and expanded	Definition: Unit: Yes/No	1995	Yes (established)	Yes (expanded)		X		X		X		X
IR 4.1	Increased transparent and quality information available	Independent share registries established	Definition: share registries for companies and OTC marketplace Unit: Yes/No	1995	No	Yes		X		X		X		X
IR 5	Increased citizen participation in the financial sector	Number of investors participating in OTC market	Definition: Unit: number	1996	TBD									
		Level of savings	Definition: Unit: number	1996	TBD									
		Comments/Notes:												

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**PERFORMANCE DATA TABLE
NARRATIVE ANALYSIS**

**S.O. 1.4 A More Competitive and Market-Responsive Private
Financial Sector**

Describe Overall Progress

Several reforms in the financial sector have been made since the change of government in 1989 which affect the development of this sector, both on the banking side and the capital markets side. The banking sector and the accompanying regulatory and supervisory framework have developed rapidly. The banking sector was split into a two tier system in 1990. The commercial activities of the National Bank of Romania (NBR) were given to the Romanian Commercial Bank (RCB) allowing the NBR to concentrate on its functions as the monetary authority. Four state banks, the RCB, Banca Agricola (BA), the Romanian Bank for Development (RBD, and the Romanian Bank for Foreign Trade (Bancorex) were rechartered as universal banks. Regulations as well as audit and accounting standards have been put in place to professionalize banking.

By mid 1995 there were over 30 banks operating in Romania. Seven of these banks are state owned: the Savings Bank (CEC), the Romanian EXIM Bank, the Bank post (BP) and the four above-listed commercial banks. Additionally, there are fifteen private or semi-private banks, five foreign-based Romanian joint-venture banks and four foreign banks. Several new banks owned by domestic and foreign capital are presently being formed. However, despite the growth of new private banks, the state-owned banks dominate the system. And, a recent Bank Privatization Law failed to be ratified by Parliament. Several donors, including the World Bank, EU PHARE, and EBRD, have supported efforts to strengthen strategic planning, credit assessment, asset/liability management, information systems development and bank training.

The main problems still facing the banking system include poor quality loan portfolios, an inadequate and volatile capital base, a narrow funding base, continuing dominance by the state banks, a high degree of segmentation and a need to improve governance. Moreover, the growth of household deposits in the emerging new banks has been relatively slow due to the public's perception that their money would not be safe. A diversity of loan types needs to be developed in order to meet the needs of the variety of private enterprises emerging in the new market.

Currently, Romanian commercial banks offer loans which typically

do not exceed one year and are offered at interest rates around 65 to 70%. Three to four year, asset based loans for investments in manufacturing are increasingly common. Some banks have made direct investments and three or four have established equity participation divisions.

Rapid progress has been made in the development of a capital market, although many obstacles remain to be overcome. The Securities and Exchange Law was approved in October 1994, a new National Securities Commission (NSC) has been created and the Bucharest Stock Exchange (BSE) was officially opened in June 1995. The legal, institutional and regulatory framework for the development of capital markets is being finalized by the government, the NSC and the BSE.

The World Bank's FESAL loan is focusing on further development of the financial sector through increased bank privatization, improved financial management of banks, improved loan portfolio management, and other aspects of managing the sector.

USAID/BUCHAREST'S Significant Contributions:

USAID funded programs have increased the availability of funds from formal sources, made more diversified financial instruments available, increase the variety of financial intermediaries, improved skills of financial intermediary staff, improved the policy/legal/regulatory framework, increased citizen participation, and made significant strides in developing the financial marketplace infrastructure.

IR 4: Financial Market Place Infrastructure Developed: USAID's over \$15 million project to establish an over-the-counter trading market (OTC) in order to accommodate the shares of the 3,900 companies currently being privatized is a major undertaking which will make a major contribution to the development of a competitive private financial sector. The project will develop independent share registries and OTC trading mechanisms, provide support for the Romanian securities commission, development of investment funds and a self-regulatory organization for these funds, and provide assistance for additional market reform as needed.

IR 3: Increased Number of and Variety of Financial Intermediaries: USAID is impacting this result in a variety of ways. The Capital Markets Project is developing the broker/dealer profession by establishing the OTC system, standards and regulations for broker/dealers (IR2.1.1) and through improving their skills through training (IR2.1). WOCCU is introducing credit unions to Romania. USAID training programs are training staff in a variety of the financial intermediaries.

Expected Progress in FY 97- FY 98

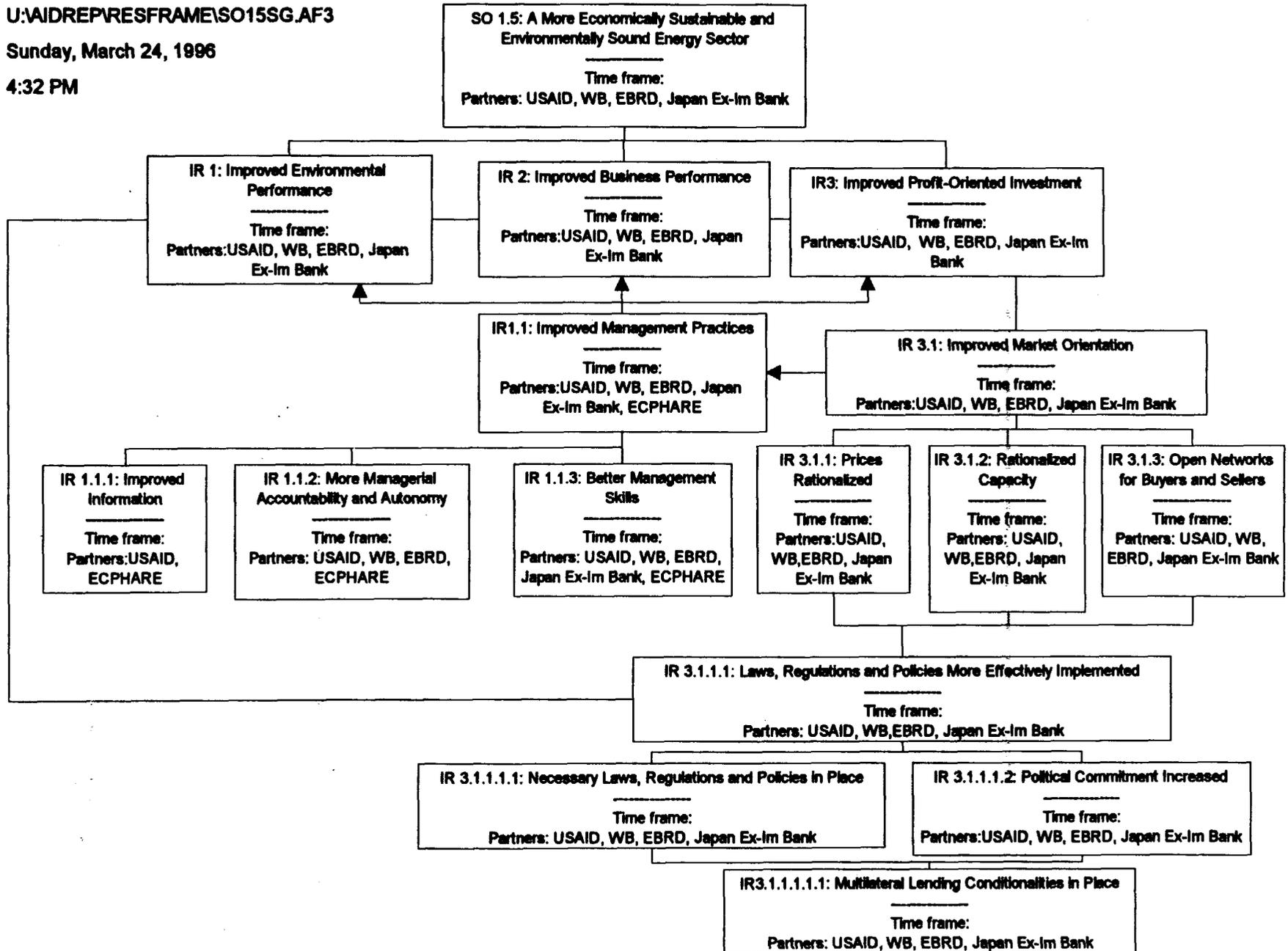
The development of the OTC trading system will continue to be the major focus of this strategic objective throughout FY 97. This system should be operational by early in FY 97. Follow-on activities will be necessary in order to assure that the broker/dealer system functions properly, that the registry produces what it needs to, and that the regulations are enforced and produce the type of control necessary for a smooth-functioning market. Specific targets are listed on the accompanying chart.

STRATEGIC OBJECTIVE

RESULTS REVIEW

S.O. 1.5

**A MORE ECONOMICALLY SUSTAINABLE AND
ENVIRONMENTALLY SOUND ENERGY SECTOR**



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USAID/Romania Strategic Objective 1.5

A More Economically Sound and Environmentally Sustainable Energy Sector

I. Rationale/Transition Hypothesis

Heretofore unaffected by market forces, the heavily subsidized and government-dominated Romanian energy sector (consisting mainly of the power generation and petroleum sub-sectors) drains the national economy and government coffers alike, while exacting a toll on the nation's environment. The situation is exacerbated by the fact that energy is one of the most important sectors in the Romanian economy.

If the nation's economic development is to proceed at a reasonable pace and if Romania is to join the European Union eventually, the energy sector needs to improve its reliability, cost-efficiency and degree to which prices reflect costs. Thus, reforms that realize Strategic Objective 1.5 of "a more economically sound and environmentally sustainable energy sector" are key to the USAID/Romania goal of "foster[ing] the emergence of a competitive, market-oriented economy in which the majority of economic resources is privately owned and managed."

II. Causal Linkages

The SO 1.5 framework takes the slightly unusual step of identifying at its base multilateral lending conditionalities that already are substantially in place (IR 3.1.1.1.1)--and therefore are not a result to be accomplished--because they drive much of the restructuring in the sector. The conditionalities also are important because satisfying them constitutes indicators for certain results further up the framework.

The three principal intermediate results contribute to achieving SO 1.5 in that they reflect improvement in environmental, business and investment conditions (IRs 1, 2 and 3) that are necessary and sufficient to bring about a more economically sustainable and environmentally sound energy sector. The relationship among them is that improved environmental performance (as reflected in the indicators regarding less waste during petroleum production, petroleum processing and power generation) within the sector both improves business performance (as indicated by, e.g., return on assets and equity) and profit-oriented investment (as reflected by increased external investment by those outside the sector and increased internal investment by those state enterprises, such as refineries, that control their own cash flows). More specifically, adopting more

environmentally efficient practices in the energy sector will help create more viable businesses. Such practices also will decrease the total cost and risk of investment in energy facilities (in that some necessary environmental clean-up already will have been accomplished, reducing later costs and liability).

Improved management practices (IR 1.1) contribute to all three principal intermediate results. Such practices flow from better technical capabilities and resources--more specifically, improved information (IR 1.1.1), more managerial accountability and autonomy (IR 1.1.2) and better management skills (IR 1.1.3). Linking accountability and autonomy in one IR, while not unidimensional, nevertheless is justified by the fact that the two must go hand in hand as a key element contributing to improved management practices. Greater accountability without greater autonomy will leave managers responsible for matters they cannot control. Conversely, granting them greater autonomy without holding them more accountable negates a key incentive to use that autonomy wisely.

Just as improved management practices partly reflect technical factors, improved market orientation (IR 3.1) reflects the competitive pressure necessary for bringing about a restructured energy sector and the more viable firms constituting it. Such pressure grows out of rationalized prices and capacity (IRs 3.1.1 and 3.1.2), as well as more open commercial networks within the sector (IR 3.1.3). As reflected in certain of the indicators for these three intermediate results, accomplishing them will eliminate the cross-subsidies and redundancies that characterize the sector, and open it up to the influence of relevant market costs and prices.

An improved market orientation also substantially contributes to improved management practices, in that it provides an important impetus for managers to refine and intensify their efforts. IR 3.1 also can contribute directly to improved profit-oriented investment even without the mediating influence of IR 1.1, in that under some circumstances competitive pressures may drive investment even in the absence of better management. But for the energy sector as a whole, both elements are necessary for increased investment to come about.

Closer to the base of the framework, more effective implementation of laws, regulations and policies plays a crucial role regarding all higher level intermediate results. Such implementation is important because simple adoption of necessary laws, regulations and policies (IR 3.1.1.1), as important as it is, by no means guarantees that real changes automatically will take place on the ground. Such real changes are key to the IR 3.1.1.1 indicator of compliance with EU standards.

Bringing about more effective implementation will yield the price

rationalization, capacity rationalization and open networks identified above. But for implementation to occur, the correct laws, regulations and policies naturally must be in place (IR 3.1.1.1.1, as must Government of Romania political will (IR 3.1.1.1.2) in support of implementation. These in turn rest on the aforementioned crucial factor of multilateral lending conditionalities.

III. Critical Assumptions

1. Multilateral lending bodies will remain committed to restructuring the energy sector.

2. The Government of Romania will remain committed to restructuring the energy sector.

3. Demand for energy will hinge in part on overall economic growth, with ramifications for various pressure and incentives pertaining to restructuring.

PERFORMANCE DATA: BASELINE, TARGETS, AND ACTUAL RESULTS
S.O 1.5.: A More Economically Sustainable and Environmentally Sound Energy Sector

RESULT/ VPL (S.P. OR E.R.) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
						1996		1997		1998		1999		2000	
				YEAR	VALUE	Target	Actual to Date	Target	Actual	Target	Actual	Target	Actual	Target	Actual
SO 1.5	A more economically sustainable and environmentally sound energy sector	Energy Investment Productivity	Definition: Output per dollar (from Nat'l statistics) Unit: Annual % increase	1995	TBD	+0%		+1%		+2%		+2%		+2%	
IR 1	Improved environmental performance	Remediation programs in place per World Bank schedule	Definition: Adherence to schedule Unit: Yes/No	1995	No	Yes		X		X		X		X	
IR 1.1	Improved management practices	Decreased labor redundancy	Definition: Increase in per capita output per energy sector Unit: annual change in output/employee	1995	TBD	+0%		+0%		+2%		+3%		+4%	
		Business plans put energy producers on "business-like" footing	Definition: business plans in place at refineries and Energy Regia Unit: # of enterprises	1995	0	0		2		4		5		7	
IR 1.1.1	Improved information for management	Automated financial information systems in place	Definition: financial acctg software used at Romanian enterprises in energy sector Unit: # of enterprises	1995	0	0		2		4		6		8	

IR 1.1.2	More managerial Accountability and Autonomy	Regis Autonomes in energy become joint stock companies per World Bank conditionality	Definikon: number of regia in energy sector (25 total) becoming JS companies Unk: # per year	1995	0	0	0	1	1	1			
IR 1.1.3	Better Management Skills	Formal or informal programs in place to develop management skills	Definikon: Unk: Yes/No	1995	No	No	Yes	X	X	X			
IR 2	Improved Business Performance	Increased cash flow	Definikon: Net profit before tax, with non-cash charges restored (depletion/ depreciation) Unk: Annual % increase	1995	TBD	N/C	N/C	+5%	+5%	+5%			
IR 3	Improved Profit-Oriented Investment	External private Investment (USD)	Definikon: Investors like AMOCO, Shell, Enterprise, etc. Unk: Annual increase (USD millions)	1995	\$150M	\$100 M	\$100 M	TBD	TBD	TBD			
		Internal investment financed by cash flow (sl) for those GOR enterprises (joint stock co.s) that currently retain cash flow	Definikon: Percentage of net profit Unk: %	1995	10%	10%	10%	10%	10%	10%			
IR 3.1	Improved Market Orientation	Increasing market share for independent power producers	Definikon: New power plant in Buch. area (% of total) Unk: % of total annual production in MW	1995	2%	2%	3%	4%	6%	8%			

		<i>Ratio of independent retail gas stations to state-owned gas stations</i>	<i>Definition: foreign and domestic retailers (independent)</i> <i>Unk: ratio (Priv./state)</i>	1995	50/50	55/45	60/40	65/35	70/30	75/25
<i>IR 3.1.1</i>	<i>Prices rationalized</i>	<i>Prices of domestically produced crude approximate world prices</i>	<i>Definition: % of domestically produced crude priced at world market price (Source: NAMR)</i> <i>Unk: % per year</i>	1995	0%	2%	3%	5%	10%	16%
		<i>Retail price includes producer price, manufacturing, transport and retail costs plus reasonable profit</i>	<i>Definition: gradual removal of cross subsidies to raise prices to world level</i> <i>Unk: % of subsidy per year</i>	1995	0%	5%	15%	30%	45%	60%
<i>3.1.2</i>	<i>Rationalized capacity</i>	<i>Decommissioning of least efficient refineries</i>	<i>Definition: selected refineries identified in Bechtel report (up to 4)</i> <i>Unk: # of refineries</i>	1995	-	-	1	2	1	
<i>3.1.3</i>	<i>Open networks for buyers and sellers</i>	<i>Development of intermediary network between refinery and retailers</i>	<i>Definition: new independent firms</i> <i>Unk: cumulative number</i>	1995	-	-	-	1	2	3
		<i>Tariffs in effect for electricity transmission</i>	<i>Definition: respecting of tariffs</i> <i>Unk: Yes/No</i>	1995	-	-	-	Yes	X	X

IR 3.1.1.1	Laws Regulations and Policies More effectively Implemented	Electricity prices adjusted twice per year (per World Bank conditionality)	Definition: Unk: Yes/No	1995	No	Yes	X	X	X	X		
IR 3.1.1.1 .1	Necessary Laws, regulations and policies in place	Electricity and Heat Law enacted (per World Bank conditionality)	Definition: Unk: Yes/No	1995	No	-	Yes	X	X	X		
		Economic regulation of power sector initiated through establishment of regulatory body (power sector does not have yet-WB)	Definition: Unk: Yes/No	1995	No	-	Yes	X	X	X		
		Regulations under the Petroleum Law adopted	Definition: Unk: Yes/No	1995	No	Yes	X	X	X	X		
		Competition Law adopted for energy sector	Definition: Unk: Yes/No	1995	No	-	Yes	X	X	X		
IR 3.1.1.1 .2	Political Commitment Increased	Decision by GOR to adopt an option for Phase 2 from the Bechtel energy sector study, and implement recommendations	Definition: Decision to begin Phase 2 needs to be taken by GOR by June, '96, implementation phase should be in 1997 Unk: Yes/No	1996	-	Yes (Decision)	Yes (Implementation)	X	X	X		

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IR 3.1.1.1 .1.1	Multilateral Lending Conditionalities in Place	Guarantee agreement in place	Definition: Conditions from World Bank, EBRD Unk: Yes/No	1996	Yes	X									
		Comments/Notes:													

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PERFORMANCE DATA

NARRATIVE ANALYSIS

S.O. 1.5 A more economically sustainable and environmentally sound energy sector

Overall Progress

Romania has a rich endowment of natural resources in areas related to energy (petroleum, natural gas and coal), as well as other water and environmental resources (the Black sea and the Danube Basin). However, during the Communist area, Romania developed its energy sector more based upon statist principles than economic rationale and hence huge over capacity in some sectors (e.g. refining) creates inefficiencies that drain the economy of resources and cash. Moreover, significant State subsidies are made in the areas of oil refining, electricity, and gasoline such that current prices do not adequately reflect supply and demand dynamics and hence encourage the use and exploitation of resources at artificially low prices.

The EU PHARE, the IMF, and the World Bank have been actively encouraging the Government of Romania to rationalize its energy sector. Such rationalization will require very hard decisions, potentially involving significant layoff, and will have far reaching effects on energy and power prices. Donor pressure has encouraged Romania to put in place a better legal framework as well as to actively engage in a restructuring dialogue.

In 1993 the National Agency for Mineral Resources (NAMR), the regulatory body in charge of tariffs and regulations for oil and gas, was created. NAMR also issues regulations and environmental standards for transportation and organizes bids for concessions of new oil and gas fields. In order to provide more rational use of oil and gas, law number 42, passed in 1993, imposed a tax on domestic oil and gas exploration.

Draft laws for Environmental Protection, Waters and Oil, respectively, also contain provisions for natural resources management and will work toward the goal of a more efficient, environmentally sound energy sector. The petroleum law has been promulgated by the President and took effect in late March, 1996. The environmental law currently is being debated by Parliament and includes language on environmental regulations and compliance schedule enforcement. However, language concerning the creation of a National Environmental Fund, which would be funded by taxes

on polluters, has been eliminated, making the environmental law less practical than it was originally drafted.

USAID/Bucharest's Significant Contributions

USAID has been involved in three major aspects of the energy sector: (1) the power sector; (2) upstream petroleum sector; and (3) downstream petroleum sector.

In the power sector, USAID took an active role in drafting up four options for restructuring the power sector to make it more market-oriented and competitive. The USAID team also identified changes in legislation which are necessary to establish such a structure. According to the conditions of the World Bank power Sector Loan, the Government of Romania must select one of the four options within the next few months.

USAID funded activities also focus on end-use efficiency of the utility operations, helping the Government of Romania develop an appropriate approach to demand-side management. These activities will look closely at tariff structures and at more efficient delivery and use of power by the customers.

In the upstream petroleum business of finding and producing oil and gas, USAID is funding a project to help Romania move toward privatization of these activities. The exploration activities in Romania technologically speaking lag far behind the rest of the world since they have been sheltered from market forces. The project is helping Romania establish a data base to oversee the efficient management of assets and develop a system of rates and tariffs in order to put the business on a reasonable economic footing. Project consultants have helped the GOR re-write regulations also. Overall, USAID is helping the GOR make necessary reforms in order to attract foreign investors into exploration. There is an estimated 5 to 20 million barrel potential in Romania.

In the downstream petroleum sector of refining, transporting, and marketing, USAID has financed the development of a computer based model to restructure the refining sector. Implementation of the recommendations of this model are a required prelude to World Bank funding of \$200 to \$300 billion. The study is currently with the GOR, awaiting a decision. The sector is wrought by over-capacity resulting from isolation from the global economy and currently is not privatizable. Implementation of the proposed restructuring will have a major impact on several key results, including IR 3.1.1, 3.1.2, 3.1, 3, 1.1, and 1.

Expected Accomplishments During FY 97 and FY 98:

Once the GOR makes a selection of which power option they will

pursue, USAID will provide technical assistance to help them implement the recommendations of the option, including writing necessary regulations and making inevitable decisions. Implementation of the power sector option will have a direct impact on a number of results, including IR 3.1.1.1.1, IR3.1.1.1.2, IR 3.1.1.1, IR 3.1.1, IR 3.1.2, IR 3.1 and IR 3, resulting in an improved profit-oriented investment in power.

A USAID consultant for oil and gas environmental monitoring and licensing arrived in Romania in October, 1995 for eighteen-months in order to help establish environmental standards for NAMR. This consultant will also help establish appropriate rate and tariff policies for oil and gas transmission via common carrier. NAMR environmental monitoring and licensing will be accomplished by late 1996 or early 1997. Implementation of new oil and gas tariffs will occur late in 1996, not by December, 1995 as originally expected. These activities will affect several results, including IR 3.1.1.1.1, IR 3.1.1.1, and IR 3.1.1.

A total of 15 new petroleum concessions were announced in late April, 1996, and are scheduled to be awarded to private (foreign oil exploration companies) by May, 1997, after completion of contract negotiations. This reflects a giant step forward toward linking Romania into the global competitive market and will impact on results IR 3.1 and IR 3..

Environmental liability/compliance schedule-related regulations are expected to be enacted by December, 1996, along with Environmental liability internal laws that clarify the liabilities of foreign partners. These activities will impact on IR 3.1.1.1.1.

If the National Environmental Fund remains part of the Environmental Law, USAID assistance will be provided to help design the fund. Otherwise, assistance to implement an Environmental Law without a self-sustaining funding mechanism will not be provided.

STRATEGIC OBJECTIVE

RESULTS REVIEW

S.O. 2.1

**INCREASED, BETTER-INFORMED
CITIZEN'S PARTICIPATION IN
POLITICAL AND ECONOMIC
DECISION MAKING THROUGH
PLURALISTIC MECHANISMS**

SO 2.1: Increased, Better-Informed Citizens' Participation in Political and Economic Decision Making Through Pluralistic Mechanisms

 Time frame:1995-2002
 Partners:USAID, Soros, ECPHARE, REC, Ger. Marshall Fund (U.S.), USIS, NED

IR 1: Increased Opportunities to Participate in Decision-Making Mechanisms

 Time frame:
 Partners:USAID, Soros, USIS

IR 2: Strengthened Advocacy Activity by Groups with Policy Formulation and/or Implementation Concerns

 Time frame:
 Partners:USAID, Soros, ECPHARE, REC, Ger. Marshall Fund (U.S.)

SO 2.3: More Effective, Responsive and Accountable Local Government (IR 1.1.2: Local Govts. Establish Mechanisms to Exchange Ideas and Involve Citizens)

IR 1.1: Improved Enforcement and Application of Laws, Regulations and Policies Promoting Citizen Participation

 Time frame:
 Partners: USAID

IR 2.1: Increased Adoption of Advocacy Roles by Groups

 Time frame:
 Partners:USAID, Soros, ECPHARE, REC

IR 2.2: Improved Capacity of Groups with Policy Concerns

 Time frame:
 Partners:USAID, Soros, ECPHARE, REC, Ger. Marshall Fund (U.S.)

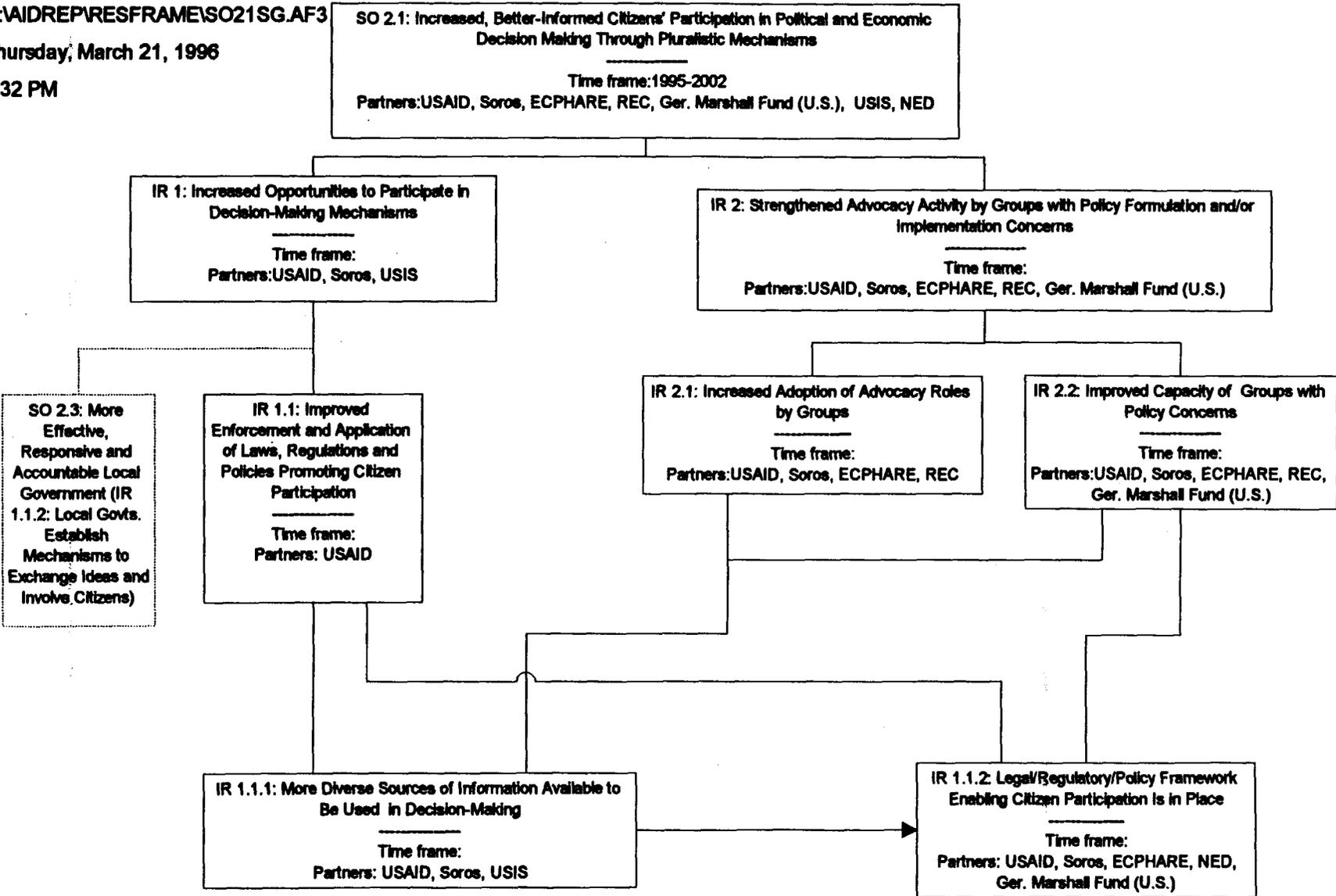
IR 1.1.1: More Diverse Sources of Information Available to Be Used in Decision-Making

 Time frame:
 Partners: USAID, Soros, USIS

IR 1.1.2: Legal/Regulatory/Policy Framework Enabling Citizen Participation is in Place

 Time frame:
 Partners: USAID, Soros, ECPHARE, NED, Ger. Marshall Fund (U.S.)

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USAID/Romania Strategic Objective 2.1

Increased, Better-Informed Citizens' Participation in Political and Economic Decision-Making Through Pluralistic Mechanisms

I. Rationale/Transition Hypothesis

The development hypothesis underlying USAID's work on citizens' participation in Romania is that pluralistic mechanisms offer one of the key medium-term means of contributing to USAID/Romania's Democratic Transition goal of "supporting the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes." Thus, ENI Strategic Objective 2.1 is narrowed somewhat so that USAID/Romania aims for "increased, better-informed citizens' participation in political and economic decision-making through pluralistic mechanisms."

Pluralistic participation is characterized here as meaning citizen participation through group involvement in policy formulation (the process of adopting laws, regulations and other policies) and policy implementation (the process of putting policies into actual effect).

Group participation embraces both: a) organizations that are mainly policy-oriented; and b) those that are concerned with affecting policy as a vehicle for supporting their other, non-policy missions (such as service delivery). Group participation is important for USAID's contribution to Romanian democratic development for at least two broad reasons. First, decades of repression of civil society left the nation bereft of the genuinely voluntary associations that characterize flourishing or evolving democracies. "Voluntary" involvement was in effect forced upon Romanians in the past, leaving them with little knowledge of how to organize themselves around issues of genuine common concern, and leaving those in government with little appreciation of the importance of the civil society organizations. As in any country, citizens' groups, labor unions, professional organizations, political parties, and other groups can play a vitally important role in Romania in making local and national government more responsive and accountable regarding societal priorities and problems.

The other reason why SO 2.1 focuses on pluralistic involvement is a practical one. For USAID/Romania (and its partners) to aim for widespread, individualized citizen participation over the course of approximately the next six years would be laudable, but could

be an overly ambitious objective. Narrowing the objective to aim for more effective group involvement and impact remains ambitious, but achievable.

This is not to say that USAID/Romania's activities will not contribute in some ways to individuals' participation in Romania's democratic transition. In fact, a part of the development hypothesis reflected in this SO 2.1 results framework is that the activities that contribute to greater pluralistic participation also will achieve greater involvement among unaffiliated individuals. But such involvement will be ancillary to the SO's main thrust of participation through organized groups.

II. Causal Linkages

The SO 2.1 results framework's two principal intermediate results reflect the two main causes of greater citizen participation. "Strengthened advocacy activity by groups with policy formulation and implementation concerns" (IR2) captures the result of such groups playing a greater role by virtue of their growing sophistication and interaction with each other and with the government, as reflected in IR2 indicators such as groups banding together to form coalitions, increased submission of written proposals and comments to the government, and increased investment of human and financial resources in advocacy activities. In effect, it translates into these groups "pushing open the door" of participation. Strengthened advocacy activity flows from more groups taking on advocacy roles (IR 2.1) and from such groups having improved capacities to carry out such roles (IR 2.2).

"Increased opportunities to participate in decision-making mechanisms" (IR1) represents the other side of the equation, the ways in which government opens the door to greater citizen involvement in its operations and decisions. It is a result of the "improved enforcement and application of laws, regulations and policies promoting citizen participation" (IR 1.1). Such enforcement is important because in Romania, as in many other countries, the very weak rule of law frequently results in laws, regulations and policies frequently not being enforced.

Another lower level result that can contribute to increased opportunities to participate on a local level is the realization of USAID/Romania Strategic Objective 2.3, regarding more effective, responsive, and accountable local government.

Both sets of intermediate results (i.e., increased opportunities and strengthened advocacy) flow from having the proper legal/regulatory/policy framework in place (IR 1.1.2) and a greater availability of diverse sources of information for the citizenry as a whole and influential segments of it in particular

(IR 1.1.1). The informational component comprises not just media, but also new information sources such as the Internet. Increased access to information can both directly increase the capacities of groups concerned with policy and contribute to a societal context in which such groups and their concerns have broader support among non-members. For example, environmental NGOs may have a greater impact on policy if it is apparent to government officials and members of Parliament that there is widespread citizen interest in the issue.

Of course, as with other strategic objectives, elements of the SO 2.1 results framework could be depicted graphically as looping around to affect each other regardless of where they are located in the results framework. This, for example, is the case regarding the respects in which IR2 affects IR 1.1.2 and IR 1.1. But for the sake of simplicity in presentation, and because some such loops run through USAID/Romania's democratic transition goal and not just strategic objective 2.1, such complex causal connections are not depicted here.

III. Critical Assumptions

1. The Government of Romania will continue, at a minimum, to tolerate organization of genuinely voluntary groups.

PERFORMANCE DATA: BASELINE, TARGETS, AND ACTUAL RESULTS

S.O. 2.1: Increased, better-informed citizen's participation in political and economic decision-making through pluralist mechanisms

RESU LTI VEL (S.O. OR I.R.) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
						1996		1997		1998		1999		2000	
				YEAR	VALUE	Target	Actual to Date	Target	Actual	Target	Actual	Target	Actual	Target	Actual
SO 2.1	Increased, better informed citizen's participation...	Number of groups with policy concerns	Definition: Unit: Number of groups	1996	66 (to date)	-	-	132		155		177		210	
		Membership of groups with policy concerns	Definition: Total Membership Unit: Number of people	1996	To be determined (TBD)										
IR 1	Increased opportunities to participate in decision-making mechanisms	Number of cooperative activities between groups and government	Definition: Unit: number of activities	1996	TBD										
IR 1.1	Improved enforcement and application of laws, regulations and policies promoting citizen's participation	Citizen's participation provisions of Law 417/95 (the Environmental Law) are honored	Definition: Unit: yes/no	1995	no	no		yes							
		Existing laws protecting freedom of association, assembly and speech are enforced.	Definition: State Dept. human rights report Unit: yes/no		TBD										

IR 1.1.1	More diverse sources of information available to be used in decision-making	Number of NGO policy newsletters	Definition: Unit: Number	1995	30	40	50	65	80	100
		Number of TV stations broadcasting nationwide	Definition: RTV, satellite/cable Unit: Number	1995	3	5				
IR 1.1.2	Legal/ Regulatory/ policy framework enabling citizen's participation is in place	Law 21/1924 (regarding registration and operations of associations and foundations) amended as per NGO community proposal	Definition: Unit: yes/no	1995	no	no	yes			
IR 2	Strengthened advocacy activity by groups with policy formulation and/or implementation concerns	Human resources devoted to advocacy activities by groups	Definition: Human resources as measured by persons involved Unit: Number of persons - staff/management - volunteers, in hundreds	1996		33 33	99 100	130 125	211 160	315 250
IR 2.1	Increased adoption of advocacy roles by groups	Number of groups that adopt advocacy role	Definition: Groups that already have a mission which allows for advocacy, that newly adopt that role Unit: Number of groups	1996		66	33	22	33	25
		Number of groups that change their mission to allow for advocacy role	Definition: Unit: Number of groups	1996		10	15	10	10	10

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IR 2.2	Improved capacity of groups with policy concerns	Capacity rating for each USAID-assisted group 1= startup 2= developing 3= consolidating 4= sustaining	Definition: Average of the various ratings (for management, governance, service delivery, external relations, etc.) for each USAID group, disaggregated according to the number of years that groups have been rated. Unit: Scale	1996	1.3				2.0				2.8		
		Rating for external relations among selected USAID-assisted groups	Definition: Unit: Scale	1996	1.1				2.9				3.5		

COMMENTS/NOTES:

1) DNP - DEMOCRACY NETWORK PROGRAM

2) NGO - NON-GOVERNMENTAL ORGANIZATION

3) IR 1.1 - Law 417/95 is the only law that incorporates citizens' participation. As new mechanisms come on-line, they can be added to performance indicators.

4) For indicators referring to policy groups, baseline values will result from the assessments made throughout the country during DNP's first months of activity.

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**PERFORMANCE DATA TABLE
NARRATIVE ANALYSIS**

S.O. 2.1 Increased, better-informed citizen's participation in political and economic decision-making through pluralistic mechanisms

Overall Progress

NGO development

Six years ago Romania was confronted by an influx of private groups all bringing emergency assistance. For the first time, Romanians heard of non-governmental organizations (NGOs) and tried to understand the concept. Initially, many officials were wary, refusing to pursue any involvement with NGOs. Conversely, many of the foreign humanitarian NGOs actively avoided contact with the GOR.

Now, five years after the Romania USAID program began in 1990, for assistance to children in institutions began in 1990, project evaluations are noting a difference in attitudes. For the first time, government officials are spontaneously citing the value of dialogue, team work and participatory training as examples of democracy at work in meeting the social needs at the community level. And staff of indigenous NGOs have credibility because they are not part of the governmental system. This is a major change from just two years ago and highlights the importance of developing citizen groups and local NGOs who can maintain the dialogue.

Independent Media

Private independent Romanian media continues to develop beyond expectations, exceeding all targets, and playing a critical role in informing citizens. To date, 38 private television stations are on the air, serving mainly local audiences, while another 44 have been licensed for future broadcasting rights. The number of private radio stations registered is 146 of which 103 are actively broadcasting. The number of private newspapers with nationwide reach stands at 14. A private nationwide news wire service is in existence.

On the downside is the fact that much of this growth has been

within audiences already well-established (i.e. urban centers). Rural areas have generally only Romanian public television (TVR) as an information source. Newspapers are not distributed there because of lack of a distribution network.

Elections and Political Process Support

USAID provided significant election assistance in 1992 for the last national election. The 1992 elections were judged to be free and fair and the new Parliamentary parties have adapted to the need for government by coalition. USAID will again provide assistance to the upcoming 1996 elections. Current plans focus on voter education efforts, consistent with our objective of citizens' participation in democratic decision-making.

USAID/Bucharest's Contribution

USAID/Bucharest has funded a number of activities directed toward increasing citizen participation in political and economic decision making. Funds have gone toward the development of NGOs as advocacy, policy-making forces in a democratic society, in direct support of IRs 2.1, 2.2 and 2. In addition, funds have gone toward the development of an independent media, impacting IR 1.1.1. Funds have also been directed at voter education, election monitoring, development of political parties, and civic education, in support of IRs 1.1.1, 1.1.1, and 1.

NGO Development

Measuring impact of citizen and NGO participation in decision making from year to year is often more qualitative than quantitative. For example, most NGOs have increased their contact with media and public officials, based on an informal survey, and we have observed that local government rules and responsibilities are more often explained through local and regional media, and less by the national media.

Regional assessments by the Democracy Network Program are documenting that Romanian NGOs in the social sector are more advanced in organizational development because of two years of technical training provided to 70 of them. And the Democracy Network is building on the training modules tested during that NGO strengthening project. The training activity has impacted IR2.2, namely improved capacity of groups with policy concerns.

Media

Early USAID assistance in support of independent media was in the form of grant assistance to selected recipients (i.e. printing press donations to selected newspapers). Clearly, the need over time was to develop broad-based support for objective and

professional media and journalism. USAID phased out of the earlier grant-based assistance in 1994. In the meantime, private sector initiative has provided new and independent media alternatives in the Romania market.

The new USAID approach just getting underway, through the "Professional Media Program," has a heavy business/management orientation. This is needed to help independent media entities develop the market strength they need to become and remain self-sufficient, thereby better assuring the diversity of information sources for the Romanian people.

The Professional Media Program includes activities designed to work from the "top down" and from the "bottom up." "Bottom-up" activities concentrate on training, consultation, equipment and other support on particular projects by specific media outlets or groups at the local level. "Top-down" activities are more general, designed to advance the common media good by benefitting all or most of the entities within the industry. These include development of professional associations and university journalism education. This program will have an impact on result IR 1.1.1, which plays a critical foundational role in the strategic framework.

Another area of interest for the mission is that private media programming supports democratic and market-oriented values. In this area, our target regarding the percent of the population that considers itself favorably disposed towards change was achieved. According to a recent professional survey, 54 percent of the population felt this way, surpassing our target of 50 percent.

Election and Political Party Support

The September 1992 elections in Romania were declared "free and fair," in part due to the efforts of USAID and other contractors in poll monitoring, voter education and electoral management assistance. This activity impacts results IR 1.1.1, 1.1, and 1.

This year, election awareness and monitoring contractors continued their technical assistance programs as well as clearinghouse and information exchange activities. Other programs addressed the issue of local government public participation and accountability of elected officials. Voter election awareness drives and other work in preparation next year's election are underway.

The Parliament has passed a new political parties law, which will heavily influence whether the political process in Romania develops as pluralistic. In addition, a new electoral law is also pending. Also, a new Local Public Administration law will prevent Prefects regional representatives of the national government)

from dismissing elected mayors without two court decision, as had happened previously. These laws and their enforcement will impact results IRs 1.1.2 and 1.1.

Expected Accomplishments in FY 97 and FY 98

NGO Development

The Democracy Network will continue to promote IRs 2.2 and 2.1, namely increasing the capacity of groups with policy concerns and increasing the adoption of advocacy roles by groups. A new group, the NGO Alliance for Children and Family, a direct result of USAID's activities dealing with institutionalized children, is attempting to gain legal status and will become an active advocate for alternative models for dealing with unwanted children.

A USAID-funded Romanian family planning NGO, SECS, will approve a plan for the number of family planning clinics that will be supported in the absence of USAID funding and a financial plan for increased cost recovery. It is expected that 8 of 12 clinics will be able to recover costs under present projected schemes given their present performance and will maintain their family planning services. SECS has become an important and vocal advocate for family planning in Romania and will continue to impact IRs 2.1, 2.2, and 2.

Media

Private sector media development is one of Romania's success stories. Although problems related to government interference in media still remain, these will decline over time. Media sector support will be pursued in 1996 and 1997 through the recently-initiated Professional Media Program. These efforts are expected to focus on the business development prospects for the media sector, emphasizing commercial viability. We believe this approach to be the most effective guarantee for future access by the Romanian people to a variety of independent sources for news, information, and opinion.

Specific outputs include better financial performance of private media companies receiving assistance, greater reach into rural areas of independent programming and reduced indirect controls over media through press laws, printing stock supply "shortages" and electronic broadcast licensing restrictions. These outputs will contribute significantly to IR 1.1.1.

Elections and Political Parties

With local elections slated for June and Parliamentary/ Presidential elections scheduled for November, 1996, the Romania mission anticipates providing election-related assistance during

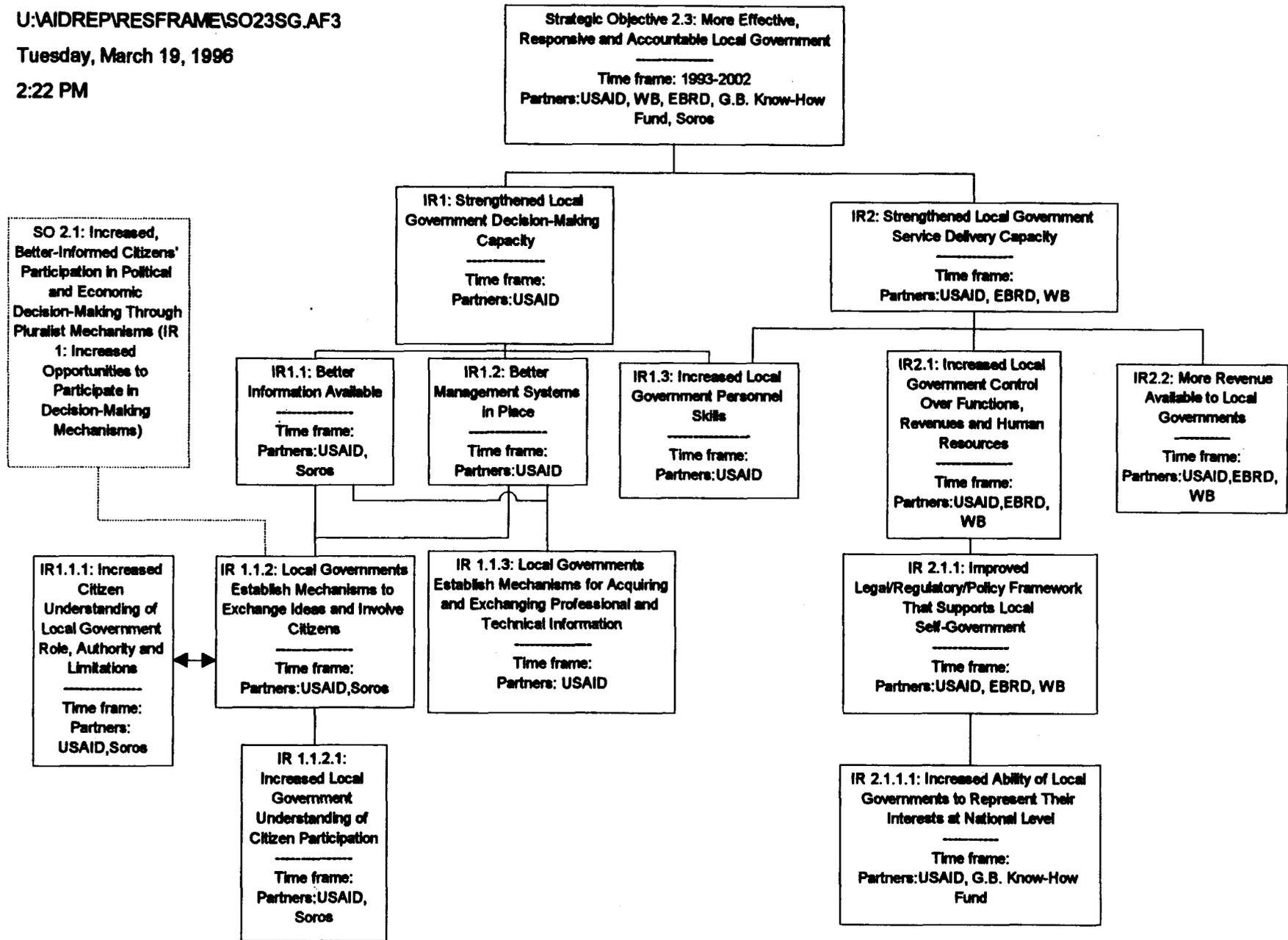
FY 1996. By the end of FY 1996, the Romania Mission anticipates that support for the 1996 elections will have further strengthened Romania's maturing democratic process. Assuming success in this area, USAID's profile should be reduced in subsequent fiscal years, 1997 and beyond.

STRATEGIC OBJECTIVE

RESULTS REVIEW

S.O. 2.3

**MORE EFFECTIVE, RESPONSIVE AND
ACCOUNTABLE LOCAL GOVERNMENT**



USAID/Romania Strategic Objective 2.3

More Effective, Responsive, and Accountable Local Government

I. Rationale/Transition Hypothesis

As a legacy of systems adapted from French models and exaggerated under communist rule, Romania today has a rather centralized government apparatus that allows little leeway for local government unit (LGU) control over many decisions and services that most logically should be undertaken at the nation's city and county levels of government. Centrally appointed prefects, for example, have had the power to remove certain local officials from office.

The issue is all the more critical because many of the problems that confront Romanian citizens arise and can most appropriately be addressed locally. It has additional ramifications for the nation's evolving democracy in that the officials who today serve in city and county governments may well rise to national posts, where their future perspectives on citizen participation, decentralization and service delivery could well depend on the experiences they accumulate now.

In various respects, then, how Romanian democracy functions in the near and long terms--and therefore, USAID/Romania's success at its goal of "support[ing] the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes"--hinges on accomplishing strategic objective 2.3 of bringing about "more effective, responsive, and accountable local government." Whether and to what extent this SO-level success takes place will in part depend on (such indicators as) improvements in local government ability to deliver necessary services and better manage local affairs.

Another aspect of USAID/Romania's development hypothesis is that results achieved on both the SO and intermediate result levels will take place in a phased manner reflecting the ways in which improvements in local governance likely will spread throughout Romania. More specifically, achieving results for USAID-assisted LGUs will occur first. Accordingly, measurement of results for these LGUs will take place first. Subsequently, as lessons from the LGUs increasingly have been disseminated formally and informally to other LGUs, similar indicators (to those utilized for USAID-assisted LGUs) will be employed on a national level.

II. Causal Linkages

The two streams of results that lead to more effective, responsive and accountable local government pertain to the two main functions of LGUs. Thus, the two principal intermediate results are "strengthened local government decision-making capacity (IR 1) and "strengthened local government service delivery capacity" (IR 2).

Decision-making capacity corresponds to the policy decisions and priority-setting undertaken by elected officials, advisory bodies and LGU staff. It flows from their use of better information (IR 1.1) and management systems (IR 1.2), as well as their increased skills (IR 1.3).

Strengthened service delivery capacity also benefits from increasing the skills of local government personnel. In addition, it hinges on the crucial factors of more revenue becoming available to LGUs (IR 2.2), and on local governments having greater control over whatever revenue is available, as well as over local-level functions and human resources (IR 2.1).

Both the better information and better management systems results will spring from improved mechanisms for gathering information. These mechanisms pertain to citizen involvement (IR 1.1.2) and technical and professional information (IR 1.1.3). The citizen involvement also contributes to bringing about "increased, better-informed citizens' participation in political and economic decision-making through pluralist mechanisms" (SO 2.1). It does so by resulting in "increased opportunities to participate in decision-making mechanisms" (IR 1 of SO 2.1).

IR 1.1.2 relates to two other important intermediate results. It is a product of increased local government understanding of the value of citizen participation (IR 1.1.2.1), a new concept for many local government officials. IR 1.1.2 also has a dynamic relationship with increased citizen understanding of local government (IR 1.1.1), in that the two results affect each other. IR 1.1.1 reflects the reality that Romanians need to develop a greater appreciation of what they can and cannot expect government to do in a democratic, market-oriented polity.

Finally, increased local government control (IR 2.1) flows from an improved legal/regulatory/policy framework (IR 2.1.1) that makes such control possible. Such a framework in turn depends substantially on the increased ability of local governments and their officials to represent their interests at the national level (IR 2.1.1.1). Possible improved laws which should be considered include an amended law on local self-government, a law on local finance, a housing law with a condominium cause, and a law of patrimony.

III. Critical Assumptions

1. Momentum for decentralization can overcome forces in the national government that resist such a development.

2. Increased management and governance capacity at the local level will allow LGUs to more effectively lobby for increased authorities.

3. While a potential hindrance for decentralization, the party-list (as opposed to constituency-based) system for electing Parliament is not an absolute obstacle.

PERFORMANCE DATA: BASELINE, TARGETS, AND ACTUAL RESULTS
S.O 2.3.: More Effective, Responsive and Accountable Local Government

RESULTS LEVEL (S.O. OR I.R.) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS										
						1996		1997		1998		1999		2000		
				YEAR	VALUE	Target	Actual to Date	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
SO 2.3	<i>More Effective, Responsive and Accountable Local Government</i>	<i>Citizen satisfaction as measured by election results and surveys</i>	<i>Definition: Percentage of incumbants re-elected in local elections. "Satisfaction" levels in local polls/surveys</i>	1996	TBD											
I.R.1	<i>Strengthened Local Government decision-making</i>	<i>1. % of private domain land leased</i>	<i>Definition: Progress toward 100% leased from current 70-80%</i> <i>Unit: %</i>	1995	70%	70%	70%	75%		78%		80%				
		<i>2. % of utility cost covered by rates</i>	<i>Definition: Compare total cost of utilities to total revenue</i> <i>Unit: %</i>	1996	TBD	UN CH	UNK	BL + 5%		BL + 10%		BL + 15%		BL + 20%		
I.R.1.1	<i>Better Information available</i>	<i>1. establishment of reporting requirements</i>	<i>Definition: Local authorities require departments and subordinate regl to provide operating and financial information</i> <i>Unit: administrative regulation</i>	1996	TBD											

		2. Creation of reporting systems	<p><i>Definition: In response to requirements, departments and regil establish systems and procedures for compliance</i></p> <p><i>Unit: number of operating processes</i></p>	1996	TBD										
IR 1.1.2	Local Governments establish Mechanisms to Exchange Ideas and Involve Citizens	1. Number and types of mechanisms	<p><i>Definition: Means of exchanging information horizontally among equivalent organizations and among citizen groups</i></p> <p><i>Unit: Number of mechanisms</i></p>	1995	1	3	1	10		20					
IR 1.1.1	Increased Citizen Understanding of Local Government Role, Authority and Limitations	1. Survey data indicates increased understanding of local gov. role, authority and limitations	<p><i>Definition: Citizens have accurate impression of abilities of local governments, do not request inappropriate action, hold local authorities properly accountable</i></p> <p><i>Unit: Survey results %</i></p>	1995	TBD	5	0	10		20					
IR 1.1.2.1	Increased Local Government Understanding of Citizen Participation	1. Action by local government to solicitation/input/polls, have public hearings or otherwise receive input from citizens	<p><i>Definition: To encourage citizen participation, gov must demonstrate interest and willingness to react to it</i></p> <p><i>Unit: Number of vehicles for input</i></p>	1996	TBD	UN CH	1	5		10					
IR 1.2	Better management systems in place	<p>1. Number of USAID assisted LGUs that adopt organization structure changes</p> <p>2. Number of LGUs that adopt organizational structure changes, on national level</p>	<p><i>Definition:</i></p> <p><i>Unit: Number of LGUs</i></p> <p><i>Definition:</i></p> <p><i>Unit: Number of LGUs</i></p>	<p>1995</p> <p>1995</p>	<p>0</p> <p>0</p>	<p>UN CH</p> <p>UN CH</p>	<p>0</p> <p>0</p>	<p>5</p> <p>7</p>		<p>10</p> <p>15</p>					

IR 1.1.3	Local Governments Establish Mechanisms for exchanging professional and technical information	1. Formation of professional associations	Definition: Associations of similar professionals in different jurisdictions Unit: Number of associations	1995	2	UN CH	0	2		5				
		2. SOROS sponsored hook-up of 80 municipalities	Definition: Computer network of cities for dissemination of information to all Unit: One time accomplishment	1995	0	0	0	0		1				
		3. Number of visitations among client cities	Definition: Formal and informal meetings to exchange information Unit: Number of meetings	1995	UNK	1	0	5		10				
IR 1.3	Increased Local Government Personnel Skills	1. Formation and development of Public Personnel Association	Definition: A functioning organization of personnel professionals working in local government Unit: One each	1995	0	UN CH	0	0		0		1		
		2. Amount of training and visitation made	Definition: participation of local authority officials in conferences, study tours, workshops Unit: Numbers of attendees, numbers of training opportunities	1995	0	30/2	0	50/3		100/5		100/5		
IR 2	Strengthened Local Government Service Delivery Capacity	1. % of uninterrupted basic human services (water, hot water, heat)	Definition: Continuity of basic services defines local government Unit: % of service provision uninterrupted	1995	TBD	UN CH	UNK	20		30		40		50
IR 2.1	Increased Local Government control over functions, revenues and human resources	1. Proportion of the budget of all USAID assisted LGUs over which each city has unrestricted authority	Definition: Accountability should match responsibility and capability Unit: % of local controlled to the total	1995	TBD	UN CH	UNK	5%		15%		25%		40%
		2. % of budgets of USAID assisted local govt units that are self directed	Definition: Self directed is the portion of the budget over which the local authority has control Unit: % of local controlled to the total	1995	TBD	UN CH	UNK	10%		20%		30%		50%

		3. % of budgets of USAID assisted local govt units that are self generated	Definition: Self generated is the portion of the budget which is produced, collected and controlled locally Unit: % of local generated to central govt transfer payment	1995	TBD	UN CH	UNK	2%		5%		7%		10%
IR 2.1.1	Improved Legal/Regulatory/Policy framework that Supports Local Self-government	1. Laws, regulations and published administrative policies	Definition: Delegation, devolution of power to local authorities Unit: Completed legal and administrative actions (laws passed)	1995	TBD	2	1	2		3		4		
IR 2.1.1.1	Increased Ability of Local Governments to represent Their Interests at National Level	1. Legislative & administrative initiatives	Definition: Action to inform, educate, influence actions of Parliament, national Government. Unit: Number of legislative, administrative initiatives	1995	TBD	UNC H	0	3		5				
IR 2.2	More Revenue Available to Local Governments	1. Local annual budgets	Definition: Total revenue available from national, local sources Unit: % increase from base line	1995	TBD	UNC H	UNK	+ 5%		+ 10%		+ 15%		

ABBREVIATIONS

UNCH = unchanged
 UNK = unknown
 TBD = to be determined
 NLT = not less than
 NMT = not more than
 BL = base line
 NTE = not to exceed

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PERFORMANCE DATA TABLE

NARRATIVE ANALYSIS

S.O. 2.3 More effective, responsive and accountable local government

Overall Progress

Before the events of 1989, Romania had one of the most centralized governments in the Soviet bloc. Local government authority and capacity for making independent decisions or taking action had almost completely atrophied. To the extent that western European governmental models were adopted prior to World War II they were French models, and therefore relatively centralized as well.

The responsibilities of local governments are limited and their ability to manage resources is even more strictly limited. Virtually all their revenues are transfers from the central government and they are permitted minimal discretion in their use. Activities which are legally subordinated to local authorities, such as public utilities cannot truly be managed by them because they do not have the authority to change rates paid for services or to easily hire and fire the utilities' managements. They do not make the decisions about improvements to the utilities' facilities nor do they finance those improvements. In addition, municipalities lack adequate infrastructure to provide normal public services such as water, heat and electricity at a constant level, and existing backlogs for new services are high.

USAID/Bucharest Contributions

With the support of the central government and the Federation of Municipalities, USAID has been, and is, working directly with local authorities to improve their capacity and capability to manage within their existing legal authority and within their existing resources. These activities have impacted IR 2, "strengthened local government service delivery capacity," and IR 1, "strengthened local government decision-making capacity."

As part of a program implemented through housing sector contract

mechanisms, USAID has completed financial management and public budgeting programs and/or computerization programs for a total of four cities and a water utility management program for five cities. This contributed to IR 2, "better management systems in place," and IR 1, "strengthened local government decision-making capacity," and increased the central government's confidence in the capacity of local government to manage itself and its budget expenditures.

As a result of the success of these programs and the demand for similar programs in other cities, a specific Public Administration Program was designed, bid, and is underway in Romania as of October, 1995. This Public Administration Program will initially operate in five Romanian cities, later to be expanded to five more. The program focuses on basic public management, on economic development and on public participation.

In addition to short term advisors supplied by the consulting contractor, a Regional Public Administration Advisor with responsibilities for public administration programs throughout the Balkan region is assigned to USAID/Bucharest managing this program and is providing direct public administration technical assistance as well.

Ongoing USAID municipal infrastructure projects in three cities are dealing with customer service backlogs for services and also with management improvements and increased reliability of services. These activities have helped reduce backlogs in requests for services such as water and heating. In Craiova, for example, backlogs for cold water services have been reduced 35 percent from 1994 to 1995, sewage service backlogs reduced 59 percent and heating backlogs reduced 43 percent. These activities have positively impacts IRs 1.2, 1, 1.3, and 2. In the same three cities, the Water Regii (state corporations) were restructured to provide better service, positively impacting IR 2. As a result, two of the cities were beneficiaries of EBRD municipal infrastructure loans.

Expected Accomplishments in FY 97 and FY 98

Statistical data regarding tax and revenue transfers to local governments will become available in mid-1996, allowing a more precise measurement of progress.

Passage of the Water and Environmental Laws, both of which should include language on public access to local environmental impact information, is expected to occur by December, 1996 as targeted. Passage of a Local Government Finance Law to give local government more authority over its tax revenues is not likely to occur, even by the end of 1996, for political reasons.

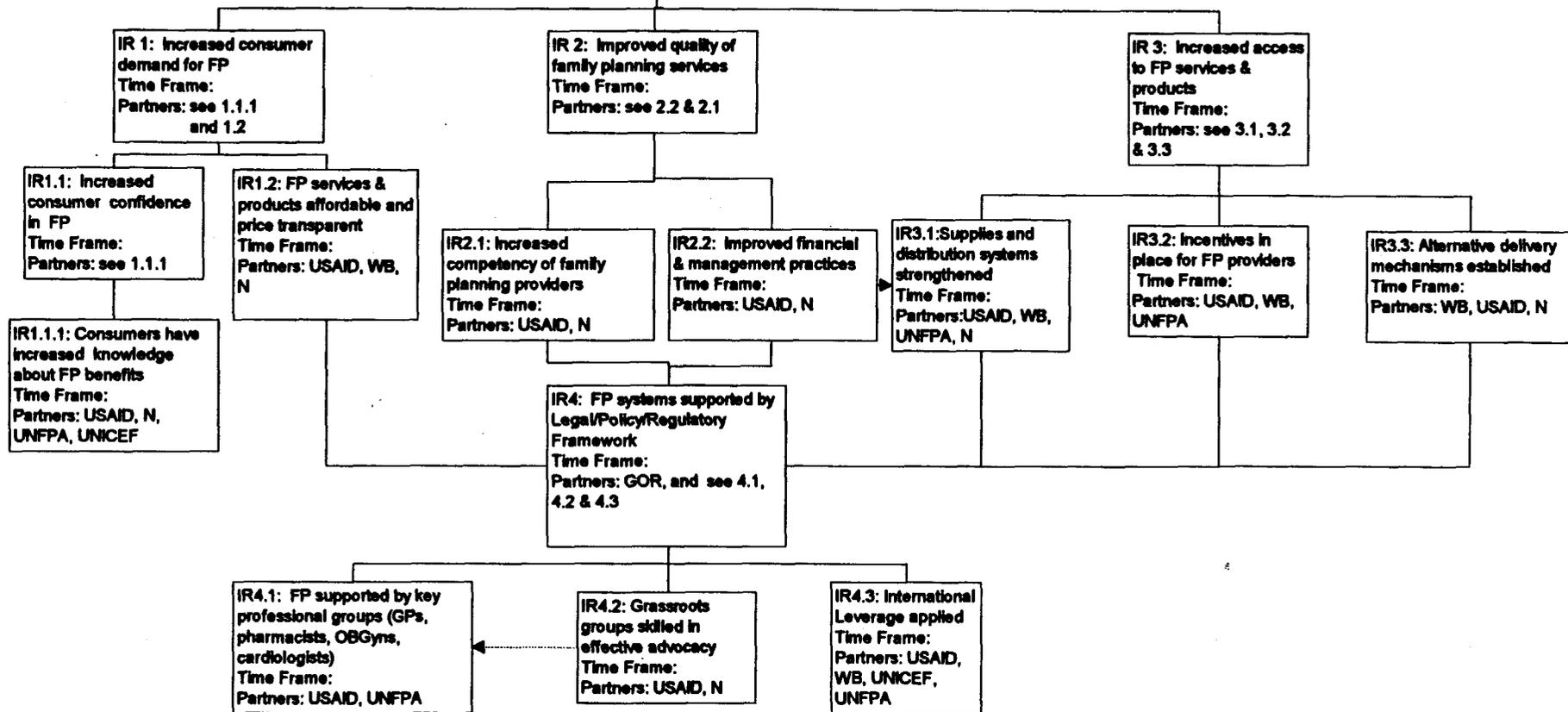
STRATEGIC OBJECTIVE

RESULTS REVIEW

S.O. 3.2

**INCREASED USE OF
MODERN CONTRACEPTIVE METHODS
WITH AN EMPHASIS ON PRIVATE SECTOR
DELIVERY SYSTEMS**

S.O. 3.2 Increased use of modern contraceptive methods with an emphasis on private sector delivery systems
 Time Frame: 1996 - 2000
 Partners: see list below



- GOR = Government of Romania
- N = Non-governmental Organizations
- UNFPA = United Nations Fund for Population Activities/Ministry of Health
- UNICEF = United Nations Children's Fund
- WB = World Bank/Ministry of Health

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USAID/Romania Strategic Objective 3.2:

Increased Use of Modern Contraceptive Methods, With an Emphasis on Private Sector Delivery Systems

A. Transition Hypothesis/Underlying Rationale

One of the most glaring social legacies of Nicolae Ceausescu's regime was the total ban on family planning in Romania. The results of this policy were extremely high rates of illegal abortion and a rate of maternal mortality ten times higher than elsewhere in Europe. In addition, thousands of abandoned children were placed in institutions because women were too frightened to attempt or could not accept illegal abortion, the parents were too poor to support the child, or the mother was unable to cope with the social stigma of raising a child alone.

The government's efforts to reform Romania's social and health systems are progressing slowly, especially in developing an effective and responsive public family planning system. Despite the legalization of contraception and abortion in 1990, and World Bank assistance in developing a network of government family planning clinics, Romania's public health and social systems inadequately addressed the family planning needs of Romanians. Only 14% of women in union in their reproductive years use any form of modern contraception while 45% use traditional methods characterized by high failure rates. Maternal mortality is still the highest in Europe and abortions outnumber live births three to one. The major causes of maternal death are unsafe abortions, hemorrhage and infection. Equally alarming is that after reaching a low of about 80,000 institutionalized children in 1991, the number of children now institutionalized is estimated to be over 100,000. Lessons learned from USAID's past experience in Romania suggest that these health and social problems cannot be ameliorated without addressing a major root cause: prevention of unintended pregnancy. And, further, USAID's experience to date strongly illustrates that the public sector will not at this point adequately deal with the issue due to lack of commitment, resources, and capacity. The potential for private sector involvement in family planning, through non-government organizations, through private physicians, and through private pharmacies is enormous.

Over the last five years, the major part of USAID's social sector

funding has been to provide emergency assistance to NGOs working to improve the health and well-being of abandoned and institutionalized children. Many child welfare PVOs/NGOs have successfully demonstrated community-based and alternative services. But these new approaches to child welfare, even if implemented nationally, are not sufficient to withstand a continued increase of newly abandoned children into the system. USAID supported the development of and continues to support seven family planning clinics through non-governmental organizations. While the family planning NGOs have played a critical role in modeling quality family planning services, they have only been able to reach a small percentage of the population in need.

A major component of the mission's future strategy is to use marketing and public information campaigns to change consumer attitudes towards modern contraception and to increase their awareness of and confidence in the family planning services and products available to them. A Romanian Reproductive Health Survey conducted in 1993 identified that the potential demand and need for modern contraceptives was significant. Nearly 40% of Romanian women of reproductive age and 55% of the women in union are at risk of unintended pregnancy because they are not using effective contraception. The survey identified a series of constraints to increased use of modern contraceptives, including: fear of side effects; lack of information about modern methods; partner preference; lack of systematic availability; and cost. For example, almost two thirds of women who are using traditional methods (withdrawal and calendar) believe that those methods are more, or equally, effective than using the pill or an IUD. In addition, 43% of women surveyed thought the pill to be unsafe and 38% did not now if it was safe or not.

On the supply side, USAID has chosen a renewed focus on alternatives to government systems because there continues to be lack of capacity and lack of political will to support quality family planning services in the public sector. In addition, many physicians are unconvinced that contraception is safe and there is little incentive for OB-GYNs to provide contraceptives since they derive a major portion of their income from abortions. Of women who are using modern contraception, over 60% obtain them at pharmacies (38%), private clinics (6%) or in the "black market" (17%). Only 30% received contraception from public sector sources. Therefore, USAID's future strategy will focus on increasing the use of modern contraceptives through improving the quality and increasing access to alternative family planning services and products, with a special emphasis on private pharmacies (estimated to constitute 90% of all pharmacies).

Demonstration of private sector delivery systems can be used as models to influence the adoption of private and public sector alternatives in the delivery of other health and social services in Romania. The World Bank and UNFPA will continue to take the

lead on efforts to improve the public sector family planning services and USAID will contribute to that effort primarily through policy development.

B. Critical Assumptions

- (1) Consumers (women and their partners), once provided with accurate information about the benefits of modern contraception, and increased access to quality services, will make an informed choice to use modern methods as an alternative to abortion or abandonment.
- (2) The private sector in Romania, at this time, will continue to be a more efficient and effective alternative to the public sector for delivering quality family planning services and products.
- (3) Pharmacists will continue to be allowed to sell modern contraceptives without a physician's prescription.
- (4) Increased competition among private pharmacies could help to lower the cost (prices) of modern contraceptives and provide an incentive to improve the quality of services.

C. Causal Linkages

Three intermediate results were identified as necessary for the achievement of Romania Strategic Objective 3.2, "Increased use of Modern Contraceptive Methods, with an Emphasis on Private Sector Delivery Systems." They are increased consumer demand, improved quality, and increased access to alternative family planning services and products. The SO will be measured by the volume of sales of modern contraceptive products and the change in modern contraceptive prevalence (use) rates. Although considered to be at a higher level of impact, USAID will periodically track trends in abortion and maternal mortality rates and numbers of newly institutionalized children.

Intermediate result 1 is "Increased consumer demand for family planning (FP)," which refers to consumers' intention to obtain services from public and private delivery systems. Increased consumer demand, however, requires an increase in consumer confidence in FP (IR 1.1) and affordable and transparent pricing of FP products and services (IR 1.2). In turn, increased confidence will be caused by consumers having increased knowledge about the benefits of family planning (IR 1.1.1). This latter result refers to the need to dispel myths about contraceptive methods, provide accurate information about the health risks of abortion as compared to contraception, and advertise where FP products and services can be obtained. The mission intends to utilize a variety of communication channels and techniques in achieving this result, including social marketing campaigns.

Intermediate result 2 is "Improved quality of family planning services and products," which refers to the range of FP services and products being offered at public and private sites, as well as the standards being followed in the provision of services. This result is caused by two other intermediate results: increased competency of family planning providers (IR 2.1); and improved financial and management practices (IR 2.2). Increased competency refers to the provider's ability to communicate effectively with clients about family planning issues and choices, as well as to having technical knowledge and skill. Improved financial and management practices refers to the need for providers to use business management techniques, such as: using financial, marketing and sales data for decision-making; establishing inventory and supply systems with distributors; developing client-centered information and materials; soliciting client feedback. In addition to contributing to improved quality, IR 2.2 is also linked causally to strengthened supplies and distribution systems (IR 3.1, under increased access).

Intermediate result 3 is "Increased access to family planning services and products," which refers not only to the number of outlets and clinics providing FP services and products, but also to the geographic distribution of those outlets and clinics. Three additional results are shown as necessary to achieve IR 3: supplies and distribution systems strengthened (IR 3.1); incentives in place for FP providers (IR 3.2); and private sector delivery mechanisms established (IR 3.3). Strengthened distribution systems refers to the need of private outlets to have a steady supply of products in order to guarantee a reliable service to its customers. IR 3.2, incentives, refers to the need of private outlets to make a sufficient profit so as to be interested in continuing the provision of services/products. IR 3.3 refers to the need to establish a variety of viable delivery mechanisms. Although initially USAID will focus on retail pharmacies as an important source of contraceptive information and products, other mechanisms will be explored, tested and strengthened (such as community-based programs, private group practices, kiosks and referral systems, etc.). USAID will also identify ways the family planning NGOs can serve as a technical resource and catalyst in the expansion of alternative delivery system mechanisms.

Intermediate Result 4 is "Public and private FP systems supported by legal/policy/regulatory (LPR) framework." It is shown at the bottom of the results framework with causal linkages moving up to many of the intermediate results supporting IRs 1,2 and 3. The legal/policy/regulatory changes that will be supported and tracked in this framework will focus on removing commercial barriers to private sector provision of services and products. USAID will also work to assure that the legal and policy environment supports family planning in both the private and public sector (such as: including family planning services in the

health insurance law; expanding the accepted role of General Practitioners (GPs) and nurses in FP; establishing national standards for service provision; including voluntary sterilisation in new health law; etc.). As shown in the graphic, a supportive LPR framework will be brought about by a set of factors: key professional groups (such as pharmacists, GPs and OBGyns) supporting family planning (IR 4.1); grass-roots organizations skilled in advocacy (IR 4.2); and the application of international leverage (IR 4.3).

PERFORMANCE DATA: BASELINE, TARGETS, AND ACTUAL RESULTS

S.O.3.2: Increased Use of modern contraceptive methods with an emphasis on private sector delivery systems

RESULTS VPL (L.O. OR I.R.) AND PAA	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
						1996		1997		1998		1999		2000	
				YEAR	VALUE	Target	Actual to Date	Target	Actual	Target	Actual	Target	Actual	Target	Actual
SO 3.2	<i>Increased use of modern contraceptive methods with an emphasis on private sector delivery systems</i>	<i>Use of modern contraceptives</i>	<i>Definition: Modern contraceptive (use) prevalence for women in union Assumes a 3% point increase per year</i> <i>Unit: %</i>	1993	14% <i>(based on 1993 Ro. Reproductive Health Survey)</i>	23%		26%		29%		32%		35%	
		<i>Procurement of modern contraceptives (source)</i>	<i>Definition: Increase of contracepting women procuring contraceptive supplies from alternative sources.</i> <i>Unit: %</i> <i>- pharmacies</i> <i>- NGOs</i> <i>- private doctor/clinic</i> <i>- black market</i> <i>- other</i> <i>- don't know</i> <i>Unit:</i>	1995	<i>To Be Determined by 7/96</i>									25% <i>increase over baseline</i>	

IR 1	Increased consumer demand for modern contraception	Percent of consumers who state desire to switch to modern contraceptives	<p>Definition:</p> <p>- non-users</p> <p>- traditional users</p> <p>Unit: % of consumers</p>	1993	18%	27%	30%	33%	36%	39%			
IR 1.1	Increased consumer confidence in family planning	Change of opinion toward modern contraceptives	<p>Definition: Increase in women who believe modern contraceptives are more effective than traditional methods</p> <p>Unit: %</p>	1993	33%			50%					
IR 1.1.1	Consumers have increased knowledge about family planning benefits	Knowledge about health risks for contraception	<p>Definition: Women's change in knowledge regarding safety and effectiveness</p> <p>Unit: % of women who believe pill is:</p> <p>- unsafe</p> <p>- don't know</p> <p>- effective in preventing pregnancy</p>	1993	43%			20%		20%			
			<p>Definition: % of women who know where to get modern contraceptive methods</p> <p>Unit: % of total</p> <p>- Pills</p> <p>- Condoms</p>	1993	85%			95%		75%		80%	

IR 1.1.2	FP services and products affordable and price transparent	Volume of sales	<p><i>Definition: Volume of contraceptive sales in private pharmacies participating in PROFIT project and from NGOs increase by 25% over baseline</i></p> <p><i>Unit: Absolute amount - NGOs - pharmacies</i></p>	1996	TBD					NL + 25%					
IR 2	Improved quality of FP	Range of services-products	<p><i>Definition: Range of modern contraceptive products in private pharmacies increased</i></p> <p><i>Unit: # with full range of products (pills, condoms, IUD, etc.)</i></p>	1996 (TBD by 7/96)											
		Consumer satisfaction	<p><i>Definition: Consumer surveys indicate increased satisfaction with services and products</i></p> <p><i>Unit: Numbers of providers Number of consumers</i></p>	1996 (TBD by 7/96)											
IR 2.1	Increased technical competency of FP providers	Successfully fulfill requirements for competency based training, including consumer/provider communication	<p><i>Definition: successfully private providers complete training</i></p> <p><i>Unit: number - of pharmacists successfully trained</i></p>	1996 (TBD by 7/96)											

IR 2.2	Improved management practices	Use of business management practices for decision-making	<p><i>Definition: private providers who implement improved practices (Financial, Marketing and Sales)</i></p> <p><i>Unit: Number of Pharmacists</i></p> <p><i>Number of NGOs</i></p>	<p>1996</p> <p>1995</p>	<p>TBD</p> <p>12</p>										
		Consumer education materials distributed	<p><i>Definition: Number of consumers provided educational materials at alternative sites</i></p> <p><i>Unit: Number at pharmacies</i></p> <p><i>Number at NGOs</i></p>	1996	TBD										
IR 3	Increased access to Family Planning	% of women who have access to at least one modern contraceptive in each major geographic region	<p><i>Definition:</i></p> <p><i>Unit:</i></p>	1996	TBD										
IR 3.1	Supplies and distribution system strengthened	Logistics management system in place	<p><i>Definition: Private providers who implement improved logistics mgmt. systems (inventory and ordering systems) in place</i></p> <p><i>Unit: # or % of pharmacists</i></p> <p><i># of NGOs</i></p>	<p>1996</p> <p>1994</p>	<p>TBD</p> <p>12</p>										
IR 3.2	Incentives in place for FP providers	Profit levels of pharmacists	<p><i>Definition: Pharmacists who report increased profit from sale of products</i></p> <p><i>Unit:</i></p>	1996	TBD										

		<i>Training in place for pharmacists</i>	<i>Definition: Private providers who indicate training as valuable to their business</i> <i>Unit: #</i> <i>%</i>	1996	TBD										
IR 3.3	<i>Private sector delivery mechanisms established</i>	<i>Increase in variety of mechanisms</i>	<i>Definition: e. g. NGOs, private pharmacies, kiosks, referral system, private practice, supermarkets</i> <i>Unit: number</i>	1996	TBD										
IR 4	<i>Alternative family planning systems supported by Legal/Policy/Regulatory</i>	<i>No unwarranted restrictive legislation or regulation for FP and authorizing legislation passed</i>	<i>Definition: FP included in Health Insurance Law</i> <i>Voluntary sterilization included in Health Law:</i> - female - male <i>No restrictive legislation for pharmacists dispensing contraceptives</i> <i>Unit: Y/N</i>					X							
		<i>National standards established</i>	<i>Definition: Standards for OB Gyns and GPs provision of Family Planning</i> <i>Unit: Developed and finalized</i> <i>Advocated for</i> <i>Implemented</i>					X							
													X		

		<i>Use FP data and information</i>	<i>Definition: data and information developed to present to policy makers</i> <i>Examples:</i> - <i>maternal mortality</i> - <i>cost-benefit of FP</i> - <i>Young Adults</i>	1995	X															
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Comments/Notes: Targets in BOLD represent the years reproductive health surveys will be conducted.

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**PERFORMANCE DATA TABLE
NARRATIVE ANALYSIS**

S.O. 3.2 Increased use of Modern Contraceptive Methods, With Emphasis on Private Sector Delivery Systems

Overall Progress

Reproductive health care has become an important strategic objective because of years of inattention to the needs of women and the prohibition on family planning services. Despite the illegality of contraception and abortion, Romanian women did anything possible to have only two children, many losing their lives or their health in the process. After four years, the Ministry of Health's family planning program is beginning to provide services around the country and to provide family planning training to about 400 general practitioners and obstetricians and gynecologists.

Romanian NGO-sponsored family planning clinics provide services to approximately 35,000 women, through a network of 12 clinics, seven of which are USAID-supported. In addition, the first contraceptive marketing and distribution project site visit occurred in November, 1995 to initiate a new activity. Plans are underway to conduct a Young Adult Reproductive Health Survey in 1996 to measure progress in contraceptive prevalence.

USAID Bucharest's Significant Contributions:

The U.S. Congress earmarked funds for Romania in order to establish a private sector family planning clinic system and as a consequence USAID funded the SECs clinics, which were the first such clinics ever in Romania. The SECs clinics now have a network throughout Romania and are working toward sustainability once USAID funding ends. In addition to serving approximately 35,000 women, only a few years after their initiation, SECs clinic staff have begun to have an impact on the Government of Romania. SECs clinic staff have trained government family planning staffs and have raised their consciousness regarding the key issues in the family planning arena. In addition, USAID funding has supported sex education classes for teenagers, who are considered a population at high risk of unintended pregnancies.

Expected Accomplishments in FY 97 and FY 98:

USAID/Romania will move away from direct support of family planning service delivery clinics to support to social marketing

and broader policy issues in order to increase the commitment among the public and private sector for promoting the use of modern contraceptives.

The contraceptive marketing and distribution project will continue for three to four years. The technical assistance related to improved marketing practices by participating pharmacies should result in a 25 percent increase in contraceptive sales and should increase the role of pharmacies in the provision of contraceptives to women.

On the policy front, USAID-funded activities should result in increased support for family planning services among Ob/Gyns who are currently one of the major resisters to increased family planning use, and among government policy makers. Once Ob/Gyns accept the use of modern contraceptives, accurate information will get conveyed to women and the use of modern contraceptives is expected to rise dramatically. Women in union want to contracept but they are told by their Ob/gyns that modern contraceptives are dangerous to their health, that abortion is an acceptable alternative, and that traditional approaches to contraception are as reliable as modern ones, myths which are having a negative impact on women and their reproductive health.

As of December, 1995, 63% of all pregnancies ended in induced abortion; USAID's target is to reduce this number to 55% by December, 1996.

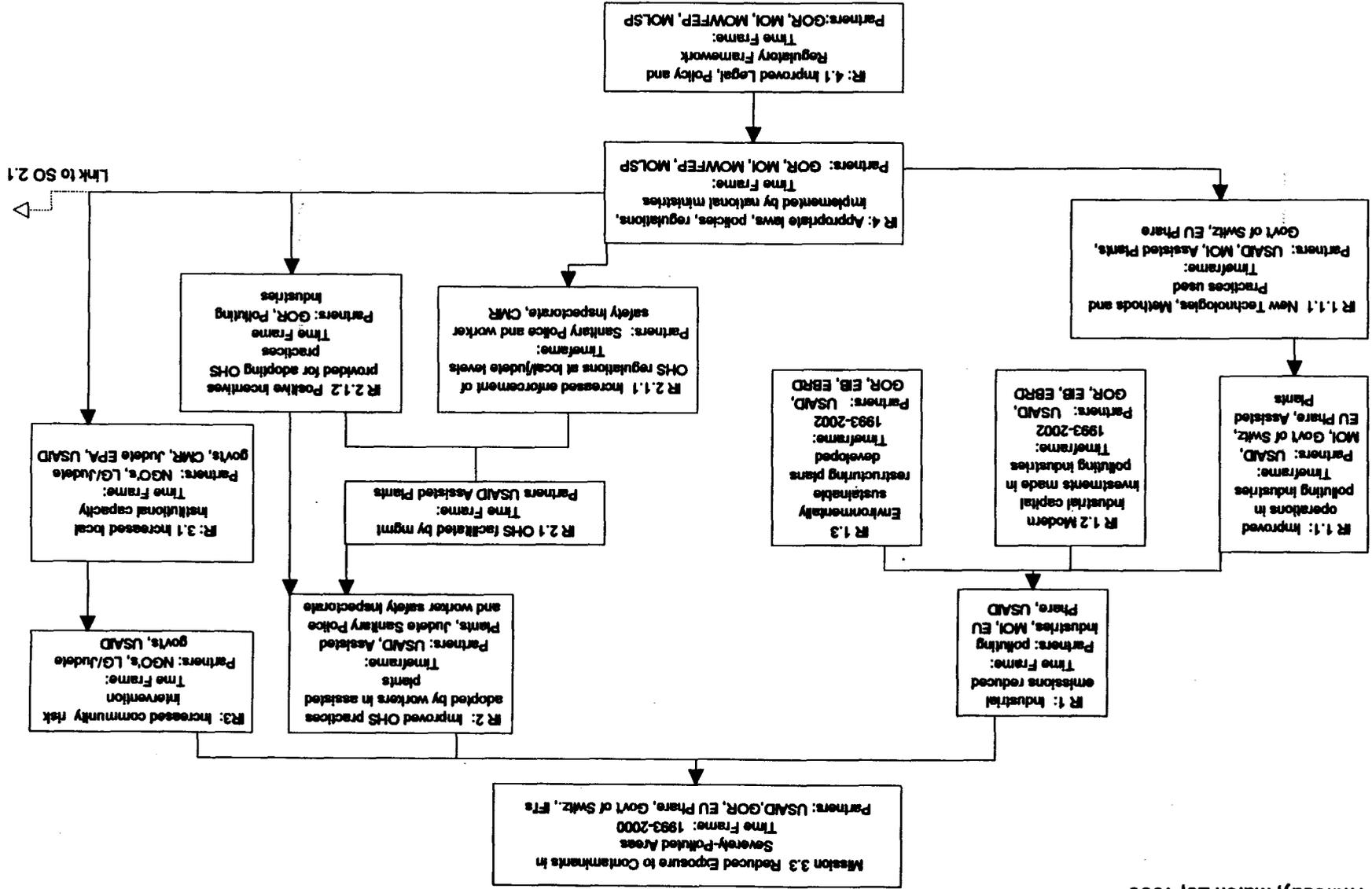
STRATEGIC OBJECTIVE

RESULTS REVIEW

S.O. 3.3

REDUCED EXPOSURE TO CONTAMINANTS

IN SEVERELY POLLUTED AREAS



Link to SO 2.1

Thursday, March 28, 1996

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USAID/Romania Strategic Objective 3.3

Reduced Exposure to Contaminants in Severely Polluted Areas

I. Transition Hypothesis/Underlying Rationale

The underlying rationale for selecting this bureau objective is to help alleviate the human suffering caused by the economic development policies of the former communist regime. Fourteen "hot spots," or severely polluted areas, were identified in 1992 in Romania by a joint environmental strategy mission comprised of representatives from the World Bank, EU, WHO, USEPA and USAID. The population in these areas suffer significant side effects caused by industrial pollution. For example, high blood lead levels in children result in lowered mental capacity, reduced growth rates and higher prevalence of musculoskeletal problems. In the general population there has been an increase in upper respiratory and other pulmonary diseases caused by air pollution, which negatively impact on worker productivity and place an added strain on an over-extended health care system.

Because the heaviest sources of pollution in Romania's "hot spot" areas are state-owned industries, USAID is pursuing --in concert with other donors-- the more specific strategic objective of "reduced exposure to contaminants in severely polluted areas." Based on the initial work conducted in the Ampellum copper smelter plant in Zlatna, USAID is planning to address the problem of heavy metal contamination at three more sites. EU Phare is working on pollution abatement in the Bacau region at several types of industrial sites (e.g., pulp and paper, refinery, petrochemical and chemical). The Government of Switzerland is addressing pollution problems at a chemical plant in the Timisoara region.

In addition to working at industrial sites, USAID will explore related environmental problems at non-point sources, such as battery recycling. USAID-assisted activities under SO 1.5 (energy restructuring), intermediate result 1 (improved environmental performance) will also contribute to this strategic objective.

II. Causal Linkages

During the pilot work conducted in Zlatna, USAID developed an integrated approach to pollution abatement which combined industrial restructuring in the polluting plant with behavior modification among workers and coordinated action within the community. This strategy identifies the need for three

intermediate results for the accomplishment of the strategic objective. They are: reduced industrial emissions; improved occupational health and safety (OHS) practices among workers; and increased community risk intervention. A fourth result related to the legal/regulatory framework is shown as supporting all three of these intermediate results.

Intermediate result 1 is "Industrial emissions reduced." Since antiquated equipment, production and management techniques are a major constraint to reducing industrial emissions, the framework shows "new technologies, methods and practices used" (IR 1.1.1) as causally linked to "improved operations in polluting plants" (IR 1.1). Improved plant operations directly contributes to IR1 as well as to "increased modern industrial capital investment in polluting industries" (IR 1.2). IR 1.2 refers to the need to invest in more efficient, pollution abatement equipment in order to reduce industrial emissions and thus, it is also shown as contributing directly to IR1. IR 1.3 refers to the requirement to develop industry restructuring plans as a prelude to making their operations more efficient and hence more environmentally benign.

Intermediate result 2 is "Improved OHS practices adopted by workers". This result refers to desired behavior change in worker habits (e.g., washing uniforms at plant sites instead of at home). This result is caused mainly by actions taken by plant management: "OHS facilitated by management" (IR 2.1). In turn, IR 2.1 is supported by two other results: "increased enforcement of OHS regulations" by local authorities (IR 2.1.1) and "improved OHS regulations provide positive incentives" (IR 2.1.2). This latter result regarding positive incentives is also shown as directly contributing to workers adopting OHS (IR 2).

Intermediate result 3 is "Increased community risk intervention." It refers to specific activities initiated by local organizations to help citizens guard against environmental health hazards or to clean-up a particular polluted area. This result is directly supported by IR 3.1: "increased local institutional capacity." Here capacity is referring to the ability to identify and monitor pollutant pathways in the community, analyze the impact of pollution on public health, and develop and coordinate appropriate responses to health hazards.

"Appropriate laws, policies and regulations (LPR) implemented by national ministries" is shown as IR 4 at the bottom of the results framework with causal arrows pointing up generally to higher results. A variety of legal, policy and regulatory reforms are needed to achieve many of the intermediate results grouped under IRs 1,2,and 3 (e.g., market-based incentives for pollution abatement, adoption of European standards for permissible emission levels, encouraging public participation in problem-solving, etc.).

III. Critical Assumptions

Although not shown explicitly in the results framework, the causal relationships shown as supporting IR1 should also contribute to the increased productivity and long-term viability of assisted plants. It is assumed that this economic benefit, when combined with an improved legal/policy/regulatory framework, will be sufficient motivation for the state-owned industries to be less polluting. This assumption seems realistic since many of these industries are listed for privatization. The industrial restructuring required to reduce the emissions of pollutants should improve the future economic prospects of these plants, the workers, and the surrounding community.

PERFORMANCE DATA: BASELINE, TARGETS, AND ACTUAL RESULTS
S.O. 3.3: Reduced exposure to contaminants in severely-polluted areas

RESULT LEVEL (S.O. OR I.R.) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
						1996		1997		1998		1999		2000	
				YEAR	VALUE	Target	Actual to Date	Target	Actual	Target	Actual	Target	Actual	Target	Actual
SO 3.3	Reduced Exposure to Contaminants in severely-polluted areas	Lead levels in blood of affected workers and residents	Definition: Range of child blood lead levels (highest risk group) Unit: mg/dl	Residents (1995)	30-45 Zlatna	28-43		25-40		23-38					
		Sulfur Dioxide Concentration in Ambient Air	Definition: Unit: ppm	BMr (1996)	TBD										
				ZI (1996)											
IR 1	Industrial Emissions reduced	Level of particulates in stack emissions	Definition: Particulate concentration in flue gas - concentration and totals Unit: tons/year, mgs per nm3	Ph RPh Rbat (1996)	TBD										
		Level of gaseous pollutants (SO2, VOC's) in Stack Emissions	Definition: SO2 concentration in flue gas - concentration and totals Unit: wt/volume - tons/year - mgs per nm3	Ph RPh Rbat Amp Arp (1996)	TBD										

IR 1.1	Improved operations in polluting industries	Operational savings in assisted plants	Definition: money saved through improved techniques, practices or technology Unit: million US dollar equivalent	AID assisted plants (1995)	2.5	3.2	4.0	4.8						
IR 1.1.1	New techniques methods and practices used	Restructuring Strategies adopted	Definition: Unit: Yes/No	Ph RFB Rbat Amp (1996) Arp	Yes Yes Yes Yes Yes									
IR 1.2	Modern industrial capital investments made in polluting industries	Amount of money invested in pollution abatement equipment and technologies in specific plants	Definition: Unit: million US dollar equivalent	AID assisted plants (1996)	5.0	6.4	8.0	9.6						
IR 1.3	Environmentally sustainable restructuring plans developed	Environmental Impact Assessments Carried Out	Definition: Unit: Number executed	1995	150	300	500	500						
		Compliance schedules negotiated	Definition: Unit: Number negotiated	1995	0	80	300	400						
IR 2	Improved OHS Practices adopted by workers in assisted plants	Percentage of workers complying with OHS regulations and practices	Definition: Unit: Percentage	Year 1996 Ph RFB Rbat Amp	TBD									
IR 2.1	OHS facilitated by management	Plant-specific OHS plan exists and is being implemented	Definition: Unit: Yes/No	Ph RFB Rbat Amp (1996)	Yes No Yes No	Yes Yes Yes Yes	Yes Yes Yes Yes	Yes Yes Yes Yes						
		Modern training methods used	Definition: Unit: Yes/No	Ph RFB Rbat Amp (1996)	No No No No	Yes No Yes No	Yes Yes Yes Yes	Yes Yes Yes Yes						

IR 2.1.1		% of plant OHS staff receiving training	Definition: Unit: %	Ph RPh Rbat Amp (1996)	80% 50% 80% 30%	100 80 100 60 %	100 100 100 100 %	100 100 100 100 %	100 100 100 100 %						
IR 2.1.2	Positive incentives provided for adopting OHS practices	% of plant contracts incorporate positive incentives	Definition: Unit: %	AID assisted plants (1996)	0%	20%	33%		50%						
IR 3	Increased Community risk intervention	Number of risk reduction activities organized (training, studies, clean-up and recycling)	Definition: Unit: Number	1995 AID assisted sites	TBD										
IR 3.1	Increased Local-Institutional capacity	% of sites with environment data quality assurance procedures in place	Definition: Unit: %	AID assisted sites	0%	33%	66%		100%						
		Percentage of severely-polluted areas with EAPs (Environmental Action Plans) River basin committees established	Definition: Unit: % Definition: Unit: Number	BMr Bis. Zlatna Pkestl (1996) 1995	0%	25%	50%		100%						

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IR 4	Appropriate laws, policies, regulations implemented by national ministries	Amount of resources allocated for intervention in high risk areas	<p>Definition: Funds allocated to improve working conditions and purchasing protective equipment</p> <p>Unit: million US dollar equivalent</p>	AID assisted plants (1996)	0.5	1.5		1.0		1.5					
IR 4.1	Improved legal, policy, regulatory framework	<p>Specific laws drafted</p> <p>Specific laws passed</p>	<p>Definition: Laws drafted for submission to Parliament</p> <p>Unit: # of laws</p> <p>Definition: Law passed by Parliament</p> <p>Unit: # of laws</p>	<p>N/A</p> <p>N/A</p>	<p>N/A</p> <p>N/A</p>	<p>0</p> <p>1</p>		<p>1</p> <p>1</p>							
		<p>Regulations drafted</p> <p>Regulations signed</p>	<p>Definition: Regulations drafted for government decisions</p> <p>Unit: #</p> <p>Definition: Government decisions or ministerial orders</p> <p>Unit: #</p>	<p>N/A</p> <p>N/A</p>	<p>N/A</p> <p>N/A</p>	<p>4</p> <p>4</p>		<p>4</p> <p>4</p>							

	Permits issued	Definikion:	1995	200	500	1000	1000							
		Unk: Number issued												
	EIA/audit experts certified	Definikion:	1995	0	10	100	200							
		Unk: Number certified												
	Public Hearings Held	Definikion: Public Hearings for permitting application	1995	0	50	120	300							
		Unk: Number												

NOTES: Blood lead testing activity (EHP Project) ends June 1996

Abbreviations: Ph - Phoenix; RPh - Romplumb; Rbat - Rombat; Amp - Ampellum; Arp - Arpechim; VOC - volatile organic compounds; MM - Maramures; BN - Bistria-Nasaud; Ag - Arges; A.I. - Alba Iulia; MBr - Bala Mare; ZI - Zlatna; MoWFEP - Ministry of Waters, Forests and Environmental Protection; MoLSP - Ministry of Labor and Social Protection; MoH - Ministry of Health; TBD - to be determined; EIA - Environmental Impact Assessments; HIID - Harvard Institute for International Development

**PERFORMANCE DATA TABLE
NARRATIVE ANALYSIS**

S.O. 3.3 Reduced Exposure to Contaminants in Severely Polluted Areas

Overall Progress

Like other Eastern European countries, Romania inherited a number of environmental "hot spots" that were the result of economic development policies of the former communist regime. A total of 14 specific areas identified by the World Bank represent the greatest health threat for the people living in those areas. USAID has targeted several of these in trying to reduce environmental risks to the public and improve the prospects for needed investment. Local community resistance to change is common, however, as the main community polluter (smelter, coal mine, manufacturing plant) is usually the primary source of employment and a key resource for the government.

An indication of continuing resistance to change is that 24 of 25 university physicians, in a recent case study on lead intoxication in one of the USAID targeted sites, felt the data revealed a situation so serious that they could not expose medical students to the severity of the situation (higher than normal blood lead levels among children).

Because of the far-reaching impact of existing environmental risks to the public, progress has been slow. The government's defensiveness about existing problems, combined with the bureaucratic delays faced when trying to address local environmental risks through national bodies, can be frustrating. As with social and health care reform, true institutionalized change regarding environmental health issues will only occur after a number of years.

USAID/Bucharest's Significant Contributions

After much groundwork, USAID has been able to facilitate the coordination of health risk reduction in pilot "hot spot" communities. For example, regulatory authorities and individual representatives began working together in interdisciplinary working groups to improve worker health and safety in Zlatna, site of an outdated copper smelter responsible for heavy metal contamination and sulfur dioxide emissions. Air monitoring equipment was successfully installed in Zlatna, to help reduce emissions from the "Ampellum" copper smelter, meeting our earlier 1995 target.

In addition, statistics on the blood lead survey for children in Zlatna were released to the parents and the local medical community in 1995, as targeted.

Through related USAID programs, worker contamination in a large battery plant on the outskirts of Bucharest was reduced drastically. Discharge of contaminated waste water from one of Romania's largest oil refinery and petrochemical complexes was reduced significantly, creating a model for the entire industry. IR 1: One sure-fire method of reducing exposure to contaminants is to reduce industrial emissions. Work continues in 1996 to identify particulate and SO2 concentration in flue gas to establish baseline data, to measure future progress.

IR 2: Another area of activity is to focus on affected workers, who often suffer the most direct exposure to contaminants. New worker practices and safety/protection equipment have been installed, which, if used properly can achieve the desired effect.

IR 3: The local community is also an important actor in reducing exposure of the citizenry. USAID projects have already identified low cost risk avoidance and reduction techniques, such as paving dusty roads that otherwise represent a respiratory risk to locals, and cleaning up children play areas (sandboxes) where contaminants can accumulate.

IR 4: At the national and municipal level, the importance of adequate legislation is crucial, as local efforts are limited without a larger, enforceable legal framework. USAID contractors have been working on drafting comments on environment-related legislation.

Expected Accomplishments During FY 97 and FY 98

The three working groups' activities will continue in Zlatna, with a view towards transferring the skills and experience gained to other localities, thereby creating an improved Romanian technical capacity for future efforts.

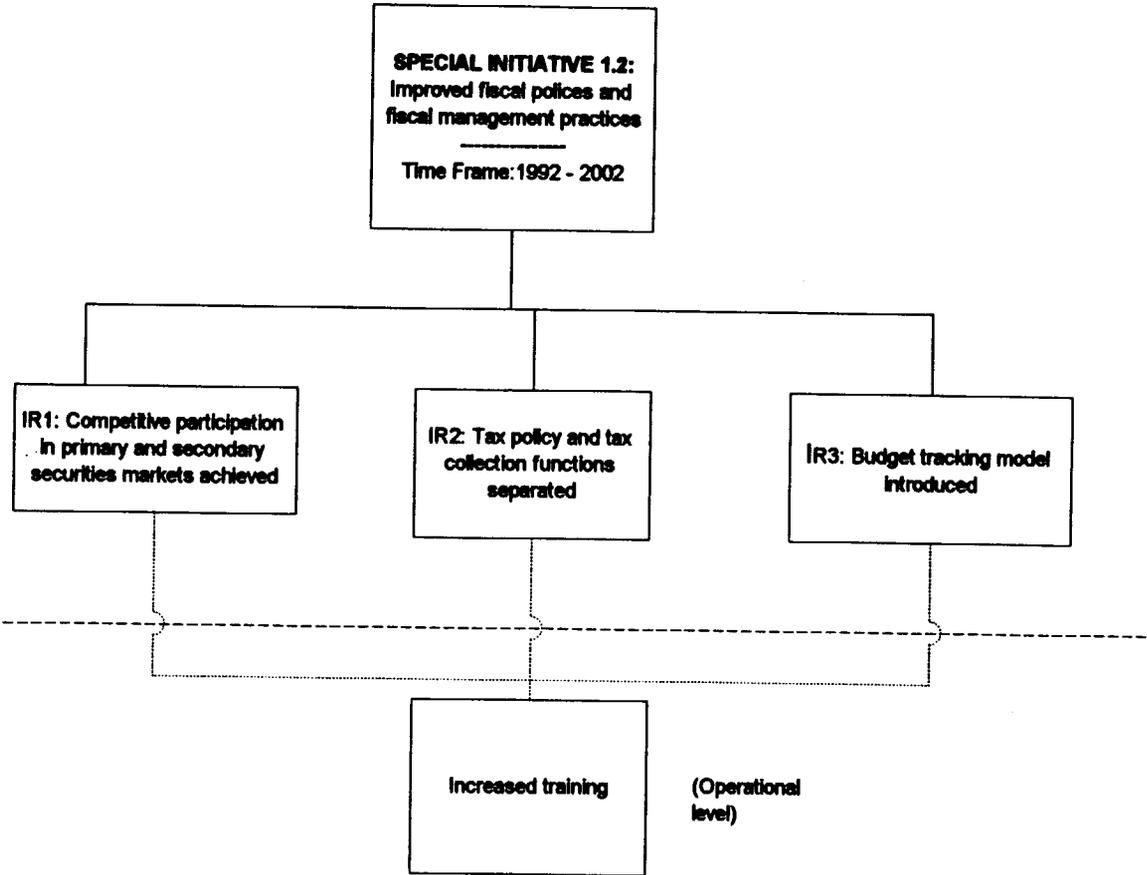
Also, the draft Action Plan for reducing child blood lead levels in Zlatna, based on data analysis and interpretation, will be produced in the first half of 1996. Appropriate action will be taken in FY 96/97 to reduce the lead exposure of affected children and monitor the impact of the program.

STRATEGIC OBJECTIVE

RESULTS REVIEW

S.O.s 4.x

SPECIAL INITIATIVES



50 a

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USAID/Romania Special Initiative 1.2

Improved Fiscal Policies and Fiscal Management Practices

I. Rationale:

USAID/Romania has been providing assistance to improve fiscal policy and management practices in Romania since 1992. The fiscal policies and programs of Romania's earlier centrally planned economy required serious reform. Sound fiscal policy and management contribute to overall macroeconomic stability, which is a general critical assumption affecting the achievement of USAID/Romania's Strategic Objectives 1.3, "Development and growth of private enterprises," and 1.4, "A more competitive and market responsive private financial sector." Both change in fiscal policy itself and change in the management systems and techniques used by government to manage fiscal functions are required.

Through sponsorship of expert advisors for the Ministry of Finance and other branches of the government, USAID has provided critical technical assistance that has contributed to improvements in the fiscal policy framework and fiscal management systems. (Note that USAID advisors also provide informal training for some private sector entities such as bank staff.) USAID assistance has been concentrated in key areas of improved forecasting for management of the budget (both revenues and deficits); development of government securities markets for improved management of the deficit; and improved revenue collection and tax programs. USAID's assistance in this area, while critical, is not of a scale to form a full fledged strategic objective. Instead, it forms a Special Initiative.

The language of the Special Initiative has been slightly amended from the ENI Objective 1.2, which is "Increased soundness of fiscal policies and fiscal management practices." It was argued that the word "soundness" is vague, and that "Improved" is preferred. The proposed wording of the Special Initiative is: "Improved fiscal policies and fiscal management practices".

II. Results

Some key results required to achieve the Special Initiative of improved fiscal policies and fiscal management practices include:

Result 1: Competitive participation in primary and secondary securities markets achieved - This result contributes to improved financing of the public sector deficit, which is a dimension of

the Special Initiative of improved fiscal management practices.

Result 2: Tax policy and tax collection functions separated - This result contributes to improved revenue collection/tax systems, which are a component of improved fiscal management practices at the Special Initiative level.

Result 3: Budget tracking model introduced - This result contributes to improved forecasting practices, which are an element of improved fiscal management practices at the Special Initiative level.

Increased training is required to achieve all three of these results. Training lies at an operational or activity level, and should be tracked through activity outputs or outcomes.

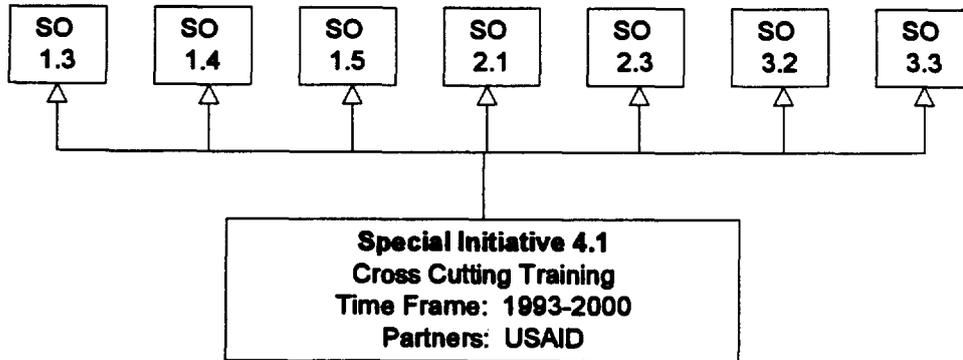
III. Critical Assumptions:

An important critical assumption is that the political will of the executive and legislative branches of the Romanian Government will exist to approve remaining necessary fiscal legislative and policy reforms and to implement key improved fiscal practices.

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Monday, May 6, 1996

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SPECIAL INITIATIVE
Improved health management
Time Frame: 1993 - 2000

**IR1: Improved Health
Management Training**

**IR2: Quality assurance and
costing and performance
models developed**

USAID/Romania Special Initiative 4.1

Improved Health Management

I. Rationale:

Health reform is being piloted and evaluated in eight counties, a health insurance law has been introduced, and there is a draft health sector reform strategy. Major barriers to reform efforts identified by the World Bank, EU consultants, and government officials include the lack of management training and lack of experience in implementing a new health delivery system. A health management training partnership project will build upon USAID program activities initiated to date (targets of opportunities and on a World Bank management training program. In addition, quality assurance systems and performance and costing models will be introduced and developed to demonstrate practical management methods. Implementing improved health management practices is cross-cutting with two other strategic objectives, SO 2.3, "More effective, responsive, and accountable local government," and SO 3.2, "Increased use of alternative family planning systems."

II. Results:

The health management training program will strengthen capacity of local health administrators who are implementing health reform. Health management training staff have been trained in family planning logistics management and family planning systems can be used for case studies. Performance and costing models (Diagnostic related groups or "DRGs") can be used by local health administrators to improve budgetary input and support resource allocation requests based on output (vs. input) measures. Quality assurance system (accreditation can be used in the process of developing competitive and transparent hospital contracting procedures.

USAID/Romania Special Initiative 4.2

Cross-Cutting Training

I. Rationale:

USAID/Romania has been funding cross-cutting training in support of all its strategic objectives justified by the rationale that improving the skills and abilities of Romanians working in each of the target sectors is critical to the achievement of virtually all of the results listed.

II. Results:

Training through the PIET training project has already had a significant impact upon a number of strategic objectives. Training of 35 business managers and entrepreneurs, for example, has resulted in an over 10% on average increase in their respective firms' sales as well as an increase in the number of employees in their firms. Training of physicians in the area of family planning has had a dramatic impact on the support for modern contraceptive methods. Many other successful results have impacted a number of sectors.

PART III

STATUS OF MANAGEMENT CONTRACT

PART III.

STATUS OF MANAGEMENT CONTRACT

- 1. Special Management Issues: N/A**
- 2. 22 CFR 216 Environmental Analysis Issues: N/A**
- 3. New partnership Initiatives Summary**

PART IV

RESOURCE REQUEST

Annex 1
USAID/ ROMANIA
ALL RESOURCES TABLE
(\$000)

Funding Category	FY 1996*	FY 1997**	FY 1998	
			Base***	Base - 20%
Development Assistance/ SEED/FSA/ESF/IDA ****				
	\$25,000,000	\$33,000,000	\$25,000,000	\$22,400,000
Economic Growth				
Of which: Field Support ***** (INCLUDES ENI SOS 1.1 TO 1.5)	\$17,375,000	\$18,000,000	\$14,000,000	\$11,800,000
Population/Health				
Of which: Field Support ***** (INCLUDES ENI SO 3.2 and SI 3.2)	\$1,950,000	\$3,000,000	\$2,250,000	\$2,250,000
Environment				
Of which: Field Support ***** (INCLUDES ENI SO 3.3)	\$1,725,000	\$2,900,000	\$3,700,000	\$2,400,000
Democracy				
Of which: Field Support ***** (INCLUDES ENI SOS 2.1 to 2.3)	\$2,100,000	\$4,733,000	\$3,900,000	\$3,400,000
Humanitarian Assistance/Transition				
Of which: Field Support *****	\$0	\$0	\$0	\$0
Other SIs and Cross-cutting programs (including AEPs)				
Of which: Field Support *****	\$1,950,000	\$3,567,000	\$3,550,000	\$2,750,000
Title II	\$0	\$0	\$0	\$0
Title III	\$0	\$0	\$0	\$0
Other (HG, MSED, ECA) ****	\$0	\$0	\$0	\$0
GRAND TOTAL	\$25,000,000	\$33,000,000	\$25,000,000	\$22,400,000

* For FY 1996, use operating bureau budget allocations based on the FY 1996 Appropriations Act, in the case of PL488, use appropriations from the Agriculture Appropriations Act.

** For FY 1997, use operating bureau allocations based on the FY 1997 OMB passback level.

*** Base is defined as operating bureau allocations based on the FY 1997 passback level.

**** FY: SEED= Support for Eastern European Democracy FSA= Freedom Support Act (MS countries); IDA= International Disaster Assistance.

HS = Housing Quarterly; MSED= Micro and Small Enterprise Development, ECA=Enhanced Credit Authority

***** Refers to all Field Support - both Global-obligated and Mission-obligated.

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ROMANIA COUNTRY PLANNING BUDGET FY 95- FY 98:

FY 97 OPERATIONAL YEAR BUDGET

PROPOSED COUNTRY BREAKDOWN BY STRATEGIC OBJECTIVE

(in dols. thousands)

Project No.		FY 95	FY 96 \$25M	FY 97 \$33M	FY 98 HI \$28M	FY 98 Lo \$22.4M
SO 1.3 Development and Growth of Private Enterprises						
180-0014	Enterprise Restructuring	700	700	1500	1500	1500
180-0023	Technical Assistance to Enterprises					
.07	* Peace Corps	75	100	100	100	100
.11	* Entrepreneurial Mgmt & Executive	300	300	500	500	300
.13	* New Small Business Activity (ATA)	137	425	500	0	0
.14	* CDC Business Enterprise Project	500	1000	1000	1000	1000
180-0024	Restructuring Agriculture and Agribusiness					
.01	* VOCA	1800	500	1500	1500	1000
.07	* Dairy farming/LOL (Incl. \$970 DA)	485	0	0	0	0
180-0029	Management Training & Market Economics Education					
.01	* large grants competition	342	500	700	0	0
180-0010	Enterprise Funds					
.06	* Romania Enterprise Fund	7900	6000	6000	6000	6000
SO TOTAL		12,239	9,525	11,800	10,800	9,900
SO 1.4 A More Competitive and Market-Responsive Private Financial Sector						
180-0014	Capital Markets Development & Privatization Asst.	7228	6000	3500	1000	7000
180-0023	Technical Assistance to Enterprises					
.06	* WOCCU	500	500	0	0	0
180-0026	Competition Policy, Laws & Regulations					
.05	* Commerce (Gov'l to Gov'l)	250	100	250	250	0
.17	* Bankruptcy	250	250	250	250	0
SO TOTAL		8,228	6,550	4,000	1,500	7000
SO 1.5 A More Economically-Sustainable and Environmentally Sound Energy Sector						
.01	* Industry Contracts: Restruc. & Effic	2000	1000	3000	2500	1000
.11	* PSCs	0	0	0	0	0
SO TOTAL		2,000	1,000	3,000	2,500	1,000
SO 2.1 Increased Better-Informed Citizens' Participation in Political and Economic Decision-Making Through Plu						
180-0020	Rule of Law					
.02	* ABA Grant	400	400	400	400	400
180-0021	Political and Social Process					
.01	* educational refo	825	0	0	0	0
.05	* political orgs. (incl. elect. monitorin	949	700	500	500	500
.08	* FTUI	200	0	0	0	0
180-0022	Independent Media					
.02	* Media Training ((USIA)	75	0	0	0	0
.03	* Professional Media Program	725	0	0	0	0
180-0032	Non Governmental Organization (NGO) Dev. Project					
.09	* Democracy Networks	1333	0	1333	1000	1000
SO TOTAL		4,507	1,100	2,233	1,900	1,900
SO 2.3 More Effective, Responsive and Accountable Local Government						
180-0019	Democratic Governance and Public Administration					
.01	* Tech. Asst./Equipm. (Frost-632 A)	38	0	0	0	0

ROMANIA COUNTRY PLANNING BUDGET FY 95- FY 98:

FY 97 OPERATIONAL YEAR BUDGET

PROPOSED COUNTRY BREAKDOWN BY STRATEGIC OBJECTIVE

(in dols. thousands)

Project No.	FY 95	FY 96 \$25M	FY 97 \$33M	FY 98 HI \$28M	FY 98 Lo \$22.4M
COUNTRY TOTALS	39,083	25,000	33,000	28,000	22,400

ROMANIA COUNTRY PLANNING BUDGET FY 95- FY 98:

FY 97 OPERATIONAL YEAR BUDGET
PROPOSED COUNTRY BREAKDOWN BY PROJECT
(in dols. thousands)

Project No.		FY 95	FY 96	FY 97	FY 98 HI	FY 98 Lo
			\$25M	\$33M	\$28M	\$22.4M
A. STRENGTHENING DEMOCRATIC INSTITUTIONS						
GRAND TOTAL		2307	1100	1733	2000	2200
1. Political Process and Governance						
180-0019	Democratic Governance and Public Administration					
.01	* Tech. Asst./Equipm. (Frost-632 A)	38	0	0	0	0
.07	* Public Administration	1362	0	1500	1000	1000
	PROJECT TOTAL	1400	0	1500	1000	1000
180-0020	Rule of Law					
.02	* ABA Grant	400	400	400	400	400
	PROJECT TOTAL	400	400	400	400	400
2. Democratic Pluralism						
180-0021	Political and Social Process					
.01	* educational refo	825	0	0	0	0
.05	* political orgs. (incl. elect. monitorin	949	700	500	500	500
.08	* FTUI	200	0	0	0	0
	PROJECT TOTAL	1,974	700	500	500	500
180-0022	Independent Media					
.02	* Media Training ((USIA)	75	0	0	0	0
.03	* Professional Media Program	725	0	0	0	0
	PROJECT TOTAL	800	0	0	0	0
180-0032	Non Governmental Organization (NGO) Dev. Project					
.09	* Democracy Networks	1333	0	1333	1000	1000
	PROJECT TOTAL	1333	0	1333	1000	1000
B. ECONOMIC RESTRUCTURING						
GRAND TOTAL		2307	1075	2150	1800	1320
1. Macroeconomic Support						
	Project Total	0	0	0	0	0
2. Privatization and Assistance to Enterprises						
180-0014	Capital Markets Development & Privatization Asst.	7228	6000	3500	1000	700
180-0014	Enterprise Restructuring	700	700	1500	1500	1500
	PROJECT TOTAL	7928	6700	5000	2500	2200
180-0023	Technical Assistance to Enterprises					
.06	*WOCCU	500	500	0	0	0
.07	* Peace Corps	75	100	100	100	100
.11	* Entrepreneurial Mgmt & Executive	300	300	500	500	300
.13	* New Small Business Activity (ATA)	137	425	500	0	0
.14	* CDC Business Enterprise Project	500	1000	1000	1000	1000
	PROJECT TOTAL	1,512	2,325	2,100	1,600	1,400
3. Improving the Business Climate						
180-0026	Competition Policy, Laws & Regulations					
.05	*Commerce (Gov't to Gov't)	250	100	250	250	0
.17	* Bankruptcy	250	250	250	250	0
	PROJECT TOTAL	500	350	500	500	0
180-0027	Business Services					
.01	* TA/Finan Serv (Treas), including t	0	500	1500	1500	800
	PROJECT TOTAL	0	500	1,500	1,500	800
4. Investment and Trade						
180-0010	Enterprise Funds					
.06	* Romania Enterprise Fund	7900	6000	6000	6000	6000

ROMANIA COUNTRY PLANNING BUDGET FY 95- FY 98:

FY 97 OPERATIONAL YEAR BUDGET
 PROPOSED COUNTRY BREAKDOWN BY PROJECT
 (in dols. thousands)

Project No.		FY 95	FY 96 \$25M	FY 97 \$33M	FY 98 HI \$28M	FY 98 LO \$22.4M
	PROJECT TOTAL	7,900	6,000	6,000	6,000	6,000
180-0057	Balkan Initiative					
	Project Total	0	0	0	0	0
	5. Human Resources					
180-0002	Human Resources Program					
.09	* English Teaching (USIA)	200	0	0	0	0
	PROJECT TOTAL	200	0	0	0	0
180-0045	Participant Training					
.01	* PIET	398	600	600	600	600
.02	* Top Up - Academic Training (USIA)	300	0	0	0	0
.06	* Muskie Graduate Scholarships (U)	200	100	250	250	250
.09	* Program Management/G Transfer	2	0	0	0	0
	PROJECT TOTAL	900	700	850	850	850
180-0029	Management Training & Market Economics Education					
.01	* large grants competition	342	500	700	0	0
	PROJECT TOTAL	342	500	700	0	0
	6. Agriculture and Agribusiness					
180-0024	Restructuring Agriculture and Agribusiness					
.01	* VOCA	1800	500	1500	1500	1000
.07	* Dairy farming/LOL (Incl. \$970 DA)	485	0	0	0	0
	PROJECT TOTAL	2,285	500	1,500	1,500	1,000
	7. Agricultural Sector Programs	0	0	0	0	0
	PROJECT TOTAL	0	0	0	0	0
	8. Energy Efficiency					
180-0030	Regional Energy Efficiency					
.01	* Industry Contracts: Restruc. & Effic	2000	1000	3000	2500	100
.11	* PSCs	0	0	0	0	0
	PROJECT TOTAL	2000	1000	3000	2500	100
	C. IMPROVING THE QUALITY OF LIFE					
	PROJECT TOTAL	3252	6575	6900	6250	4350
	1. Short-term Emergency & Humanitarian Aid					
180-0016	Trauma, Social Welfare & Humanitarian Assistance					
.02	* Romanian child health grants	775	0	0	0	0
.09	* Holt Romanian adoption	175	0	0	0	0
.07	* NGO Humanitarian Grants	1200	0	0	0	0
	PROJECT TOTAL	2150	0	0	0	0
	2. Employment and the Social Safety Net					
	PROJECT TOTAL	0	0	0	0	0
	3. Housing					
180-0034	Housing Sector Assistance	700	1000	1000	1000	500
	PROJECT TOTAL	700	1000	1000	1000	500
	4. Health					
180-0037	Partnerships in Health Care	1096	600	450	0	0
	PROJECT TOTAL	1096	600	450	0	0
180-0038	Promotion of Health Markets	394	500	300	0	0
	PROJECT TOTAL	394	500	300	0	0
186-0002	Romanian Family Planning					
.01	* Centers for Disease Control: Reprod Hlth Survey & F	100	125	350	350	350
.03	* Population Intern	150	125	0	0	0

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ROMANIA COUNTRY PLANNING BUDGET FY 95- FY 98:
FY 97 OPERATIONAL YEAR BUDGET
PROPOSED COUNTRY BREAKDOWN BY PROJECT
(in dols. thousands)

Project No.		FY 95	FY 96 \$25M	FY 97 \$33M	FY 98 HI \$28M	FY 98 Lo \$22.4M
.04	*Market Driven Contraceptive Distribution	1100	500	900	900	900
.05	*Population Policy	400	0	200	200	200
.07	* Targeting "at-risk" Population	0	0	800	800	800
	PROJECT TOTAL	1750	750	2250	2250	2250
	5. Environment					
180-0039	Improved Public Sector Environmental Services					
.09	*Danube (GEF)	500	0	0	0	0
.10	*EAP Investments	700	1500	2000	2800	1500
	* Environmental Health Project	394	0	0	0	0
.13	* Evaluation	0	0	0	0	0
	PROJECT TOTAL	1594	1500	2000	2800	1500
180-0004	Environmental Initiatives					
.01	* World Environmental Ctr	600	0	500	500	500
	*Zlatna management	0	0	0	0	0
	* REC	0	0	0	0	0
.11	* HHD	511	225	400	400	400
.14	* USPSC/Romania	0	0	0	0	0
	PROJECT TOTAL	1,111	225	900	900	900
180-0041	Environmental Training	457	0	0	0	0
	PROJECT TOTAL	457	0	0	0	0
	D. MISCELLANEOUS					
	PROJECT TOTAL	357	750	1217	1200	1100
180-0249	Audit, Evaluation, and Project Support					
.01	* Evaluation	0	200	200	200	200
.02	* Project Support	64	550	517	500	500
.03	* Results Baseline Data	0	0	500	500	400
	PROJECT TOTAL	64	750	1217	1200	1100
180-xxxx	Reserved or Withheld from OYB					
	* Parking Fines Set Asides	43	0	0	0	0
	* Trans to USIA for Democracy Com	250	0	0	0	0
	PROJECT TOTAL	293	0	0	0	0
	COUNTRY TOTALS	\$39,083	\$25,000	\$33,000	\$28,000	\$22,400
	A. STRENGTHENING DEMOCRATIC INSTITUTIONS	5907	1100	3733	2900	2900
	B. ECONOMIC RESTRUCTURING	23567	18575	21150	16950	13250
	C. IMPROVING THE QUALITY OF LIFE	9252	4575	6900	6950	5150
	D. MISCELLANEOUS	357	750	1217	1200	1100
	TOTAL SAI/DA-APPROPRIATED ASSISTANCE	\$39,083	\$25,000	\$33,000	\$28,000	\$22,400

PART IV.

RESOURCES REQUEST

- 1.a ANNEX 1 (See attached "All Resources Table")
- 1.b BUDGET TABLE By S.O. and project (See Attached Tables)
- 1.c SUPPORTIVE NARRATIVE RATIONALE:

USAID/Romania will continue to provide the largest percentage of its FY 97 and 98 OYB to the area of Economic Restructuring. This area remains the priority of the Mission. The requested level of funding is necessary in order to complete follow-on work initiated by the \$15 million capital markets project, an activity designed to establish from ground zero an over-the counter trading system in Romania which will provide the required market in order to trade shares of 3900 companies currently being privatized. FY 97 funding is critical to provide the support necessary to assure the success of this project. A significant percentage of the OYB will be provided to the Romanian-American Enterprise Fund, for which there is a \$50 million commitment. Significant funding is required under S.O. 1.3 in order to complete funding commitments to contractors and grantees who are providing firm-level assistance to emerging private enterprises.

USAID/Romania's family planning strategic objective (S.O. 3.2) will require an influx of new funds for FY 97 in order to initiate required activities to target at-risk women as well as to further develop the private sector approach to providing family planning.

Requested funding levels for the democracy objectives are the minimum necessary in order to accomplish significant results in these areas and they could not be reduced without having to drop democracy as an objective.

1.d. ANALYSIS OF IMPACT OF REDUCED BUDGET LEVEL FOR FY 98 ON PROGRAM:

<u>SO 1.3 Private Enterprise</u>	Hi	(\$000's)	Lo
180-0023.11 EMED	500		300
180-0024.01 VOCA	1500		1000
		Net Loss:	(700)
<u>SO 1.4 Financial Sector</u>			
180-0014 (Capital markets)	1000		700

180-0026.05 (Commerce)	250	0
180-0026.17 (Bankruptcy)	250	0
	Net loss: (800)	
<u>SO 1.5 Energy Sector</u>		
180-0030.01 (Ind. Contracts)	2500	1000
	Net Loss: (1500)	
<u>SO 2.3 Local Government</u>		
180-0034 (Housing Sector)	1000	500
	Net Loss: (500)	
<u>SO 3.3 Reduced Exposure (Envrt)</u>		
180-0039.10 (EAP Investments)	2800	1500
	Net Loss: (1300)	
<u>SO 4.1 SI's and Cross-Cutting</u>		
180-0027.01 (Treasury)	1500	800
180-0249.03 (R4 Data)	500	400
	Net loss: (800)	
Total Net Loss: (\$5,600,000)		

The above table shows clearly the negative impact that a 20 percent reduction in the proposed 1998 budget would have. The most damaging cuts include the halving of the "Environmental Action Plan Support" (EAPS) activity, which will prevent the installation of much-needed pollution abatement technology and worker protection at key environmental "hot spots" throughout Romania. Past work has demonstrated the positive effects of the EAP activity on health and quality of life for those working in factories and residents nearby. These cuts would have particular impact since, as of FY 97, the EAPS project will absorb environmental health technical assistance now provided through Global/EHP

In addition, work on restructuring Romania's outmoded, and inefficient energy sector, including downstream oil refining, distribution and marketing, along with the power sector, also in need of restructuring, will be constrained significantly. Romania's energy sector is perhaps the most important area to address when looking for any meaningful long-term economic restructuring at a macro level and a net loss of \$1.5 million would be a wasted opportunity to have an impact at the national level.

Other areas significantly constrained by further budget cuts

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under the "lo" scenario would be any follow-on work in capital markets, assistance for private entrepreneurs in agriculture, one of the most dynamic areas of the economy, and the housing sector, when the country suffers from a severe shortage of living spaces.

2. PROGRAM MANAGEMENT REQUIREMENTS:

Not included since final guidance has not yet been issued

3. FIELD SUPPORT BY GLOBAL BUREAU

As shown on Table III, which follows, USAID/Romania will be relying upon Global Bureau projects and support to implement our family planning strategy which comprises strategic objective 3.2. Global Bureau OYB transfers have already initiated work under the PROFIT and Policy projects and involvement in these projects will continue. USAID will also want to utilize a Global project mechanism to undertake project activities to target women at risk of unintended pregnancies.

**Annex 3
GLOBAL FIELD SUPPORT**

Mission: Strategic Objective	Field Support: Activity Number & Title	Priority *	Duration	Estimated Funding (\$000)							
				FY 1996**		FY 1997***		FY 1998			
				Obligated by *****:		Obligated by *****:		Base****		Base-20%	
				Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit
0-0-0-2 Increased Use of Alternative Family Planning Services	186-0002 Romanian Family Planning	Medium-high	3 years (1996-98)	750	—	2250	—	2250	—	2250	—
GRAND TOTAL.....				750	—	2250	—	2250	—	2250	—

* For Priorities use high, medium-high, medium, medium-low, low
 ** For FY 1996, use operating bureau budget allocations based on the FY 1996 Appropriations Act, in the case of PL480, use appropriations from the Agriculture Appropriations Act.
 *** For FY 1997, use operating bureau allocations based on the FY 1997 OMB passback level.
 **** Base is defined as operating bureau allocations based on the FY 1997 passback level.
 ***** If the funding source is unknown, show all the funding as Obligated by Global Bureau.

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**Annex 3
GLOBAL FIELD SUPPORT**

Mission: Strategic Objective	Field Support: Activity Number & Title	Priority *	Duration	Estimated Funding (\$000)							
				FY 1996**		FY 1997***		FY 1998			
				Obligated by *****:		Obligated by *****:		Base**** Obligated by *****:		Base-20% Obligated by *****:	
				Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit
0002 Increased Use of Alternative Family Planning Services	186-0002 Romanian Family Planning	Medium-high	3 years (1996-98)	750	—	2250	—	2250	—	2250	—
GRAND TOTAL.....				750	—	2250	—	2250	—	2250	—

* For Priorities use high, medium-high, medium, medium-low, low
 ** For FY 1996, use operating bureau budget allocations based on the FY 1996 Appropriations Act, in the case of PL480, use appropriations from the Agriculture Appropriations Act.
 *** For FY 1997, use operating bureau allocations based on the FY 1997 OMB passback level.
 **** Base is defined as operating bureau allocations based on the FY 1997 passback level.
 ***** If the funding source is unknown, show all the funding as Obligated by Global Bureau.

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4. COMPOSITION OF STRATEGIC OBJECTIVE TEAMS

SO 1.3. Development and Growth of Private enterprises

Core Team:

Mission:

**Raymond Morton
Dan Anghel
Randal Thompson**

AID/WASHINGTON:

**Melissa Brinkerhoff
Richard Rousseau
Frank Mertens**

RECOMMENDED TEAM LEADER: Raymond Morton

EXTENDED TEAM:

Contractors:

**Romanian - American Enterprise Fund/Obie Moore
Land O'Lakes/Terry Cornelison
Peace Corps/Director
ATA/Kate Kerr
CDC/Robert Webster
WSU/Centers for Business Excellence/Brett Rogers
ACDI/Voca/James Herne
ABA/CEELI**

Donors:

**WB - IBRD/Joseph Owen
British Know How Fund/Jack McIver
UNDP/John Allen**

Romanians:

**Representative from the Ministry of Industry
Representative from the National Agency for Privatization SME
Office**

**SO: 1.4. A More Competitive and Market Responsive Private
Financial Sector**

Core Team:

Mission: Raymond Morton
Dan Anghel
Randal Thompson
Sean Walsh

AID/Washington:

Sarah Ackerson
Jim Grossman

Recommended Team Leader: Sean Walsh

Extended Team:

Contractors:

WOCCU - Ron Desrochers
Capital Markets Team Leaders/FMI, BAH, Intrados
Keith Kerchak/Treasury Gov't Securities Adviser

Donors:

WB - IBRD/Joseph Owen
Canadians - CIDA
British Know How Fund

Romanians

Representative from Ministry of Finance, select banks.

SO 1.5.: A More Economically Sustainable and Environmentally Sound Energy Sector

Core Team:

Mission:

Richard Hough, AIDREP
Gianina Moncea, Project Assistant for Energy
William Avery

AID/Washington:

Ira Birnbaum, ENI/EEUD/EI, Project Specialist
Jacquie de Rosa, ENI/EEUD/EI, Project Specialist
Brandon Prater, ENI/EEUD/ENR, Project Specialist

Recommended Team Leader: Richard Hough

Extended Team:

Contractors: Peter Danforth, Bechtel
Wayne Mikutowicz, Bechtel
Patrick Kelly, Bechtel
Andy O'Neil, Bechtel
Robert Russo, Electrotek
Liviu Ioan, Bechtel Coordinator

Donors: Arabela Negulescu, World Bank/Bucharest
Ionut Purica, World Bank/Bucharest
Virgil Muscatescu, EBRD/Bucharest

Romanians: N. Liciu, Deputy Director General, Min.of Industries
N. Turtureanu, Director General, Ministry of Industries

S.O. 2.1: Increased, Better Informed Citizens' Participation to Political and Economic Decision-Making through pluralistic Mechanisms

Core Team;

Mission:

**Roberto Figueredo
Ruxandra Datcu
William Avery**

AID/Washington:

**Kathryn Stratos
Christine Sheckler
Eileen Wickstrom
Deborah Berns
Corbin Lyday**

Extended Team:

Mission:

**Mark Parkinson - World Learning
Dan Bosco - ABA
Larry Rice - Chemonics
Randy Tift - Frost Committee
Jeff Pennington - IREX
Jim Denton - NFF
Dorin Tudoran - IFES (Centras)
Viorel Micescu - Centras
Marcela Croitoru - FTUI
John Swanson - NDI
Alina Inayeh - Pro Democracy
Anca Pantea - Pro Democracy (Dialog)
Lori Weitzenkorn - USIS
Christian Constantinescu - USIS (electronic media)
Ruxandra Todiras - USIS (Rule of Law)
Anca Vamesu - EC PHARE
Anca Ciolabu - Soros Foundation**

SO 2.3: More effective, Responsive, and Accountable Local Government

Core Team:

Mission:

Scott Johnson
Corina Ionescu
Ruxandra Datcu
Roberto Figueredo

AID/Washington:

Susan Kosinski, ENI/DG/RLG
Ted Priftis, ENI/DG/RLG
Bonnie Walter, ENI/EEUD/UDH
Brandon Prater, ENI/EEUD/ENR

Recommended Team Leader: Scott Johnson

Extended Team:

Contractors:

Larry Rice, Chemonics, Inc.
Carmen Semenescu, Chemonics, Inc.
Bob Dubinsky, ICMA
Gabriela Matei, ICMA
Carol Rabenhorst, Urban Institute
John Swanson, NDI
Mary Frances Doyle, PIET
Dorin Tudoran, IFES

Donors:

Soros Foundation
EC-PHARE
Know-How Fund
IMF
World Bank

Romanians:

Ana Vasilache, FDSLP
Mayors, County Council Presidents, Prefects of
10 Pilot Cities
Department of Local Public Administration, GOR

Ministry of Finance, GOR

**SO 3.2 Increased use of Modern Contraceptive methods with
Emphasis on Private Sector Delivery Systems**

Core team:

Mission:

Project Officer (vacant)
Rodica Furnica
Randal Thompson (Acting Project Officer)

AID/Washington:

Mary Ann Micka, ENI
Bonnie Pedersen, Global
Willa Pressman, Global, PHN

Recommended Team Leader: Randal Thompson (pending arrival of
Project Officer)

Extended Team:

Contractors:

Profit/Gabriel Ionescu
Futures/Nadine Burton
CEDPA-Profit/Daniela Draghici
Holt Int'l/Kelley McCreery
World Vision/Charles Dokmo

Donors:

World Bank - Richard Florescu
UNFPA - Einar Sandved/Katy Shroff
UNICEF - Maie Ayoub von Kohl

Romanians:

Representative from OBGyns
FP Unit, MOH - Dan Viorel, Doina Bologa
Pharmacists's Association Representative

AID/W:

Susan Matthies

SO 3.3. Reduced Exposure to Contaminants in Severely-Polluted Areas

Core Team::

Mission:

Richard Hough, AIDREP
Gianina Moncea, Project Assistant for Environmental Projects
William Avery, Program Assistant

AID/Washington:

Brandon Prater, ENI/EEUD, ENR, Project Specialist
Jacquie de Rosa, ENI/EEUD/EI, Project Specialist

Recommended Team Leader: Richard Hough

Extended Team:

Contractors: Liviu Ionescu, EAPS and WEC Coordinator
Pat Billig, EHP
Ghassan Nakad, Chemonics
Richard Danielle, Danes & Moore
Michelle Keene, EPA
Clifford Sinnes, HIID Adviser
Rodica Stefanescu, ETP Coordinator
Mihai Maracineanu, EHP Coordinator

Donors: Herrie Heckman, EU PMU Coordinator in the Ministry of Waters, Forests and Environmental Protection (MWFEP)

Romanians: Ioan Jeleu, State Secretary MWFEP
George Dulcu, Director, MWFEP
Representatives of Local EPAs, industries,
Sanitary Police, Center for Medical Research
Dr. Georgescu, Director, Ministry of Industries