

RESULTS REVIEW

USAID-HUNGARY

1997-1999

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LIST OF ACRONYMS

ACDI-VOCA	Agricultural Cooperative Development International/ Volunteer Overseas Cooperatives Assistance
ACP	Activity Closeout Plan
AEPS	Audit Evaluation Project Support
APEH	Hungarian Internal Revenue Service
BAZ	Borsod-Abauj-Zemplen county
BSE	Budapest Stock Exchange
BUES	Budapest University of Economic Sciences
CDR	Cooperative Development Research
CEE	Central and Eastern Europe
CIPE	Center for International Private Enterprise
CPI	Consumer Price Index
DHHS	Department of Health and Human Services
DOL	Department of Labor
DRG	Diagnostic Related Group
EBRD	European Bank for Reconstruction and Development
EFL	English as a Foreign Language
EMED	Entrepreneurial Management and Executive Development ESOP Employee Stock Ownership Program
EU	European Union
EXIM	Export-Import (bank)
FSVC	Financial Services Volunteer Corp
FWA	First Washington Associates
FY	Fiscal Year
GDP	Gross Domestic Product
GEF	Global Environmental Fund
GOH	Government of Hungary
HBCMS	Hungarian Banking and Capital Markets Supervision
HEO	Hungarian Energy Office
HHS	United States Department of Health & Human Services
HMS	Health Management Systems
HUF	Hungarian Forint (basic unit of currency)
IBRD	World Bank
ICMA	International City Managers Association
IMF	International Monetary Fund
IR	Intermediate Result
JCI	Joint Commission International
LEA	Local Enterprise Association
LED	Local Economic Development
MATAV	Hungary's largest telephone company
MATCH	Management Training Cooperation in Hungary
MBA	Masters of Business Administration
MDC	Management Development Center
MFB	Hungarian Development Bank

MITT	Ministry of Industry, Trade & Tourism
MOU	Memorandum of Understanding
MSH	Management Sciences for Health
MVM	Hungarian Electricity Works
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organization
NXP	Non-Expendable Property
OECD	Organization for Economic Cooperation and Development
OMB	Office of Management & Budget
OTC	Over the Counter
OTP	Hungarian National Savings Bank (a private bank)
PHARE	Polish Hungarian Economic Restructuring Assistance
PPP	Purchasing Power Parity
PVO	Private Volunteer Organization
SME	Small & Medium Enterprises
SO	Strategic Objective
SOT	Strategic Objective Team
SUNY	State University of New York
TQM	Total Quality Management
TUB	Technical University of Budapest
UCPTE	EU Electricity Grid
USAID	United States Agency for International Development
USIS	United States Information Services
UST	United States Treasury
UWI	United Way International

OVERVIEW AND FACTORS AFFECTING PROGRAM PERFORMANCE

USAID Hungary's Mission goal has been to assist Hungary in its national transformation to a democratic society, a market based private sector lead economy, integrated into key international systems and Western institutions. To these ends we have helped Hungary establish some key institutions, strengthen others and support Hungarian initiatives aimed at meeting transition objectives. An important element of USAID approach has been to support the development of non-governmental institutions to be key players in the transition effort and an integral part of Hungarian society.

By focusing on areas where the US has comparative advantages, USAID assistance programs have been key catalysts for helping all levels of government, other donors and Hungarians throughout the country to identify and experience successful alternatives to pre-1989 approaches. USAID management approach of providing assistance that is responsive to Hungarian transition priorities, flexible in terms of taking advantage of appropriate targets of opportunity and being timely in execution, is the cornerstone of our program's success.

Hungary's democracy is strong and irreversible. Hungary is completely democratic with a representative political system based on free and fair elections. An excellent illustration of the sturdiness of democracy's roots in Hungary is the nationwide referendum on NATO membership in the fall of 1997. The referendum's resounding "yes" (85%) in favor of membership is an important signal that Hungarians fully embrace a commitment to NATO, and through it, free world ideals of democracy and capitalism. Indeed, all of the basic structures needed for a well functioning democracy are now in place. Political rights, civil liberties and the rule of law are among the most advanced in the region. The basic policy, legislative and regulatory frameworks necessary for the smooth functioning of a private sector led market economy are in place and functioning well.

Privatization, the cornerstone of Hungary's transition and considered a model in both Central and Western Europe, is nearly complete. This has been an important factor in improving Hungary's productive efficiency and international competitiveness that have provided entrée to Western markets and will fuel progress on closing the still large income gaps that make rapid accession to the European Union problematic. Some 60% of Hungary's external trade is now with Western Europe. Total goods exports surged 21% and imports increased 16% in 1997, compared to 1996. Accordingly, Hungary's external current account balance narrowed to around 2.2% of GDP, significantly better than forecast by even optimistic analysts. This level of balance is sustainable since it can be fully financed by direct private investment (now cumulatively more than \$ 16 billion, the best performance in the region).

GDP growth accelerated in 1997, surpassing 4%. Current indications are that growth will be at least 5% in 1998 and may be sustained at these levels, on average, for several years. Real

wages rose in 1997 for the first time since 1993. If economic growth can be sustained at 5% a year, per capita incomes (PPP basis) in Hungary will rise from around 40% of EU per capita incomes in 1997 to over 50% in 2004. By 1999, Hungary is expected to have fully recovered the income losses experienced during the transition recession of 1990-1993.

All of USAID Hungary's strategic objectives are either accomplished, or on track for meeting acceptable results programmed for 1999. Hungarian fiscal policies and fiscal management practices are generally recognized as sound, prudent and supportive of a stable, balanced socio-economic environment favorable to increased private sector investments and sustainable high economic growth. Progress since 1995 on increased soundness of fiscal policies and fiscal management practices has been impressive, although there remain concerns regarding the politically sensitive but ineffective social security system. General government deficits that averaged an unsustainable 7% of GDP during the period 1992-1994 are now reasonably under control as spending has declined from 56% of GDP as recently as 1994 to around 45% of GDP in 1997. As a result, Hungary's macroeconomic financial structures are now on fairly solid footing. Inflation is expected to decline to single digit numbers by 1999.

A privatized, modern financial system is in place and performing well. Together with a vibrant and increasingly confident small and medium enterprise sector, Hungary's financial system underpins the continued progress Hungary needs and is fully expected to achieve. Hungary has a competitive, market responsive private financial sector that efficiently mobilizes savings and is capable of financing a level of private sector investment consistent with assuring Hungarian competitiveness and steady economic expansion. Hungary's dynamic SME sector is increasingly confident and informed about doing business in an environment that now rewards risk taking and initiative. Hungary's energy sector is now predominantly private and well regulated by a highly competent, nearly independent regulatory agency. Hungary's public administration is rapidly modernizing the way business is carried out, both nationally and at the local level. Local citizen participation and NGO activities at the local level have significantly improved local government responsiveness to resident needs.

During FYs 1998-1999, our program strategy will focus on consolidating and making sustainable recent progress in the following strategic objective areas:

- sound fiscal policies and fiscal management practices, including improved fiscal revenue generation, modern tax administration practices and improved compliance, appropriate pension reform and cost effective health sector modernization
- final support for assuring that Hungary's financial institutions and markets are transparent and work well
- support for assuring improved, sustainable operations of small and medium enterprises, including an improved policy and enabling environment
- strengthening Hungarians' abilities at self-help through non-governmental organizations and popular participation in local government issues.

Hungary's overall transition achievements are impressive and now largely institutionalized. Hungarians are generally aware of these achievements and proud of them. The foundations have been solidly constructed. USAID assistance has played key roles in assuring this outcome. Hungary is fully capable of completing the transition without USAID assistance after 1999.

Summary of FY 1997 Performance and Linkage to Strategic US Objectives

Objective Name	Rating	Strategies to Serve US National Interests
SO 1: Increased Soundness of fiscal policy and fiscal management practices	On target	Increase global economic growth Promote broad-based economic growth in developing and transitional economies
SO 2: Improved operations of small and medium enterprises	On target	Increase global economic growth Promote broad-based economic growth in developing and transitional economies
SO 3: A more competitive and market responsive private financial sector	On target	Increase global economic growth Promote broad-based economic growth in developing and transitional economies
SO 4: An economically sustainable, restructured energy sector	Met	Increase global economic growth Promote broad-based economic growth in developing and transitional economies Secure a sustainable global environment in order to protect the United States and its citizens from the effects of international environmental degradation
SO 5: Better informed citizens increase their participation in decision making at the local level	On target	Increase foreign government adherence to democratic practices and respect for human rights
Cross-cutting and special initiatives	On target	

Funding for NGOs and PVOs for FY 98: 29.7%.

INCREASED SOUNDNESS OF FISCAL POLICY AND FISCAL MANAGEMENT PRACTICES

1. Performance

Progress on this SO has been impressive even though there remain concerns regarding the politically sensitive but ineffective social security system. The ability of the GOH to plan and execute budgets and programs has substantially improved over the past two years. Improved budgeting and program management have facilitated drastic reductions in central government spending from more than 54% of GDP in 1991 to some 45% of GDP in 1997. These improvements have permitted reductions in corporate and personal income tax rates, reduced payroll taxes, and timely elimination of an 8% import surcharge. Although our target for fiscal balance was not achieved in 1997 (target: -3.0%; realized -3.6%), the GOH is on track for achieving an acceptable balance in 1999. Hungary's macroeconomic financial structures are now on sound footing. Inflation is expected to decline to single digit numbers by 1999.

More Efficient Budget and Program Management

A Hungarian treasury unit was established in 1996 to coordinate GOH budget and debt operations. In 1997, it issued about HUF 300 billion in new bonds and refinanced about HUF 1,900 billion worth of maturing bonds. Seven and five year maturity bonds were issued for the first time, a clear indicator of the treasury unit's rapidly attained sophistication. US Treasury plans to send an OMB expert to the Ministry of Finance in March 1998 to advise on budget planning and execution topics. The performance of the new treasury unit has substantially exceeded expectations and was a major factor in holding the difference between the actual budget balance outcome and planned balance to less than 3% of planned in 1997.

In addition to superb performance by the new treasury unit, significant progress on achievement of more efficient budget and program management was made in the critical areas of pension and health reform. Pension reform has been a USAID priority since early 1996. USAID financed experts and USAID partner CIPE collaborated with the World Bank and a GOH interministerial working group in 1996 and 1997 to resolve technical issues on options for structuring pension reform legislation.

The resulting pension legislation, although it may entail increased costs over the near term, will permit budget savings over the medium to long term while providing improved prospects for reasonable incomes to future pensioners. Although the legislation failed to address critical problems associated with very high numbers of disability pensions in Hungary, Parliament approved a resolution providing a framework for reform of disability pensions. Moreover, rejection rates of applications for disability pensions rose significantly in 1996 and are

expected to have been on the order of 55-60% in 1997. Recertification criteria have been substantially tightened.

Health care reform has been a priority concern of all Hungarian governments since 1988. Over the past ten years, substantial changes have been made to the system in efforts to make it more responsive to people's needs and to improve efficiency. Significant actions intended to improve the system have been undertaken every year since 1988. Notwithstanding the merits of the many changes made in the operation of the system the past ten years, there is a general perception that the system is ineffective and costly.

The GOH accepts the fact that well intentioned incremental changes over the past decade have not had acceptable results. Accordingly, in 1997, three new laws were promulgated to establish the basis for comprehensive reform to be initiated in 1998: 1) an Institutional Law setting out the responsibilities and composition of the social security administrations; 2) a Health Insurance Law specifying health care financing sources and benefits to be provided; and 3) a Health Care Framework Law covering the rights and obligations of patients, the role of government and other system actors, personnel guidelines and the like.

These three laws were not intended to provide the comprehensive reforms the system requires. They do, however, establish the bases for comprehensive reform to be initiated in 1998 that will provide changes in the structure and financing of health care in Hungary and improve the quality and efficiency of health care delivery in cost effective ways. It is in this context that USAID is negotiating a Memorandum of Understanding (MOU) with the Ministry of Welfare that will define and justify USAID activities in the sector as part of a more comprehensive undertaking. The Ministry of Finance, in collaboration with the Ministry of Welfare, has developed an internal "White Paper" outlining a GOH health sector strategy to be implemented after the 1998 elections. The Mission's Fiscal SOT is collaborating with the Prime Minister's office to provide policy analysis on fiscal and budget issues of concern to the government. Nine of the thirteen analyses contracted to date deal with health care reform issues critical to improved sector performance.

USAID health sector assistance activities met all work plan targets in 1997. USAID and the Department of Health and Human Services (HHS) provide technical assistance, training and information to improve the definition of health benefits and the medical effectiveness of inpatient and outpatient therapies through the systematic introduction of standardized clinical guidelines and protocols and an improved capacity to assess and choose among alternative technologies. This assistance has resulted in raising the standards of care provided while at the same time reducing the range of tests and treatments considered necessary. Selected guidelines were tested in 70 Hungarian hospitals during 1997.

It is expected, that as a result of this activity, there will be significant changes in the relative

use of inpatient vs. outpatient and preventive services. We estimate an improvement during 1997 on the order of 2.5% in our targeted realignment of insurance reimbursement for these services. USAID supported the Hospital Capacity Reduction Law of 1996 that mandated reductions in excess hospital capacity that was sometimes abused by hospitals seeking to maximize occupancy and insurance reimbursement. This law mandated, *inter alia*, cumulative reductions of 10,000 excess beds. Our target of a cumulative reduction of 6,000 excess beds by the end of 1997 was exceeded by 56% (9,342 beds eliminated).

USAID and HHS assistance in adapting and implementing an appropriate diagnostic related groups (DRG) mechanism has facilitated using in Hungary an effective system of hospital financing that ties reimbursement of the costs of acute care in hospitals to performance instead of a quota/capacity system. During 1997, hospital specific weights for the system were eliminated, enabling a more cost effective and equitable distribution of otherwise capped reimbursement for services provided. The DRG mechanism is now subject to systematic updating and is in use in all hospitals. Its use is now being tested for ambulatory care. USAID accreditation assistance designed to motivate hospitals to improve health care quality and sound institutional management practices is on track. A new activity to foster improved management of pharmaceuticals was initiated through Health Management Systems (HMS) in 1997. This activity is designed to evaluate prescription drugs in terms of cost, safety, efficiency and clinical need and reduce over prescribing of drugs in Hungary. We are working with doctors, hospitals and the Health Insurance Fund in this activity.

Improved Revenue Generation

USAID concern with improved revenue generation has largely dealt with improving tax administration in the areas of enforcement, compliance and collection. USAID financed a full time U.S. Treasury advisor to assist the tax office in these areas through August 1997, at which time our assistance was changed to defined short-term assistance in response to specific tax office needs. An example of this assistance was a formal evaluation and recommendations to improve implementation of a \$ 60 million World Bank financed tax modernization project, including the tax office's management information and computer system.

The tax office is one of the GOH offices to be permitted significant increases in personnel levels during 1997. During 1997, tax office personnel in Pest County (city of Budapest), excluding regional offices, rose 49.7% to 972. In contrast, personnel levels throughout the government declined, on average, some 3% during 1997. Selected tax examiners were sent to the U.S. in 1997 to study modern tax collection techniques. The number of tax audits increased 3.7% in 1997 over 1996, to 255,000, exceeding the Mission's target by 5,000 audits. Cooperation between agencies collecting revenues has improved, including closer coordination between the tax authorities and the social security funds. As a result of progress made in these areas during 1996 and 1997, substantial reductions in tax rates were made without

commensurate reductions in revenues.

Rationalization of Government Role

This IR is defined by the emphasis of its targets: reducing direct subsidy payments; reducing consolidated central government expenditures (including spending by the two social security funds and extra-budgetary institutions); and comprehensive pension reform. In 1997, good progress was made on reducing central government spending. Spending by the health fund, however, substantially exceeded planned amounts by HUF 57 billion, about \$ 250 million. Consolidated central government budget expenditures amounted to 45 percent of GDP, or 3 percentage points less than targeted. Direct subsidies (agricultural and export subsidies, grants and remaining consumer price subsidies), as a percent of central government expenditures, declined from 7.2% in 1996 to 5.9% in 1997. This, if sustained, meets USAID closeout target set for 1999.

The GOH recognizes that a major budgetary problem results from social security fund budget deficits. This was a driving force in implementation of the pension reform law that took effect January 1, 1998. This new, innovative law allows individuals to direct portions of their mandatory pension contributions to private funds. (Voluntary pension funds, with tax protected earnings, have been available in Hungary since December, 1993.) The introduction of this new three tier system was accompanied with a slow raising of the pension eligibility age and stricter approval criterion for disability pensions. Private pension funds are expected to strengthen capital markets and economic growth in Hungary as these funds increase the pool of capital available for new investment.

USAID assistance actively promoted this new pension system, unique not only in Central and Eastern Europe but in Western Europe as well. Through our implementing partner, the Center for Private Enterprise (CIPE), a number of international pension experts were brought to Hungary for consultations and to advise Hungarian counterparts on pension reform issues. USAID Hungary worked closely with World Bank experts helping an interministerial working group structure pension reform options in Hungary.

An experienced private pension specialist, financed by USAID, was brought to Hungary by US Treasury as a long term resident advisor in August, 1997, to assist the fledgling Pension Supervision Authority. This advisor is now an integral part of the Pension Fund Supervision, taking part in operational and strategic decisions. USAID will continue to support the Pension Supervision Authority, including information technology assistance to facilitate tracking for prudential supervision of private pension funds.

One of the last remaining structural issues in Hungary is health reform. USAID Hungary will work with the GOH during 1998 and 1999 to restructure health care financing. High on our

agenda is to facilitate adoption of private health insurance, either as supplement or substitute for coverage now provided by the state owned, but self-governing health insurance fund.

2. Expected Progress Through Closeout

A. Realistic Prospects for Achieving Objectives by Closeout

Prospects for achieving this SO by 1999 are excellent. This assumes that the GOH maintains the political will and commitment to continue recent exemplary progress on efficient budget and program management, coupled with continued rationalization of the role of government. Developments in the health sector will be closely monitored.

There are a number of factors, however, which could slow progress. Privatization income is falling, since in Hungary the privatization process is now nearly complete. In addition, NATO and European accession may make new demands on the budget. The new pension system could have adverse effects on the old system due to shortfalls in contributions, especially from the young, necessitating higher than expected central budget allocations. On the positive side, since the basis for export driven sustainable growth on the order of 5% to 7% is likely, increased corporate and individual incomes, coupled with effective tax administration, should permit continued rationalization of the tax structure, including lower rates, without adversely affecting tax revenues. Given USAID Hungary's closeout mode, our inputs into the health reform area may be limited to an advisory capacity.

Summary of Key Indicators for Increased Soundness of Fiscal Policy and Fiscal Management Practices

INDICATOR	BASELINE	TARGETS	ACTUAL	ACCEPTABLE
consolidated central government balance* (% GDP)	1993: -7.8	1996: -3.9 1997: -3.0 1998: -3.5	1996: -3.3 1997: -3.6	1999: sustainable > -3.5
consolidated central government expenditure (% GDP)	1991: 54.2	1996: 49.0 1997: 48.0 1998: 46.5	1996: 47.2 1997: 45.0	1999: sustainable < 50.0
tax audits (thousands)	1993: 296	1996: 225 1997: 250 1998: 275	1996: 246 1997: 255	1999: consistently >250
subsidy payments (% central government expenditures)	1995: 10.9	1996: 9.5 1997: 8.5 1998: 7.5	1996: 7.2 1997: 5.9	1999: consistently < 6.0
difference between actual and planned deficit (% planned)	1992: 182.5	1996: 10.0 1997: 8.0 1998: 7.0	1996: -44 1997: -2.4	1999: consistently < 6.0
comprehensive pension reform	1995: no framework	1996: framework 1997: pilot program 1998: system in place	1996: 50% of framework 1997: law passed	1999: modern system in place

*see definition in Annex tables

B. Managerial and Resource Adjustments to Reinforce Prospects for Success.

The GOH has only recently begun to seriously focus on the restructuring requirements of health sector modernization, but dramatic advances may not occur until after the May 1998 national elections. The mission may reprogram resources to provide assistance that can be completed by June, 1999. The mission has reprogrammed resources to provide information technology assistance to the Pension Fund Supervision's private funds section.

Personnel requirements for the management of activities under this SO are:

<u>Fiscal Year</u>	<u>Person Months</u>
1997 reference	18
1998	18
1999	12

C. Brief Schedule for Termination of Principal Activities.

Activity	1998	1999
0023 Pension Reform - CIPE		3/99
0027.02 Short-term TA Fiscal Reform-FSVC		3/99
0038 Rational Drug Use- MSH		6/99
0014 Pension Fund Supervision-UST and other		6/99
0027.01 Tax Administration-UST	9/98	
0038 Health Care Protocol Guidelines-DHHS		6/99
0038 Hospital Accreditation-JCI		6/99
0038 Outpatient Care-3M-HIS		6/99

D. Recommendations to Continue Selected Activities after Closeout

It is expected that all Fiscal SO activities will be completed by June 30, 1999.

E. Sustainability After Closeout

Institutional capacity strengthening at the GOH Ministry of Finance, Hungarian Tax Office (APEH) and pension fund supervision will assure that reforms in fiscal policies and fiscal management practices are sustained. In addition, the World Bank's longer term commitment to assist comprehensive restructuring of Hungary's public sector, including health care reform, will provide important support.

IMPROVED OPERATIONS OF SMALL AND MEDIUM SIZED ENTERPRISES

1. Performance Analysis

Progress on achievement of this SO was very good in 1997. Prospects are excellent for realizing the objectives of a dynamic, confident SME sector, informed about doing business in an environment that rewards risk taking and initiative. A significant accomplishment last year was a new GOH program for SMEs, strongly supported by the Prime Minister and his cabinet, that focuses on the four areas of concern outlined in USAID SME strategy: increased access to banking services, improved market and technology information, improved business systems and practices and appropriate government policies. The GOH also hosted a conference on SME financing for potential EU members from Central and Eastern European Countries at which it strongly affirmed its commitment of support for the sector and its intention to pursue a leadership role in this important area.

As private sector GDP has grown, SMEs have increased their participation in this growth. In 1995 the SME share was 49.4%; in 1996 49.7%. Corrected to include unreported value added, SME shares were 59.7% in 1995 and in 1996.

Significant milestones in 1997 include:

- GOH acceptance of our vision and adoption of SME development as a priority strategy focusing on the four areas of concern outlined in USAID SME strategy. The GOH confirmed its commitment at an international conference on SME financing it hosted.
- The GOH built a resource map and put it on the Web to make it accessible to small entrepreneurs via local enterprise agencies. USAID Internet training for LEA staff members was a critical factor in selecting this dissemination technique.
- ACIDI-VOCA became a leader in developing information tracking systems to monitor the agricultural sector. These systems, which depend on grassroots input, are compatible with those used by the OECD and EU and will help Hungary meet membership reporting requirements.
- USAID strengthened the Hungarian Institute for Small Business Development to provide timely on-going statistics about the SME sector, providing a basis for better policies and services.
- USAID facilitated interchange between sectors, including the GOH and multinationals. This contributed to collaboration in designing an SME supplier network and support for IBM's development of a business computer utility software package for SMEs using Hungary as a

pilot site.

- The Budapest University of Economic Sciences opened an Academy of Entrepreneurship that offers courses certified by the Ministry of Culture and Education tailored to the needs of SMEs.

- TQM Centers were established at eight locations throughout Hungary and supported publication of translated TQM textbooks so that today Hungarian SMEs use TQM training to improve quality and customer service.

- SME service providers were strengthened with the development of a state of the art tool kit produced on CD Rom and distributed to over 450 consultants, managers, associations, foundations, universities and training institutions.

- USAID facilitated the formation and participation of associations in all of our activities to improve production efficiency, communication and strengthen advocacy.

A critical USAID contribution to assist the GOH in carrying out its objectives has been to support a new survey carried out by the Institute for Small Business Development in Hungary that asked entrepreneurs about their current and future prospects, including factors affecting growth. This survey, drawing on a national sample of 2,000 companies, is representative and is expected to provide a basis for developing policies and improved strategies. In this survey, carried out during the last months of 1997, respondents typically expressed guarded optimism about the Hungarian economy and their own business prospects in 1998. Positive assessments are strongly correlated with size of firm and revenues; that is, as we go from self-employed to micro and on to small and medium size businesses, respondents are progressively more optimistic about the condition of their businesses and future prospects.

Although the sector is generally optimistic as regards the country's economic prospects for 1998, respondents identified some disadvantages faced by their own firms. High on the list is a perceived unfavorable tax and regulatory environment, followed by various market-related barriers. Financial related obstacles rank third as a problem area. We will deal with each of these under the relevant IR sections.

With respect to detailed sector information, a constraining factor is strong reluctance to provide quantitative information, especially on profits. Barely half of the 2,000 entrepreneurs interviewed provided quantitative information on sales and profits. Some 95%, however, provided qualitative assessments in these areas.

Some 33% of firms surveyed expected 1997 sales revenues to increase over 1996, 38% expected no change and only 28% expected a decline. Fully 50% of small enterprises

expected to grow in 1997, as did 68% of medium-sized enterprises. 63% of firms report making a profit in 1996, and 67% expected to be profitable in 1997. The numbers are even more positive when we eliminate the self-employed and micro enterprises. 77% of all small enterprises report a profit in 1996 and 79% expected profits in 1997. Corresponding numbers for medium enterprises are 85% for 1996 and 87% for 1997. Less than 10% of all firms, but 31% of SMEs, report export activities in 1996. Exporters were fairly optimistic about prospects for increased exports in 1997.

This survey tracked data by gender. Results confirm that women-owned firms are somewhat disadvantaged compared to those owned by men. Women are more likely to own smaller businesses than men. For example, 35% of women interviewed have businesses in the self-employed category (i.e., no employees other than the owner) whereas only 24% of men are self-employed. On the other hand, men are some three times more likely to own small enterprises than women (16% versus 6%) and several times more likely to own medium sized enterprises (5% versus 1%). The tendency of women to have smaller businesses results in smaller sales revenues with 52% of women sampled falling in the lowest range for 1996 revenues (1 million HUF or less) versus 34% of men. Only 5% of female respondents report sales of 100 million HUF or more, versus 14% for men. These statistics justify AID programs targeting women-owned SMEs, such as the MATCH open enrollment courses.

Several GOH programs now focus on obstacles to SME growth. A major component of GOH strategy to increase market opportunities for SMEs is to encourage development of supplier networks of medium sized companies to large multinationals operating in the country. Visits to multinational home offices were included in a USAID sponsored study tour arranged for the Commissioner in charge of SMEs in the Ministry of Finance.

The GOH addresses financial constraints to growth in a number of ways, including a current allotment of 3 billion HUF (about US \$15 million) to support regional development in the depressed northeastern counties of Borsod-Abaúj-Zemplén (BAZ). Each county in Hungary has established a regional development agency to allocate these funds. One of our SME partners, ACDI/VOCA, developed a monitoring system to assist in tracking these funds. The Mission has established a regional development task force to enhance its management coordination of partner activities in this area. The task force links the SME and Local Governance Teams and encourages communications among partners undertaking activities for both teams.

In this report we compare baseline indicators of the sector as a whole included in last year's R2 to those gathered by our partners. Last year's survey may have over represented relatively more successful SMEs.

PERFORMANCE OF KEY INTERMEDIATE RESULTS

Increased Access to Commercial Banking Services

Indicators that measure access to commercial banking services are decidedly mixed. For example, 32% of our SME customers report having received bank loans during the past two years, slightly higher than our baseline. However, stock of reported small enterprise credit as a proportion of total credit fell markedly to 4.1% (from 6.3% in 1996) and was short of target by over 50%. Access to credit is a very real problem for the SME sector.

The response of the GOH to problems of access to financing has been to increase the availability of credit subsidies to the sector. Last year we reported on new GOH subsidized credit programs for SMEs channeled through the Ministries of Finance, and Industry, Trade and Tourism offering SMEs interest rate subsidies of 25-40%. Even so, these programs were not fully utilized. Accordingly, the GOH recently announced subsidies of up to 70% in the hope of doubling the number of program borrowers in 1998 compared to 1997. Credit subsidies distort markets and can be expected to delay building a strong, competitive SME sector.

Subsidized GOH credit programs were a major obstacle to use of our Loan Portfolio Guarantee program channeled through the OTP Bank, since this program required loans at market rates. In fact, after one year, only three loans had been made under the program, so it is being phased out. Although the OTP continues to make loans to SMEs from its own funds using GOH subsidies to reduce interest rates, its portfolio of SME loans was 9% below our 1997 target. USAID has initiated an intensive dialogue with the GOH on the deleterious economic impacts of subsidized credit; however, given that 1997 is an election year, we are not optimistic about near term results. USAID is sponsoring tours of policy makers to the U.S. to visit institutions that sustainably lend to small businesses at market rates.

Draft venture capital legislation is scheduled to be debated in Parliament this spring. This legislation is motivated by a GOH desire to provide incentives for new capital investment, especially by SMEs, in activities such as bio-technology, communications, and other high tech areas. But it over regulates venture capital companies and corresponding investments. Moreover, tax incentives are provided to investors who use venture capital firms as a vehicle to invest, but individuals who invest directly are not given the same incentives. USAID partners have organized various public fora where policy makers, parliamentarians and interest groups exchange opinions on the draft legislation. We will continue this dialogue with the GOH.

The GOH recognizes that effective loan portfolio monitoring better informs decision makers and motivates lending and may require all banks to track loans by type of borrower, so that

the distribution and performance of SME loans can be tracked. ACDI/VOCA has contributed to improved portfolio monitoring by designing a monitoring system adopted by the Rákóczi Bank to track 2.1 billion HUF in micro loans, rural development fund awards and special enterprise loans.

ACDI/VOCA has also improved the ability of SMEs in the typically underfinanced agricultural sector to obtain bank credit through the use of warehouse receipts. Over the course of a single year, the number of loans granted more than doubled as total financing increased 52%.

Improved Access to Market and Technology Information

Targets for most indicators for this IR were exceeded in 1997. A precept which underlies our strategy is that accurate current information on markets and technology is necessary to improve SME performance, to encourage development of appropriate policies, and to motivate increased lending to and investment in SMEs. Our implementing partners and the GOH agree with this priority and accordingly, many of their activities are now directed towards this result.

A number of partners have developed data bases for their customers. For example, ACDI/VOCA developed agriculture data bases designed for appropriate users in specific integrations with up-to-date information to improve marketing. Some 1,200 SME producers and processors in northeastern Hungary now use this system, more than twice the number originally targeted. In the same northeastern region, CIPE has supported development of a tri-country database of over 5,000 business partnering opportunities, which attracted 3,295 users in 1997. In 1997 some 50 partnerships came into being. Both the Budapest University of Economic Sciences, in collaboration with Indiana University and the Technical University of Budapest, working with SUNY, have developed resource centers with specialized data bases linked to the Internet to serve students, professors, and SMEs. These centers provide resources useful for case studies and market information that can significantly improve SME operations. Some 3,750 enterprises used these data bases in 1997, far surpassing our target.

Key sources of market and financing information is ensured through access to the Internet, now in use throughout a nationwide system of EU-PHARE and GOH funded local enterprise agencies (LEAs). Our first activity in this area, reported last year, was training LEA personnel on the use of the Internet. One site alone estimates that in 1997 over 8,000 clients received information accessed through the Internet under LEA auspices.

The existence of this nationwide network of trained individuals, a number of whom were sent by USAID to the US on a study tour of the potential business uses of the Internet has been cited as a critical factor in a GOH decision to initiate nationwide resource coordination

efforts relying heavily on this dissemination channel. Potential sources of nationwide funding for SME development have been collected into a single database called a "resource map" that can be accessed at LEAs throughout the country. Within six months of launching the Web site, the GOH reports a seven-fold increase in the number of proposals received. In 1998, the LEA network is committed to augmenting the resource map with local sources of SME funding. Now that the LEAs are proficient at using the Internet, the next stage in improving SME access to information is for SMEs to be able to access the Internet directly, either through a service available at the LEAs or on their own. Although the larger LEAs plan to market this service starting this year, they report significant increases in the number of persons that avail themselves of it and are currently developing a system to track actual usage nationwide. A follow-on activity supported at one pilot LEA this year was to train SMEs to access information from the Net and to prepare home pages. Course design was completed in 1997. Training will begin in 1998.

Collaboration with other donors and GOH ministries is crucial for post closeout sustainability of improved access to information. Ag Link is a commodity forecasting model originally developed and used by the OECD. ACDI/VOCA has adapted it for use in Hungary and in December 1997 installed a test program into which data is being input. As a corollary to this activity, ACDI/VOCA organized an Ag Link workshop for international experts to discuss the model and suggest improvements and adaptations based on the Hungary experience.

ACDI/VOCA had primary responsibility for developing a monitoring system to track regional development funds for the Borsod-Abaúj-Zemplén Regional Development Agency. It is expected that this system will be adopted by EU PHARE and become the standard used by the organization in its rural development programs. In another collaborative endeavor, ACDI/VOCA is working with EU PHARE to set up standard systems for statistical data collection at both the county (this program is referred to as SPEL) and sub-county (SIN program) levels. Once fully operational, these statistics will feed into the Ag Link system to provide more accurate forecasting. Currently, a pilot project for SPEL has been introduced to Zemplén county and SIN is being developed in Satoraljaújhely with the assistance of ACDI/VOCA and local partners.

Improved Business Systems and Practices Developed and in Place

This IR is on target. The Mission encourages partners to develop improved systems and practices in SMEs that maximize replication and dissemination opportunities, encourage donor collaboration, strengthen partner institutions so that they can effectively carry out programs after our closeout, and encourage private sector organizations to become more attentive to the needs of SMEs. IBM, recognizing the importance of the SME sector, has selected Hungary for testing a new business utility computer package which would allow businesses to access accounting and financial software from a mainframe via a modem. If successful, this product

will be marketed in other countries in the region. The Mission facilitated contacts between IBM and partners, both in government and in the private sector, who recognize the importance of this and similar products as tools to strengthen small businesses.

Under the Hungarian Consulting Development Project, technical assistance was provided to six small to medium size consulting companies so that they could provide better services to SMEs. Improved marketing and service was a focus of assistance to consultants who learned how to develop standardized proposals, collect information and integrate client participation into engagements. In 1997 these consulting firms increased sales by 92% over 1996 levels. As consultants continue to provide services to SMEs, they will disseminate new techniques. A major component of this activity was the development of standard consulting methodologies, which were put on a CD ROM tool kit and distributed to 450 consultants, managers, associations, foundations, universities and training institutions. The lessons learned from this activity have been provided to the British Know-How Fund, which is designing a new activity to further support consulting in Hungary. For better comparison purposes, we have changed our indicator to reflect the percentage of firms using consulting services, which increased to 53% from a 1996 baseline of 44%. These figures do not include the USAID activities which directly provide consulting services.

An example of replication is the success of the ACDI/VOCA assisted goat integration in Zemplén County that resulted in six farmer groups representing over 200 SMEs to apply for assistance to form their own integrations. A successful potato integration in Kisvarda included producing a handbook, specialized information software, training and cooperation with Dutch donors. A sheep integration, successfully developed in collaboration with the GOH, has provided 80 million HUF (grants and loans) for improved breeding, marketing, and extension services. ACDI/VOCA worked with local SMEs to develop tourism projects that to date have accessed 210 million HUF from EU PHARE. The strategy of collaboration on programs supported by other donors and the GOH has resulted in rural development investment on the order of 465 million HUF flowing into the region.

USAID support for institutionalizing business education in Hungary through SUNY and Indiana University continues with activities at the Technical University of Budapest (TUB) and the Budapest University of Economic Sciences (BUES). Under the SUNY/TUB Total Quality Management (TQM) program, students and SMEs have access to eight TQM centers in Budapest and at universities around the country. To date, a cumulative total of 12,502 students have been exposed to TQM, 39% above target. By closeout, all centers will have received SUNY development support. A TQM text book was translated into Hungarian and 2,000 copies published locally. Two more publications are expected. This will extend and sustain quality management after SUNY completes its assistance this year. TUB's MBA program for engineers entered its second year with 166 new and 64 returning students, about 50% from SMEs.

The Management Development Center (MDC) of the Budapest University of Economic Sciences has established an Academy of Entrepreneurs to offer post secondary education in selected business fields. These programs offer certificates, recognized by the Ministry of Culture and Education, certifying manager assistants, accounting and financial administrators, chartered accountants and financial advisors. Three of these courses train 220 participants, 96% of whom are women. Open enrollment courses target women and disadvantaged minorities, and about 175 women and Roma entrepreneurs have participated in workshops to learn about business plans and credit availability, and to develop marketing and communication skills. A new participant in the MDC Partnership Program is the Association of Road Transport Operators which represents many micro, small and medium companies.

More Rational Tax Structure for SMEs

The results for this IR have been mixed. Corporate, and individual tax rates have been reduced significantly over the past two years. But they are still too high. In recognition of the detrimental effects on SMEs of a still unfavorable regulatory environment, indicated in the assessments of SMEs interviewed in USAID funded surveys, the GOH announced in 1997 that it would refrain from making any further legislative changes until it is able to assess the impact of previous changes. USAID and its partner, CIPE, provide both pertinent research data and a variety of fora where tax issues and regulations can be debated with Hungarian policy makers. Participants at a recent economic policy round table, for example, agreed that while company tax rates are comparatively low now, overall tax burdens, including still high payroll taxes for social security coverage, are quite unfavorable. This is largely due to very high social insurance contributions. Reducing tax burdens would mean significant progress for the sector and the Hungarian economy. We are not optimistic about the short-term prospects for significant reductions in the overall tax burdens of SMEs. While we are encouraged that the GOH did not increase social insurance contributions for the majority of Hungarian self-employed entrepreneurs in 1997, many SMEs saw aggregate tax burdens increase. In 1998 USAID will fund, through CIPE, research on the relationships between the hidden economy and segments of the labor market and the effects of the tax system and the economic policy environment on SMEs.

The amount of information available to policy makers increased substantially in 1997. Under a USAID grant through CIPE, the local Public Policy Institute undertook publication and distribution of non-partisan briefs designed to assist decision makers in understanding complex and important issues scheduled for parliamentary debate. Originally circulated to 850 parliamentarians, ministry officials, think tanks, business associations, chambers, media and selected academics, circulation rose to 1,500 targeted decision makers in 1997.

USAID emphasizes the importance of training Hungarian associations crucial to improving the effectiveness of advocacy for the SME sector. In addition, associations and think tanks represent a means to sustainability of policy debate among policy makers, grassroots interest

groups and local Hungarian institutions. An important milestone in this regard is replication of the economic policy round table format by Financial Research, a CIPE grantee.

2. Expected Progress Through Closeout

A. Realistic Prospects for Achieving Objective by Closeout

A problem in tracking achievement of this SO by closeout is the lag with which information is received. For example, one of our closeout indicators is percentage contribution of medium size enterprises to enterprise sector value added, but this is only available about 14 months after the tax year ends, so that in this R2 we include only results for 1996. Since economic changes in performance of the subsector may not be captured in time to be meaningful, we have suggested that in the next nationwide survey carried out by the Institute for Small Business Development, questions be included to determine confidence about future business prospects and performance. Confidence correlates with size of business, as owners of medium-sized businesses are fairly confident whereas self employed individuals are somewhat apprehensive.

Access to credit continues to be an area for concern. The GOH currently limits its focus on problems of access with subsidized loan programs. We will address this difficulty with increased policy dialogue and partner efforts to improve portfolio monitoring and SME presentations to banks.

**Summary of Key Indicators for
Improved Operations of Small and Medium Sized Enterprises**

INDICATOR	BASELINE	TARGET	ACTUAL	ACCEPTABLE
medium sized enterprise % contribution to enterprise sector value added	1995: 17.9	1999: 20.0	1996: 17.4	Rising
SME sector information		data on SMEs collected by autonomous Hungarian institutions on regular basis	risk analysis unit established in largest bank; AID sponsored survey provides sector data	Information gathering on SMEs consistently increasing at partner institutions
Difference between unreported (actual) and reported contribution of SME subsector to enterprise value added (percentage points)	1995: 12.8	1996: 10.0	1996: 10.0	Declining
Exports as % of sales by SMEs	1995: 8.2	1999: 15.0	1996: 14.1	Rising
SME profits (after taxes) as % of sales	1995: 6.8	1999: 8.0	NA	Rising
% of SMEs to have received a bank loan	1996: -27	1996: 33.0	1996: 32.0	Rising

B. Managerial and Resource Adjustments to Reinforce Prospects for Success.

We plan to adjust resources by decreasing amounts programmed for achieving the result of improved systems and practices in place and using these resources to achieve a more rational tax structure for SME's.

A major partner charged with improving policies is the Center for International Private Enterprise (CIPE). FY 1998 resources are being provided to this important partner so that these activities can continue through early FY 1999.

Personnel requirements for the management of activities under this SO are:

<u>Fiscal Year</u>	<u>Person Months</u>
1997 (reference)	31
1998	24
1999	18

C. Brief Schedule for Termination of Principal Activities.

Activity	1998	1999
0014 SME Management Services -RONCO	3/98	
0023.11 U.S.-based SME short-term Training -EMED	6/98	
0023.03 Private Enterprise Development -CIPE	9/98	
0014 ESOPs Assistance -Share Participation		3/99
XXXX SME Information Dissemination		6/99
0024 Regional Access to Info. & Credit -ACDI/VOCA		6/99
0029.01 Total Quality Management Centers -SUNY	12/98	
0029.01 Mgmt. Training & Econ. Educ. -Indiana University		6/99
0034 Housing Sector Assistance -Urban Institute		6/99

D. Recommendations to Continue Selected Activities after Closeout.

The Loan Portfolio Guarantee, channeled through OTP Bank, provided for USAID to cover 50% of loan exposure upon default of a loan to a Small or Medium Enterprise approved through the program. Due to lack of demand, the program was canceled in January, 1998. Existing guarantees will be in place until August 2001. These guarantees are backed by funds set aside by G/EGAD/CI. That office will monitor the three outstanding loans guaranteed under this program.

E. Sustainability After Closeout

The institutionalization of business and management education through the establishment of Total Quality Management (TQM) centers at universities and an increased number of institutions offering MBA programs in Hungary underpins the human resources element of sustainability. The enhanced ability of the Institute for Small Business Development to meet needs for more refined information and analysis of the SME sector provides a focus on government policies as they impact on the sector.

Other donors include EU-PHARE, EBRD and the Japanese EXIM Bank. These donors currently provide the bulk of SME credit resources expected to remain available after closeout. Once Hungary becomes a member of the EU, there will be additional resources,

incentives and markets for SMEs.

GOH plans for helping small and micro businesses include publishing a directory of available programs and streamlining applications for assistance.

A MORE COMPETITIVE AND MARKET RESPONSIVE PRIVATE FINANCIAL SECTOR

1. Performance Analysis

Progress towards achieving this SO has generally surpassed expectations. Hungary now has a competitive, market responsive private financial sector that efficiently mobilizes savings and is capable of financing levels of private sector investment consistent with assuring Hungarian competitiveness and steady economic expansion. USAID work with the Hungarian Banking and Capital Markets Supervisory authority has been very successful. The Authority now is one of the most technically competent in the region. Moreover, the authority is now self-financing, which is a major determinate of regulatory independence.

In 1997, the financial sector's performance improved significantly despite a continuing tight Central Bank monetary policy. Total financial sector assets rose to 118% of GDP, significantly higher than the targeted 105%. The most spectacular financial market segment was the Budapest Stock Exchange (BSE) which yielded a dollar return of 53.6%. This return ranks third best globally, surpassed only by Russia and Turkey. Overall trade volume in HUF increased six fold in 1997. Euromoney characterizes BSE as "The clear winner in Central and Eastern Europe." Reasons for the BSE's continued strong performance were higher than expected GDP growth as reflected in listed company performances and perceived negligible political risk. The major accomplishment in 1997 was a successful November floating of \$1 billion worth of stocks by MATAV, Hungary's largest telephone company. Despite occurring during a world wide stock exchange slump caused by financial crises in the Far East, the offer was easily placed. During 1997, nine new stocks were listed on the BSE, while five left. This movement resulted in 49 listed companies at the end of the year, eleven short of target. Over the counter (OTC) transactions also boomed in 1997. Stocks traded on the OTC market represent about 70% of trading on the BSE. Developments expected in 1998 include the introduction of option trading and new legislation requiring companies issuing stocks worth over HUF 200 million (\$1 million) to be publicly traded.

Targets for two performance indicators, financial sector assets and interest rate spreads, were significantly better than targeted. Total Hungarian financial assets grew to 118% of estimated GDP. These numbers are based on total bank assets plus insurance premiums and BSE capitalization. Interest rates experienced significant declines, falling from an average 23.4% on one year loans in January, 1997, to 21.0% in September, 1997. Interest rate spreads narrowed to 3.7% in 1997, far exceeding the targeted 5%. A review of

closeout targets reveals that financial sector assets in 1997 were only 2 percentage points short of our 1999 target. Interest rate spreads are already better than 1999 targets. Hungary's small but growing private insurance sector continued to perform well during 1997.

PERFORMANCE OF KEY INTERMEDIATE RESULTS

Improved Regulation and Supervision

USAID contractor BARENTS participated in eight of seventeen on-site bank audits in 1997. One of the more complex was conducted at the Hungarian State Development Bank (MFB) with some \$500 million in assets. In early 1997, the merged capital markets and bank supervision agencies, Hungarian Banking and Capital Markets Supervision (HBCMS), adopted key organizational changes. An important milestone in 1997 was official adoption of BARENTS' Bank Audit Manual. This comprehensive document includes all the steps and forms necessary to perform an internationally accepted professional on-site audit.

In February and March 1997, one of the last banks with a significant share of state ownership experienced a classic run on deposits requiring Central Bank intervention. Banking and capital market supervisory authority examiners had suspected problems, but had not been allowed to audit the bank. This raised questions of supervisory authority independence and integrity. No other instances of such interference have occurred, however, and the supervisory authority has generally preserved a reputation as an objective, highly competent regulator. A major milestone was achieved in 1997 when the HBCMS became self-financing through fees charged regulated institutions. Self-financing is a major determinant of independence.

USAID partner Financial Services Volunteer Corporation (FSVC) brought several US banking officials and professionals to Hungary in 1997 to: collaborate with the Central Bank on structuring monetary policy; assist HBCMS in an evaluation of the risks caused by "Year 2000" computer problems and reviews of legal and regulatory issues arising from foreign branch banking; and provide expert advise to local counterparts on stock exchange, rating, and mortgage banking issues.

Improved Operational Efficiency

Progress on this IR in 1997 was satisfactory. Bank privatization and value added contributions to GDP exceeded expectations. A USAID financed US Treasury advisor at the Ministry of Finance was directly involved in 1997's four successful bank privatizations. These privatizations brought the total number of USAID supported

privatizations to ten. This meets our closeout target set for 1999. The Hungarian banking system now has substantial foreign ownership. Over 55% of banking system assets are controlled by foreign owned institutions. Expanded banking services now include telephone and on-line banking, loan-by-phone service and 24-hour securities trading. Aggressive branch openings nationwide indicate a desire for increased retail services. Foreign banks are now allowed branches in Hungary. The Hungarian banking sector is the most advanced in the region, and remarkably free of the many problems the sector is experiencing in neighboring countries.

During 1997, USAID Credit Rating Agency activity made substantial progress towards becoming the region's only indigenous full service credit rating agency. Start-up business planning was completed and several internationally respected credit rating agencies expressed interest in cooperation or equity investment in the enterprise. Banks, insurance companies and corporations have been briefed about services to be offered and are enthusiastic. Final capital raising and incorporation will be concluded in early 1998.

Although home mortgage financing declined markedly in recent years, this may soon change. A major bank, K&H, announced that it plans to expand its pilot program of housing loans to the rest of its network. Government interest rate subsidies, both for mortgages and for certain kinds of enterprise financing, continues to be a priority USAID concern. A successful USAID priority, deferred payment mortgages, which greatly increase affordability, has made significant progress, but remains sluggish. There remain concerns about the difficulties involved in foreclosure and eviction. A USAID assisted working group has been set up to resolve these issues. Meanwhile, expectations that housing sector credit risk will be minimal is reflected in the establishment of a German-style mortgage bank (with operations starting in 1998), which will issue bonds on the premise that real estate can serve as reliable collateral in Hungary.

1. Expected Progress Through Closeout

A. Realistic Prospects for Achieving Objective by Closeout.

Prospects for achievement of this SO by 1999 continue to be excellent. Bank privatization is effectively concluded. The USAID sponsored credit rating agency, FOCUS, will formally begin operations in 1998. FOCUS will make significant contributions to Hungary's capital markets through rating corporations, municipalities and pension funds.

Summary of Key Indicators for A More Competitive and Market Responsive Private Financial Sector

INDICATOR	BASELINE	TARGETS	ACTUAL	ACCEPTABLE
Financial sector assets (% GDP)	1991: 100	1996: 100 1997: 105 1998: 110	1996: 112 1997: 118	1999: > 120
Difference between interest rates on loans and deposits*	1991: 6.1	1996: 6.0 1997: 5.0 1998: 4.5	1996: 5.4 1997: 3.7	1999: < 4.5
Number of firms on Budapest Stock Exchange	1991: 20	1996: 46 1997: 60 1998: 80	1996: 45 1997: 49	1999: > 80
Number of audits	1991: 0	1996: 15 1997: 18 1998: 20	1996: 16 1997: 17	1999: > 18
Cumulative number of banks restructured and privatized	1991: 0	1996: 6 1997: 8 1998: 9	1996: 6 1997: 10	1999: 10

*see definition in annex

B. Managerial and Resource Adjustments to Reinforce Prospects for Success.

There is no need for post-presence activity in this SO.

Personnel requirements for the management of this SO are:

<u>Fiscal Year</u>	<u>Person Months</u>
1997	12
1998	12
1999	8

C. Brief Schedule for Termination of Principal Activities.

Activity	1998	1999
0014 Credit Rating- FWA	12/98	
0014 State Banking Supervision		3/99
0027 Financial Service Volunteer Corps	12/98	
0027 US Treasury		3/99
0034 Housing Sector Assistance		3/99

AN ECONOMICALLY SUSTAINABLE, RESTRUCTURED ENERGY SECTOR

1. Performance Analysis

There was significant progress in 1997 on achievement of an economically sustainable, restructured energy sector. Most objectives for the sector are now substantially met. By the end of 1997, on the order of 55% of sector assets were in private hands and electricity tariffs were generally high enough to provide positive returns to private investors owning reasonably efficient generation and distribution facilities. Indeed, price increases for fuel and power since 1990 have averaged roughly double the rate of inflation. On average, product prices in November, 1997, were 32% higher than in November, 1996. This compares to CPI inflation of 18% over the same period.

One of USAID Hungary's more significant success stories has been the development of the country's energy regulatory authority, the Hungarian Energy Office (HEO), into one of the region's technically more proficient authorities in terms of the capabilities of its staff to perform well basic regulatory oversight functions directed at appropriate balancing of the needs and concerns of investors and those of ultimate consumers. The HEO is a competent, effective regulator, even though some of its decisions, such as regulations and approvals of electricity tariffs, remain subject to review by the Ministry of Industry, Trade, and Tourism (MITT).

PERFORMANCE OF KEY INTERMEDIATE RESULTS

Improved Efficiency of Production and Delivery

Overall, the objectives for 1997 of this intermediate result were met. Most generation and distribution companies are now privatized. The state owned Hungarian Electricity Works (MVM) nuclear power plant, which generates some 40% of the country's electricity, has not yet been privatized. The country's supply grid also remains 100% owned by MVM. The grid has not been privatized because of delays in legislation governing the ownership structures of generation, grid and retail distribution facilities. Nevertheless, MVM is a member of CENTREL (CEE grid) and UCPTTE (EU grid). HEO and MVM are now looked to by other regional power companies and regulators for leadership and advice. The effect of extensive privatization and consolidation, acknowledged HEO staff expertise and improved systems during the year resulted in significantly improved management

practices throughout the sector.

Although much of the country's generation facilities are fairly old (20 years, plus), inefficient, coal burning polluters, there are plans to retire many of them over the next several years. Projections are that new energy sector investments, largely private, could be as much as \$8 billion (equivalent to \$ 800 per capital) during the 1998-2010 period. The overall economy is expected to grow on the order of 5% a year for much of this period. The demand for electricity is expected to grow at a rate somewhat higher than 5%.

Effective Regulatory Body in Place

The results framework for having an effective regulatory body in place includes important policy as well as indicators of competency and effectiveness. Technically, the HEO is competent and effective. It has well functioning tendering and licensing procedures in effect and has developed procedures to encourage public participation through transparent hearings processes. The amount of time required to issue permits and license agreements fell from 90 days in 1996 to around 60 days in 1997.

Although the legislation establishing the HEO appears to indicate that the HEO can issue price/tariff regulations and approvals without MITT review, the government does not yet permit this (although most investors appear satisfied with the approvals actually issued, after MITT review, during 1997). The Mission's policy dialogue objectives of securing a fixed term appointment for the Director of the HEO and adoption of self-financing mechanisms, in addition to one-time fee income, have not yet been attained. Accordingly, the HEO is not yet independent enough to guarantee its long term effectiveness, despite a dedicated, professionally competent staff that is very highly considered by investors, consumers and other regulators in the region.

2. Expected Progress Through Closeout

A. Realistic Prospects for Achieving Objective by Closeout

Prospects for achieving the Energy SO's expected results by 1999 are very good. Most objectives were broadly achieved by March, 1998, when all planned activities except those in energy efficiency were completed. These latter will be completed by end-1998.

Although the HEO is not yet fully independent, this has not yet had a negative impact on ongoing tendering for new construction or the interest of private investors in purchasing electric power generating and distribution facilities. The HEO has done an excellent job in

balancing the interests of private investors with those of ultimate consumers. This was the HEO mandate when it was established in 1994, and the HEO, as a regulator, has been highly professional and effective in carrying out this mandate.

Summary of Key Indicators for An Economically Sustainable, Restructured Energy Sector

INDICATOR	BASELINE	TARGETS	ACTUAL	ACCEPTABLE
percent return on investment in power sector	1995:< 0	1996: 1 1997: 8 1998: 12	1996: -3.9 1997: 3.2	1999: > 8.0
percent of power sector assets privately owned	1994: 0	1996: 40 1997: 60 1998: 90	1996: 36 1997: 55+	1999: > 60
extent of international connections to CENTRAL grid	1994: none	1996: trials 1997: partnership 1998: full partnership	1996: trial period 1997: active	1999: full partnership
status of HEO guidelines on demand management	1995: 0	1996: drafted 1997: issued w/o economic analysis 1998: issued w/ economic analysis	1996: drafted 1997: partial guidelines issued	1999: issued with economic analysis
targeted municipalities tracking energy expenditures	1995: 0	1997: 5 1998: 15	1997: 3	1999: > 10
price regulations issued by HEO without Ministry review	1994: Ministry regulated	1996: yes 1997: yes 1998: yes	1996: no 1997: no	1999: yes

B. Managerial and Resource Adjustments to Reinforce Prospects for Success.

Beginning in FY 1998 energy sector activities will be treated as Special Initiatives. The Energy Efficiency Project with Electrotek will be continued as a Special Initiative activity

until the activity is completed in 1998. This will reinforce prospects for successful completion of the SO.

Personnel requirements for the management of activities under this SO are:

<u>Fiscal Year</u>	<u>Person Months</u>
1997 reference	6
1998	0
1999	0

C. Brief Schedule for Termination on Principal Activities.

Activity	1998
0030 Regulatory Restructuring -BECHTEL Group	3/98
0030 Regulatory Energy Efficiency -ELECTROTEK	12/98*

*This project is about three months behind original schedule due to difficulties in timely procurement and installation of demonstration projects.

BETTER INFORMED CITIZEN INCREASE THEIR PARTICIPATION IN DECISION- MAKING AT THE LOCAL LEVEL

1. Performance Analysis

The focus of this strategic objective is to strengthen local governments, NGOs and the media by providing them with the necessary tools and knowledge to make them more effective, by encouraging interaction among them and with community residents. This SO is on track for achieving programmed results by 1999. We saw an increase during 1997 of the number of local governments committing resources to gathering data in these areas from local residents. Most striking is an increase in community satisfaction with local government. Satisfaction increased in a nationwide representative sample from 38% in 1996 to 49% in 1997, 129% of our target. This is nearly the 50% mark where “satisfaction” begins to outweigh “dissatisfaction.” Researchers agree that this parallels an increase in citizen satisfaction with the national government, which rose to 38% and directly impacted perceptions that 1997 was a relatively uneventful year in terms of people’s well-being.

For 1997’ s surveys USAID augmented the nationwide survey used in 1996 with an expanded series of questions. In addition to the results of a survey of 12 cities, we now have information from a broader based sample regarding important indicators of how residents rate opportunities for participation in local government and the extent their inputs are taken into account. The nationwide sample includes respondents from smaller communities. This group is not represented in surveys commissioned by the larger cities, and typically feels more involved in and more in control of local events.

Summary of Key Indicators for Better Informed Citizens Increase Their Participation in Decision-Making at the Local Level

INDICATOR	BASELINE	TARGETS	ACTUAL	ACCEPTABLE
citizen satisfaction with local government (%)	1995: 37	1997: 40 1998: 45	1996: 38 1997: 49	1999: consistently rising
citizen rating of opportunities to participate in local decisions (index)	1995: 39	1997: 44 1998: 45	1996: 41 1997: 43 (12 city survey) 49 - nationwide	1999: consistently rising
citizen rating of impact from their input (index)	1995: 3	1997: 38 1998: 40	1996: 35 1997: 38 (12 city survey) 43 - nationwide	1999: consistently rising

Performance of Key Intermediate Results

Increased Flow of Useful Information

The basic premise underlying this IR is that the free and unencumbered flow of information is a fundamental element of a stable democracy and a means to maintain democracy through informed, pluralistic decision-making. Furthermore, public officials will serve their communities better, earn taxpayer support and inspire constituents to take part in local decisions if they ensure that their offices and procedures are transparent and that constituents are treated as customers of digestible and objective public information. After formal controls on information were lifted and two national television channels privatized in 1997, the amount and diversity of information increased substantially.

Respondents to all surveys conducted in 1997 report a substantial increase in how well-informed they feel about local issues, but all remain lower than the 50% threshold value where they would begin to feel more informed than uninformed. Results from a 12-city survey, comparable to last year's survey, met our target of 35%. A nationwide survey, which includes citizens from smaller communities, reports a higher 45%. This rising trend toward fewer "underinformed" citizens, especially as regards local events, is strongly tempered by the fact that many still feel uninformed about the decisions of their local governments (33% and 37% in the 12-city and nationwide surveys, respectively) and in particular about the financial affairs of their communities (20% and 23%, respectively).

Prerequisites for improvement in these areas are increased motivation on the part of information providers to make information available, for dissemination mechanisms to be in place, and for the information itself to be presented in objective and easily digestible ways. USAID has made important contributions in each of these areas.

In general, local municipalities are not very proactive in providing information to their communities. This is demonstrated in our surveys. In the nationwide survey, only 13 percent of respondents obtain information from written materials supplied by a municipality and only 10 percent actively seek out information from a municipal office. Active involvement does increase in smaller communities, where a full 25% (compared to 14% nationally) report receiving information from public hearings or other public fora, either in person or through local television broadcasts of events.

In targeted communities, USAID activities have succeeded in inspiring local governments with the importance of informing their constituencies, in particular in the area where citizens feel most underinformed: the budget. Almost half (44%) of targeted municipal

officials in a recent survey cite citizens as “important, very, or most important,” compared to none from the control group. Again, 44% of the target group affirm that the adopted budget is “very or most responsive to the needs of citizens,” compared to only 20% of the control group. And finally, two-thirds of targeted municipal officials report that citizens are “important, very important or most important” in giving feedback once a local municipal budget is implemented, compared to only 40% of the control group. Clearly, the message has been received and we expect the impact of this to trickle down to changes in community perceptions.

AID supported the launching, in October 1997, of a mechanism that assists 13 municipalities to disseminate information. The computer database and information network of the micro-regional municipal association in the south-east of Hungary provides information on communities, local governments and local economic data.

The increased availability of computer technology and telephone lines has facilitated a deluge of local government web sites. Estimates are that fully 10% of local governments now have their own information sites.

A very successful and integral part of all of our Democracy and governance activities is telecottage program. A telecottage is a communal building outfitted with internet connected computers and office equipment which residents can use for educational or small business purposes by paying nominal fees. Telecottages serve as meeting places for citizens and NGOs, and have the effect of bringing a community together. Unemployed job-seekers can use telecottages to consult job databases without traveling long distances to a county seat, and small businesses do not need to rely on cities for value-added services. Brain-drain is reduced by giving rural areas many of the advantages previously available only in large cities. USAID partner Democracy Networks has taken the lead in supporting the telecottage movement in Hungary, providing primary support for 14 of 17 telecottages operating in 1996. There are plans to build 17 more such facilities during 1998.

Two intertwining issues affecting local media are financial sustainability and municipal ownership vs. independence. We do not anticipate a dramatic increase in the number of local broadcast television stations financially independent of local governments. However, in 1997 the majority of ProMedia training participants signaled small declines in municipality-related revenues and more diverse funding bases. This trend is expected to continue as local media become better at ways to approach local and regional businesses successfully. Our surveys show that local media outlets remain a prime source of news for citizens. In fact, an important measure of the effectiveness of our professional media program is increased television air time devoted to local news and issues, which we expect to show increases over the 1997 average of 6.6 hours a week (up from 5.6 hours in

1996).

Although the moratorium on commercial networking of local television stations called for by the 1995 Media Law ended with the privatization of two national television channels in 1997, the issuance of licenses--a vital condition for financially viable television networking--has not yet occurred. Networking would increase local media potential for receiving larger shares of available advertising revenues and for developing programs that would attract increased viewership. Until closeout of the program, ProMedia will focus resources on consortium building techniques and business management in the form of on-site consultations.

We see media independence as an issue at both national and local levels: the president of the Hungarian State Television was dismissed in 1997; so was the director of a local broadcast television station due to an allegedly biased coverage of a highly political local issue that received considerable attention at the national level. ProMedia will continue to address the issue of independence in its training. Citizen perceptions of the objectivity of the local media, however, is in the positive over 50 range, with a national rating of 53.

An important issue that will be followed closely by USAID in 1998 and 1999 are obligations to disclose information and the public's right to know. The Local Governance SOT will work closely with municipalities and local media to successfully address this issue.

Summary of Key Indicators for Increased Flow of Useful Information

INDICATOR	BASELINE	TARGETS	ACTUAL	ACCEPTABLE
citizen awareness of local government issues and activities	1996: 24.3%	1997: 35% 1998: 40%	1997: 35% (12-city survey) 45% (nationwide survey)	1999: consistently rising
air time devoted to local news by local television (hours per week)	1996: 5.6	1997: 6.2 1998: 7.0	1997: 6.6	1999: consistently rising

More Active and Responsive Civil Society.

USAID civil society activities have made substantial contributions to the sector's progress in organizational capacity and inter-organizational cooperation. In 1997, USAID partner, Democracy Networks Hungary, worked with its network of six satellite organizations and 14 telecottages to provide hands-on support and training at the local level.

After years of debate, comprehensive NGO legislation was approved in December, 1997. Democracy Networks Hungary contributed substantially to this landmark legislation by organizing town-hall meetings in the run-up to passage to brief NGOs and citizens on the impacts of the law so that legislators and drafters could hear reactions from the grassroots. This legislation contributes to the stability of the non-profit sector and increases credibility by reducing the number of associations and foundations that exist solely on paper as tax dodges.

As the sector continues to mature, a major concern of the program during our closeout period, and an important issue against which the success of civil society development in Hungary will be gauged, is the relationship between NGOs and the public and private sectors. With increases in legitimacy and capacity of the "third sector" as a partner in service delivery and decision-making, there must be reciprocal increases in levels of cooperation and support from local governments and businesses to insure sustainability. Promising examples already exist. In 1997, an innovative NGO incubator house established (with USAID assistance) by a local government in Pécs provided important support to NGOs in its community.

Our program addresses three key issues in NGO development: organizational capacity, advocacy and cooperation. The Trust for Civil Society in Central and Eastern Europe, a joint initiative of USAID and several large foundations, is scheduled to begin activities in 1999, just as USAID closes its bilateral program in Hungary. Our last year of activities in civil society development is being structured to provide a logical and functional run-up to the Trust. The cooperative agreement with UWI - which manages Democracy Networks Hungary - is scheduled to end in June, 1998. We plan to competitively outpace the final year of our NGO activities to an indigenous NGO with strong institutional capacity as a way to assure sectoral sustainability after closeout.

NGO assistance activities during 1997 focused training efforts on basic capacity-building in the areas of proposal writing, project planning and financial management. Democracy Networks Hungary reports greater than expected progress towards increased NGO capacity. Improvements in the expertise of NGO leadership is evidenced by substantial advances in the quality of grant proposals received as well as sector-wide increases in the demand for longer, more sophisticated and more specialized courses concentrating on areas such as fundraising and management skills.

While the organizational capacity of bona fide associations and foundations grows more sophisticated, problems with financial sustainability threaten long term institutional sustainability. A "One percent law" in Hungary allows citizens to redirect 1% of their taxes to NGOs. This mechanism offers several potential benefits. In addition to empowering citizens to choose how to distribute resources, NGOs will be compelled to

better communicate with their communities. This may lead to spill-over in other areas of fundraising. However, there are problems with how the legislation is being implemented. There are considerable gaps between collections by tax authorities and subsequent funding of chosen NGOs. Also, NGOs are not informed which citizens choose to support them. This makes it difficult for recipient NGOs to thank donors, or to develop more targeted fundraising strategies.

The Democracy Networks satellite network provides training, consultation and support services on a regional level to grassroots NGOs. Regional monitoring meetings are designed not only to ensure that grants are appropriately executed, but also encourage NGOs to share experiences with each other. Democracy Networks Hungary has initiated efforts to establish a special mechanisms to promote increasing levels of transparency and accountability in the sector.

The most prominent example of NGOs as public policy advocates on the national level was their active participation in the regional debates prior to passage of the comprehensive NGO legislation. Democracy Networks involved over 250 NGOs in debates held at their satellite locations.

Such an example is an exception, however. Although the number of NGOs engaged in advocacy increased from 5,061 in 1993 to 6,500 in 1994, the weakest element of NGO activities in their local communities is their relative ineffectiveness as advocates. The concept of advocacy in the context of local governance and how it differs from basic organizational development is not yet well articulated. USAID will increase support during 1998 for advocacy activities in training and grant programs.

Summary of Key Indicators for A More Active and Responsive Civil Society

INDICATOR	BASELINE	TARGETS	ACTUAL	ACCEPTABLE
expenditures of NGOs (% GDP)	1994: 2.9	1997: 4.0 1998: 4.0	1997: 3.0	1999: > 3.5
financial contributions to NGOs from non-governmental sources(% NGO revenue)	1994: 14	1997: 20 1998: 20	1997: 22	1999: > 20
NGO enabling legislation passed	1995: no	1997: yes	1997: yes	1999: achieved in 1997
NGOs engaged in advocacy	1994: 5400	1997: 7,500 1998: 8,200	1997: 6,500	1999: > 9,000
countrywide NGO support network (number of satellite centers, telecottages)	1990: 0	1997: 10 1998: 15	1997: 19	1999: 20

Improved Collaboration in Local Governance

An integral component of increased public participation in local decision-making is improved collaboration between local governments, NGOs and businesses in addressing local problems. USAID activities in this area have convinced a number of Hungarian ministries of the effectiveness of collaborative grassroots initiatives. Institutionalized national mechanisms that can sustain their further use are now being introduced. Many of these models have attracted the attention of other countries in the region interested in adapting the mechanisms and tools developed in Hungary to specific needs in their countries.

USAID successful activities involving cooperative service delivery for the labor market have led to institutionalization of the model by the Hungarian Ministry of Labor. In recognition of the effectiveness of the Rapid Response model, the Hungarian national labor law was amended to allow GOH financing, thereby ensuring its sustainability. USAID partner, the US Department of Labor, provided critical technical assistance when the law and implementing regulations were being drafted. Training of over 200 individuals employed by county labor centers will take place in March, 1998. To date, 55 sites have used the Rapid Response early intervention model, including the Hungarian Army as it restructures to meet NATO requirements. By the end of 1997, 6,151 - 73% of dislocated

workers affected - had chosen to avail themselves of the model's re-employment assistance, compared to only 51% in 1996. The placement rate rose from 45% in 1996 to 47% in 1997, with firm placement secured in approximately half the time previously necessary.

The sustainability of another Quick Start collaborative employment services program is now assured by the establishment of a 50 million forint fund by the Hungarian Ministry of Labor. Funding for Quick Start programs will be shared equally by county labor centers, the Ministry fund and private employers. Quick Start's customized training programs have achieved a 99% placement rate, compared with 30-40% typical for standard training courses.

USAID/Hungary's collaborative local economic development (LED) initiative provides concrete methodology and hands-on tools for communities to reach consensus on collective visions for the future and to develop viable action plans for development and growth. The first round of LED workshops held during 1997 far exceeded targets. All 16 local areas participating, representing some 200 municipalities, developed project proposals that received seed funding from USAID and other sources. The high quality of proposals developed as a result of this program attracted the attention of the Hungarian Ministry of Labor and the Ministry of the Environment's National Center for Regional Development. During 1998, both will monitor implementation of funded action plans and USAID methodologies.

A second round of collaborative LED projects has been launched in 17 local areas involving 167 local municipalities and 245 NGOs. This round of workshops will make the model fully Hungarianized as they will be conducted by Hungarian facilitators trained by USAID/ Hungary with only minimum input from US facilitators. In addition, the workshops will test revised manuals, augmented with case studies drawn from Hungarian experiences. Discussions are underway with GOH authorities regarding long-term funding for collaborative LED projects.

Summary of Key Indicators for Improved Collaboration in Local Governance

INDICATOR	BASELINE	TARGETS	ACTUAL	ACCEPTABLE
municipalities with institutionalized mechanisms for collaboration with NGOs	1990: 0	1996: 2 1997: 4 1998: 7	1996: 3 1997: 4	1999: >7
cross-sector collaborative committees formed to aid targeted communities (number, cumulative)	1990: 0	1996: 15 1997: 25 1998: 30	1996: 16 1997: 34	1999: >30

Local Government More Effective and Responsive to its Citizens

There are more than 3,300 municipalities in Hungary, three times as many as in 1990. This explosion of local self government has quickly brought government to the people but it has challenged the new administrations to develop competence and processes to effectively deliver the services demanded by its citizens. USAID plans to develop and ensure replication of innovative pilot initiatives that address the three lower level results which are necessary and sufficient to make local governments more effective and responsive.

The most dramatic program impact demonstrating improvement in management capacity is the increase in the number of municipalities using modern budgeting techniques. Beginning with a single municipality last year, 27 municipalities now take advantage of new techniques introduced through the program's technical assistance. The workshops series at the heart of this success will complete a second round in March 1998. A third and final round will begin in May 1998.

Greater than anticipated success of this program (135% of target) indicates strong commitment on the part of participating municipalities to put the program's basic tenets to work. This success can be replicated by formation of an association of municipal finance officers. Although the indicator is presently reported as "no," it is fully expected that the association will be operational sometime in 1998. Founding members have requested our assistance to cosponsor a national conference on municipal budget reform in the spring of 1999, which will highlight creation of the new association and mark the successful conclusion of USAID assistance in this area.

Underlying our local governance program is the belief that effective and efficient government are not mutually exclusive. To make this belief real we had to prove the willingness and ability of the 3,300 municipalities (many of which are too small to efficiently deliver most services), to jointly offer certain services without national government involvement. The process of inter-local cooperation is now booming and we are convinced the process has a successful future. Targets exceeded include the number of cooperative agreements formed (exceeded by 62%, with more than three times as many municipalities participating as expected).

The involvement of other donor organizations in the process of inter-local cooperation and fiscal decentralization is growing. USAID recently signed an MOU with the World Bank to cooperate on municipal development. Other partners include the Canadian International Development Agency and the British Know-How Fund. The Bank shares our interest in decentralization and has adopted one of our projects as a municipal finance demonstration site.

Passage in December 1997 of Hungarian Parliamentary Act CXXXV of 1997 on Municipal Associations and Inter-Local Cooperation codified the rights and responsibilities of municipalities to associate, and with companion regulations, creates incentives for cooperation.

Work with the Council for Local Government Associations is on track for most activities, although the formal process of integration of seven national associations remains an elusive goal. We are pursuing a six part program that includes improving administration and management, developing programs of legislative advocacy, development of a municipal information systems, training, assistance with European Union accession issues, and unification of the Council.

Financial management of the Council has improved markedly. The Council exceeded target for own-source revenues in 1997 by 4%. A management consultant is used for accounting and management advice. This sound foundation will enable the council to improve service programs and increase value to members.

A key indicator demonstrating that the Council is recognized as the official voice of municipal governments is tied to unifying the seven existing associations. Progress on this objective is occurring. Two associations representing small villages and two others have undertaken merger negotiations. If successful, this will reduce the number of national associations in the Council to five, making overall unification more attainable. Significantly, the Council has agreed to consider modification of a “consensus/unanimity” rule that allows veto power to any member. Under the proposed change, a tiered decision making structure will be put in place which will allow many decisions to be made by

majority rule. We expect the program to be fully successful by the time the activity is concluded in September 1998.

Summary of Key Indicators for Local Government More Effective and Responsive to Citizens

INDICATOR	BASELINE	TARGETS	ACTUAL	ACCEPTABLE
targeted municipalities use budgets as management tools (number)	1990: 0	1996: 1 1997: 20 1998: 30	1996: 1 1997: 27	1999: > 30
cooperative agreements between municipalities (number)	1990: 0	1997: 8 1998: 12	1996: 4 1997: 13	1999: >13
municipalities involved in cooperation (number)	1990: 0	1997: 24 1998: 36	1996: 12 1997: 88	1990: > 90
association of municipal financial officers created	1996: no	1998: no	1997: no	1999: yes
own-source revenue of Council of Local Government Associations (% expenditures)	1996: 40	1997: 45 1998: 55	1997: 47.3	1999: 65
Council of Local Government Associations officially recognized	1996: no	1998: no	1998: no	1999: yes

2. Expected Progress Through Closeout

The Local Governance SO is on course although there are significant events the SOT will track that could have impacts on successful completion:

- Hungarian National & Municipal Elections - The Hungarian national election will take place in the spring of 1998 and municipal elections will follow in the fall. Political debates between the seven major parties include issues vital to the SO such as fiscal decentralization, local government capacity, NGO funding and treatment of minorities. We recognize that difficult and controversial reforms are not common in a period leading up to elections but after the elections may be a good time for accelerated progress.
- Accession to the European Union - Qualifying for EU accession is high on the GOH's priority list. Implementation of the 1996 Act on Regional Development and Physical Planning, which was designed taking into consideration all relevant EU accession criteria, will affect all actors in local governance at the local and regional levels and cover issues important to the SO.

A. Realistic Prospects for Achieving Objective by Closeout.

There are no known impediments to realizing the results planned for this SO by 1999.

B. Managerial and Resource Adjustments to Reinforce Prospects for Success.

Current staffing levels will be maintained until July 1998. The core four member team will remain until the end of the program. This is a change in staffing from last year's R2 in which it was anticipated that staff could be reduced to three for the final six months of the program. The principal reason for the change was a reassessment of workload that occurred during our closeout planning exercise.

Personnel requirements for the management of activities under this SO are as follows:

Fiscal Year	Person Months
1997	41
1998	36
1999	27

C. Brief Schedule for Termination of Principal Activities.

Activity	1998	1999
Pro Media	9/98	
DOL	9/98	
Public Administration (ICMA)	9/98	
Health Partnerships	12/98	
Democracy Networks	6/98	
Urban Institute		6/99
Advocate		6/99
USIS		6/99

D. Recommendation to Continue Selected Activities after Closeout

No USAID local governance activities will be continued after closeout.

E. Sustainability After Closeout

Mechanisms for advancing sustainability are:

- **Legal & Regulatory Reform** - Several recent changes in Hungarian law that had been advocated through the Local Governance program reform agenda have been passed. With appropriate regulations they will have lasting impacts on the sustainability of program priorities. Notable among these reforms is a new Labor Law, an NGO Law and a Law on Municipal Association.
- **Sustainable Institutions** - Strengthened municipalities networking through the Council for Local Government Associations will be instrumental in ensuring that innovations and best practices, whether indigenous or donor supported, are adequately disseminated. The new Association of Municipal Finance Officers will insure that municipal budgeting innovations are expanded and made available to others. The Public Administration program has coordinated the creation of a new training institute that, in coordination with the School of Public Administration, will assume that lessons learned are widely discussed.
- **Center for Municipal Innovation (the Advocate)** - The Center for Municipal Innovation will play an important role in discovering, documenting and disseminating innovations, best practices and success stories to Hungarian communities.
- **Donor Coordination** - Ongoing “Town Hall Meetings” provide a forum for identifying donors and activities that can continue after USAID closeout. The AIDREP has signed a Memorandum of Understanding with the World Bank that formally integrates USAID work on municipal finance with a three year program being undertaken by the Bank.

The proposed USAID initiative known as the Trust Fund for the Civil Society may have a substantial impact on Local Governance program sustainability. Although little is currently known about the initiative, the following two issues should be addressed:

- In planning the Fund program, lessons learned from ten years of experience with development of civil society should be considered.
- In implementing the Fund program, institutional and personal relationships that have been developed in Hungary should be preserved.

Cross Cutting and Special Initiatives

Under this special objective there are three activities outside USAID Hungary's four core Strategic Objectives and two activities that support the mission's entire program. In addition, there are six research activities under the U.S.-Israel Cooperative Development Research (CDR) Program.

English as a Foreign Language (EFL): This program places EFL experts in Hungary to teach pedagogical techniques, classroom management skills and American culture at Hungarian institutions. USIS administers this activity to transfer democratic methods to Hungarian training institutions. Three Fellows are in-country this year. The program will close at the end of FY 1998.

Ron Brown Scholarships: This activity is administered by USIS. It provides support for Hungarian graduate students and professionals to study at leading U.S. institutions. This fellowship combines advanced academic work with professional development activities such as internships, workshops, and alumni networking. 1998 will be the only year of funding. Fellows selected to begin their training in FY 1998 are unlikely to complete all study programs until FY 2000, making this a post-presence activity. However, USIS manages this program under a 632(a) transfer without USAID Hungary involvement. Accordingly, continuation of this activity until FY 2000 will not require USAID presence in Hungary beyond September 30, 1999 and will not be affected by the closeout of USAID Hungary's assistance program.

Global Environmental Facility (GEF): USAID and the governments of Hungary, Slovakia, and Romania have pledged to cooperate in reducing toxic compound emissions in selected cross-boundary rivers. This regional project has established a cross-boundary monitoring and communication network which facilitates regional pollution warnings and emergency mitigation plans. It also identifies specific pollution danger zones and major industrial polluters, and provides assistance, training and equipment to address environmental issues. The activity will require substantive involvement of USAID Hungary through FY 1998. At the end of FY 1998 responsibility for GEF activity monitoring will pass to ENI/EEUD. Activity management will continue through ENI/EEUD. No program funding for this activity is requested after FY 1998.

Participant Training: This activity provides U.S.-based professional training to Hungarian participants in support of the Mission's Strategic Objectives. The last year of funding will be FY 1998. All participants are expected to complete training by September 1998.

Audit Evaluation and Project Support (AEPS): The AEPS account provides support to USAID Hungary SOs baseline data collection for SO indicators, special evaluations, etc. AEPS funds may be used for activity and SO closeout support in 1998 and 1999 in cases

where specific project funds are not available for this purpose.

U.S.-Israel Cooperative Development Research (CDR) Program: The CDR program seeks to strengthen the ability of cooperating country scientists to do innovative research. Emphasis is on helping scientists learn about and use Israeli technology in collaboration with Israeli researchers. The program focuses on problems that are especially important in cooperating countries. Currently, there are five active research projects involving Hungarian scientists and institutions. One additional project is approved and awaiting funding. These activities will not be concluded until after USAID Hungary closeout in September, 1999. No mission personnel, funds, or other resources have been involved in management or oversight of CDR grants awarded since this arrangement began in 1992. Projects are selected by AID/G/EG, and funds are transferred by inter-agency agreement to the US Embassy in Tel Aviv. Oversight is provided by the Office of the Science Attache in the US Embassy in Tel Aviv.

B. Managerial and Resource Adjustments to Reinforce Prospects for Success.

Personnel requirements for the management of cross cutting and special initiatives are:

Fiscal Year	Person Months
1997	2
1998	4
1999	3

C. Brief Schedule for Termination of Principal Activities.

Activity	1998	1999
0002.09 English Teaching -USIS	9/98	
0030 BECHTEL*	3/98	
0039.09 Global Environmental Facility		
0030 ELECTROTEK*	12/98	
0045.01 Participant Training -World Learning	9/98	
0045.06 Ron Brown Scholarships -USIS^		
0249 Audit Evaluation and Project Support		6/99
U.S.-Israel Cooperative Development Research (CDR) Program^		

* Transfers from Energy SO; see results analysis for An Economically Sustainable Restructured Energy Sector.

^ Post-Presence Activity.

Status of the Management Contract & Programmatic Closeout Update

The management contract originally approved 8/23/96 is on track and does not require any significant changes. The closeout schedule submitted last year remains valid, with only minor changes. A transition training program was approved on 10/29/97 and is being used by several staff. The Program Closeout Plan memo to the Coordinator for Overseas Restructuring was not yet signed as of March 4, 1998.

Programmatic Closeout Update: Since the April 1997 R2 submission, significant progress has been made on closing out OAR activities. In November, OAR/Hungary held a successful closeout workshop. USAID/Hungary, RSC, AID/W M and ENI bureaus, contract officers, technical representatives (COTRs), representatives from the Assistance Coordination Unit in the Prime Minister's Office, and local and US-based managers of both NGO and contractor implementing partners attended. The purpose of the workshop was threefold: 1) cement alignment among all concerned that USAID closeout of most activities in Hungary would take place by June 30, 1999; 2) assure that all concerned understood the tasks and responsibilities associated with closeout as well as the role and responsibility of each. and 3) development of activity-by-activity close-out plans to be incorporated into a mission operational closeout plan. Presentations designed to assure everyone understood the process and lessons learned in other Missions were well received. A three-day wrap-up workshop focused on individual activity meetings. Special presentations were made by Agency Coordinator for Closeout (M/MPI), Larry Laird; ENI Bureau Coordinator for Closeout (ENI/PSC), Gloria Steele; DD, USAID/Russia (legal advisor), Mark Ward, RSC Regional Controller, Richard Lawrence and RSC Regional Contracting Officer, Michael Kenyon. Informal feedback and formal evaluations from participants indicate that the workshop successfully met all of its objectives.

The Mission is on track with closeout. The Mission will submit an Operational Closeout Plan in September, 1998. The Operational Closeout Plan will include detailed plans for all administrative issues and update program related issues.

Post Presence Activities: The following is a description of the activities that will continue beyond the closure of USAID/Hungary in September, 1999. Formal approval of post presence activities will be transmitted with the signing of the Program Closeout Plan memo by the Coordinator for Overseas Restructuring.

Global Environmental Facility: See Cross Cutting and Special Initiatives section.

Hungarian-American Enterprise Fund: Establishment of the Hungarian-American Enterprise Fund was mandated by Congress to promote investment in Hungarian private businesses. The Fund has not yet submitted a closeout plan. It is expected to begin to

liquidate its holdings and return funds to the USG in the year 2005. USAID/W will monitor the Enterprise Fund activities until its entire portfolio is liquidated.

Loan Portfolio Guarantee: Channeled through OTP Bank, the guarantee provided for USAID to cover 50% of the exposure upon the default of a loan to Small and Medium Enterprises approved through the program. The program was canceled in January 1998. Existing guarantees, however, will be in place until August 2001. The guarantees are backed by funds set aside by G/EGAD/CI. That office will monitor the three loans guaranteed under this program.

Ron Brown Scholarships: See Section Cross Cutting and Special Initiatives.

U.S.-Israel Cooperative Development Research (CDR) Program: See Section Cross Cutting and Special Initiatives.

List of Scheduled Closeout Actions*

March	Three Activities Close out Quarterly Closeout Progress Review
April	U.S. Embassy formally informed that USAID Hungary will no longer require support services after September 1999
June	Three Activities Close out Quarterly Closeout Progress Review
September	Operational Closeout Plan Submitted to USAID/W Six Activities Close out USAID/H backstopping of three continuing activities transferred to
other	entities Quarterly Closeout Progress Review
October	Operational Closeout Plan Approved by USAID/W

FY 1999

December	Five Activities Close out Quarterly Closeout Progress Review
March	Eleven Activities Close out Quarterly Closeout Progress Review

June	Sixteen Activities Close out USAID/H Closes for program business on 6/30/99 Quarterly Closeout Progress Review
July	Major Closeout Event Final R2/Brochure Published Sixteen Staff Positions Deleted One Activity Close out (AEPS)
August	One Staff Position Deleted Administrative Closeout of USAID/H begins
September	Lights out

ANNEX I

RESULTS FRAMEWORK

Increased Soundness
of Fiscal Policies
and Fiscal Management Practices

Timeframe: 1996- 1999
World Bank, IMF, EU - Phare, US
Treasury , HIID, FSVC, CIPE

More Efficient Budget and Program
Management

Needs and Performance
Based Budgeting
Implemented

Modern Management
Techniques Implemented

Improved Revenue Generation

Improved Tax
Administration

Improved Tax System

Improved Non-tax
Revenue Base

Rationalization of Government Role

Better Definition and
Targeting of Govt
Benefits

Shifting of
Responsibilities from the
Public to the Private
Sector

Improved Operations of Small and Medium Sized Enterprises

Time frame: 1999

ACDI/VOCA, Hungarian Foundation for Enterprise Promotion, Corporate Resource Service Center (CRSC), Partners for International Education and Training (PIET), State University of New York (SUNY), Indiana University (IU) , Center for International Private Enterprise (CIPE)
 OTP Bank, EU Phare, British Know-How Fund

Increased Access To Commercial Banking Services

Time Frame: 1999

EU Phare, MVA, EBRD, VOCA/ACDI, OTP Bank, CIPE

Improved Access to Market and Technology Information

Time Frame: 1999

VOCA/ACDI, MVA, Indiana University, EU Phare

Improved Business Systems and Practices Developed and In Place

Time Frame: 1999

CRSC, PIET, SUNY, IU, Urban Institute, EU Phare, MVA

More Rational Tax Structure for SMEs

Time Frame: 1998

CIPE

Improved Presentation of SME Financial Information to Banks

Improved Review of SME Financial Information by Banks

Increased Access to Internet Services

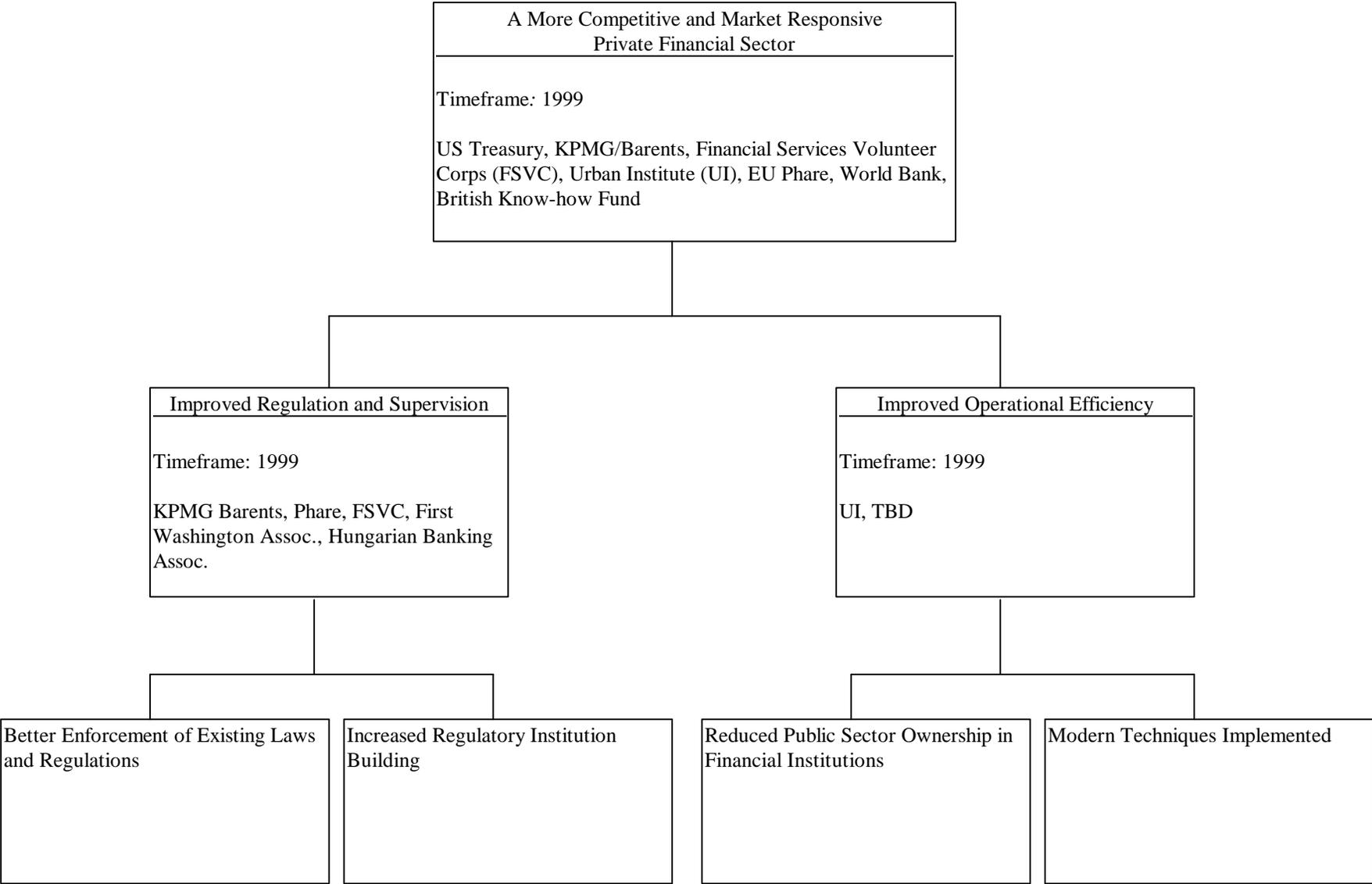
Increased Access to Database Facilities

Local Support Org. Provide increased Services and Disseminate Information

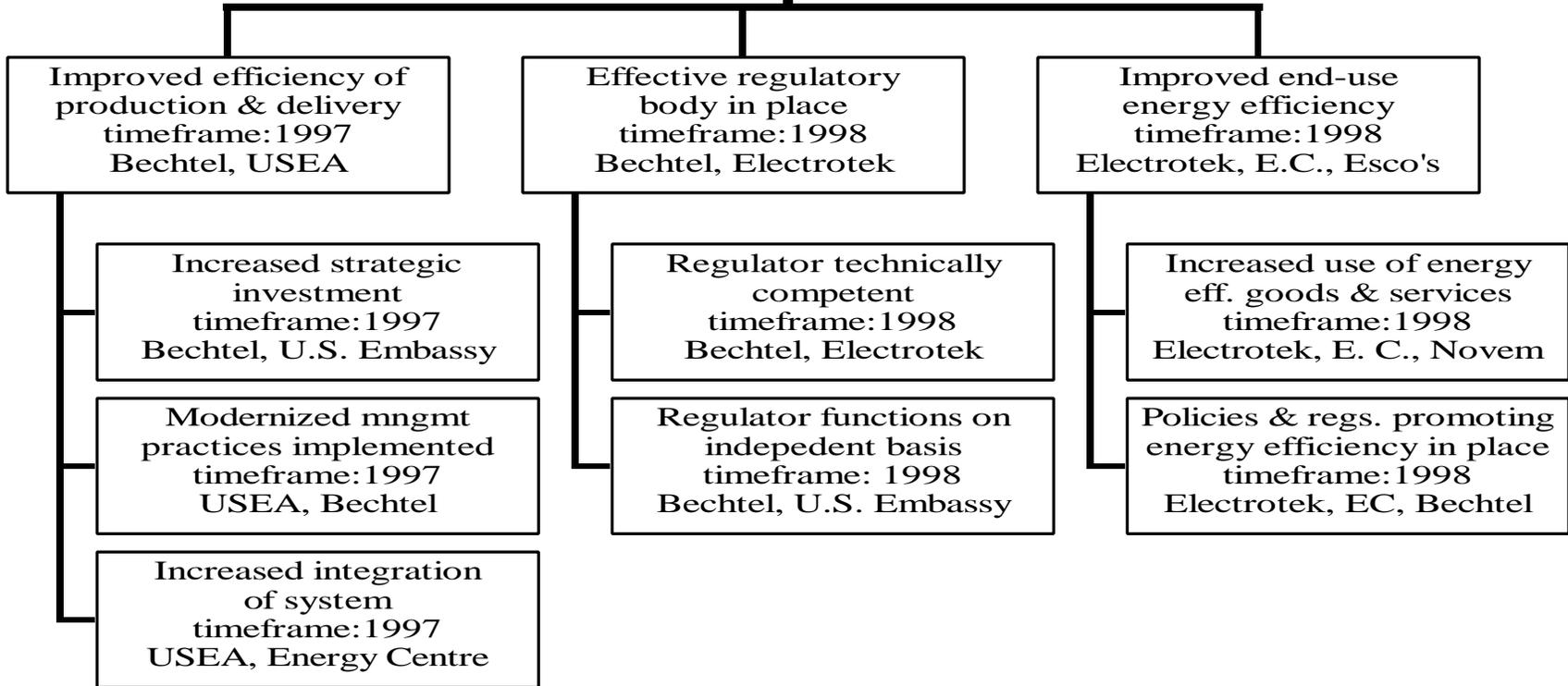
National Education System Institutionalizes Business And Management Education

Payroll Contributions Reduced

Harmonization of Business Tax Structures with Western Europe



An economically sustainable, restructured energy sector
timeframe: 1998
Bechtel, Electrotek, USEA, Esco's
EU Energy Centre, Novem, U.S. Embassy



Better Informed Citizens Increase Their Participation in Decision Making at the Local Level

Timeframe: 1999

International City Management Association (ICMA); United Way International (UWI); Soros Foundation (SF); Center for Independent Journalism (CIJ); Environmental Protection Agency (EPA); Regional Environmental Center (REC); Department of Labor (DOL); Urban Institute (UI), Non-Profit Informacios Kozpont (NIOK); Research Triangle Institute (RTI); OECD; British Know-how Fund (BKHF); International Research Exchange (IREX), EU Phare, International Bank for Reconstruction and Development (IBRD); Institute for Local Government and Public Service (ILGPS)

Increased Flow of Useful Information

Timeframe: 1998

Partners: CIJ, IREX, ICMA

More Active and Responsive Civil Society

Timeframe: 1999

SF, UWI, NIOK

Improved Collaboration in Local Governance

Timeframe: 1999

SF, UWI, NIOK

Local Govt. More Effective and Responsive to Citizens

Timeframe: 1999

Phare, IBRD, ICMA, UI

Local Govt. Provides Public Access to Information

Timeframe: 1997

ICMA

Independent Media is Strengthened at the Local Level

Timeframe: 1997

CIJ, IREX

Increased NGO Capacity

Timeframe: 1998

REC, UWI

Increased NGO Cooperation

Timeframe: 1998

REC, UWI

NGOs Advocate for Issues More Effectively

Timeframe: 1999

REC, UWI

Local Govt, NGOs & Private Sector Cooperate to Deliver Services

Timeframe: 1998

UWI, DOL, ICMA, UI, EPA

Local Govt, NGO's & Private Sector Establish Effective Fora for Collaborative Decisions

Timeframe: 1999

REC, UWI, ICMA,

General Management Capacity Improved

Timeframe: 1998

OECD, BKHF, ILGPS, ICMA

Increased Inter-local Cooperation

Timeframe: 1998

ICMA, RTI

Improved National Level Framework for Efficient Local Government

Timeframe: 1998

ICMA, UI, EPA, RTI

ANNEX II

PERFORMANCE DATA TABLES

**INCREASED SOUNDNESS OF FISCAL POLICIES
AND FISCAL MANAGEMENT PRACTICES**

Strategic Objective: Increased Soundness of Fiscal Policies and Fiscal Management Practices Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Increased Soundness of Fiscal Policies and Fiscal Management Practices			
Indicator: Consolidated central government fiscal balance			
Unit of Measure: %	Year	Planned	Actual
Source: GOH, Ministry of Finance, Central Statistics Office	1996	-3.9	-3.3
Indicator Description: Excludes NBH balance sheet support and excludes use by central government of privatization revenues; % referred to GDP	1997	-3.0	-3.6
	1998 (T)	-3.5	
Comments:GDP denominator (HUF 8,350 billion) is a preliminary estimate for 1997. Balance,-HUF 383 billion	1999 (T)	-3.2	

Strategic Objective: Increased Soundness of Fiscal Policies and Fiscal Management Practices Approved: 8/23/96 Country/ Organization: USAID- Hungary			
Result Name: More efficient budget and program management			
Indicator: Difference in planned and actual central government deficit (without privatization)			
Unit of Measure:%	Year	Planned	Actual
Source: GOH, Ministry of Finance	1996	10	-44
Indicator Description: % actual to planned	1997	8	-2.4
	1998 (T)	7	
Comments: "Planned" refers to maximum access over the deficit of the budget approved by Parliament.Negative actuals indicate superior performance.	1999 (T)	6	

Strategic Objective: Increased Soundness of Fiscal Policies and Fiscal Management Practices Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name:Improved tax administration			
Indicator: Tax audits			
Unit of Measure: thousands	Year	Planned	Actual
Source: GOH tax office (APEH)	1996	225	246
Indicator Description: Audits	1997	250	255
	1987 (T)	275	
Comments:	1999 (T)	300	

Strategic Objective: Increased Soundness of Fiscal Policies and Fiscal Management Practices Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Better definition and targeting of government benefits			
Indicator: Subsidy payments			
Unit of Measure: %	Year	Planned	Actual
Source: Ministry of Finance	1996	9.5	7.2
Indicator Description: Referred to consolidated central government expenditure	1997	8.5	5.9
	1998 (T)	7.5	
Comments:	1999 (T)	6.0	

Strategic Objective: Increased Soundness of Fiscal Policies and Fiscal Management Practices Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Increased Soundness of Fiscal Policies and Fiscal Management Practices			
Indicator: Consolidated central government expenditure			
Unit of Measure: %	Year	Planned	Actual
Source: GOH, Ministry of Finance, Central Statistics Office	1996	49.0	47.2
Indicator Description: Consolidated central government expenditure related to GDP in percent	1997	48.0	45.0
	1998 (T)	46.5	
Comments:	1999 (T)	45.0	

Strategic Objective: Increased Soundness of Fiscal Policies and Fiscal Management Practices Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Better definition and targeting of government benefits			
Indicator: Comprehensive pension reform			
Unit of Measure: achieved: yes, no, or % progress	Year	Planned	Actual
Source: GOH	1996	framework	50% of framework
Indicator Description: benchmark	1997	pilot program	law passed
	1998 (T)	system in place	
Comments: Framework substantially accepted by GOH inter-ministerial working group; opposed by Pension Fund self government authorities;	1999 (T)	system functioning	

Strategic Objective: Increased Soundness of Fiscal Policies and Fiscal Management Practices Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Needs and performance based budgeting implemented			
Indicator: Financing of health care services			
Unit of Measure: %	Year	Planned	Actual
Source: Health Insurance Fund	1996	48	48.7
Indicator Description: % Health reimbursements paid for inpatient services referred outpatient and preventive services	1997	47	47.5
	1998 (T)	45	
Comments: Shows restructuring of health care system from high cost acute care to preventive, ambulatory, home health care and nursing homes.	1999 (T)	42	

Strategic Objective: Increased Soundness of Fiscal Policies and Fiscal Management Practices Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Modern management techniques implemented			
Indicator: Hospital beds			
Unit of Measure: Number of reduction	Year	Planned	Actual
Source: Ministry of Welfare	1996	-2,000	-4,351
Indicator Description: Active beds in the system	1997	-6,000	-9,342
	1998 (T)	-8,000	
Comments: Indicator values are cumulative. Problem is excess capacity. Objective is to improve efficiency by using performance based reimbursement system (DRG), thereby removing incentives to utilize excess capacity in unproductive ways to increase reimbursement charges.	1999 (T)	-10,000	

**IMPROVED OPERATIONS OF SMALL AND
MEDIUM ENTERPRISES**

Strategic Objective: Improved Operations of Small and Medium Sized Enterprises Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Improved Operations of Small and Medium Sized Enterprises			
Indicator: exports to Sales for SMEs			
Unit of Measure: Percentage	Year	Planned	Actual
Source: Hungarian tax authority	1995 (B)	9	8.2
Indicator Description: Mean exports for 1995 were divided by sales	1996	11	14.1
	1997	13	N/A
Comments: Baseline: Reported 9/96 on yr. '95; actual performance:8.2	1998 (T)	15	
	1999 (T)	15	

Strategic Objective: Improved Operations of Small and Medium Sized Enterprises Approved: 8/23/96 Country/ Organization: USAID- Hungary			
Result Name: Improved Operations of Small and Medium Sized Enterprises			
Indicator: Profits After Taxes to Sales for SMEs			
Unit of Measure: Percentage of sales	Year	Planned	Actual
Source:	1993		4.37
Indicator: Mean after tax profit divided by mean sales for respondents in sample.	1996	7.1	
	1997	7.4	N/A
Comments: Baseline 1993: 4.37. Reported 1996 on yr. '95 actual performance: 6.8.	1998 (T)	7.7	
	1999 (T)	8.0	

Strategic Objective: Improved Operations of Small and Medium Sized Enterprises Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Improved Operations of Small and Medium Sized Enterprises			
Indicator: Reported SME Contribution to Industry Sector of GDP Based on Tax Returns			
Unit of Measure: Percentage of total sector contribution	Year	Planned	Actual
Source: Hungarian Tax Office	1995 (B)		49.3
Indicator: SME Contribution to Industry Sector of GDP based on data submitted to tax office	1996	50.3	49.7
	1997	50.3	
Comments: 1995 is baseline	1998 (T)	53.3	
	1999 (T)	58.5	

Strategic Objective: Improved Operations of Small and Medium Sized Enterprises Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Improved Presentation of SME Financial Information to Banks			
Indicator: Targeted firms which have received loans			
Unit of Measure: Percentage	Year	Planned	Actual
Source: Lyles 1996 Survey/Partners	1996 (B)		-27
Indicator Description: Proportion of surveyed SME firms which replied that they had received bank loans	1997	29	32%
	1998 (T)	31	
Comments: Baseline is 1996	1999 (T)	33	

Strategic Objective: Improved Operations of Small and Medium Sized Enterprises Approved: 8/23/96 Country/ Organization: USAID- Hungary			
Result Name: Improved Review of Financial Information by Banks			
Indicator: OTP SME Loans in Default			
Unit of Measure: Percentage of OTP Loans in Default as % of OTP's SME Portfolio	Year	Planned	Actual
Source: OTP Bank	1996 (B)		21.2
Indicator: Percentage of SME Loans in Default as a Percentage of OTP's SME Portfolio	1997	20.5	17
	1998 (T)	18.5	
Comments: Targets set by OTP Bank. Baseline is 1996	1999 (T)	17	

Strategic Objective: Improved Operations of Small and Medium Sized Enterprises Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Amount of Loans Extended by OTP Bank to SMEs			
Indicator: Amount of Loans Extended by OTP Bank to SMEs			
Unit of Measure: millions of HUF	Year	Planned	Actual
Source: OTP Bank	1995 (B)		75,000
Indicator: Current OTP SME portfolio in millions of HUF	1996		91,478
	1997	120,000	109,000
Comments: 1995 is baseline	1998 (T)	150,000	
	1999 (T)	170,000	

Strategic Objective: Improved Operations of Small and Medium Sized Enterprises Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Improved Access to Market and Technology Information			
Indicator: Users of Sponsored Data Base Facilities (exclusive of agriculture)			
Unit of Measure: Number	Year	Planned	Actual
Source: Reports from Implementing Partners	1996 (B)	0	0
Indicator Description: This number will equal number of SME users of Internet in Local Enterprise Agencies, plus users of data base facilities in USAID assisted organizations.	1997	1,000	7144
	1998 (T)	4,200	
Comments: 1996 is the baseline	1999 (T)	20,300	

Strategic Objective: Improved Operations of Small and Medium Sized Enterprises Approved: 8/23/96 Country/ Organization: USAID- Hungary			
Result Name: Increased Access to Internet Services			
Indicator: Targeted Firms Which Have Access to Internet			
Unit of Measure: Percentage of Surveyed SMEs	Year	Planned	Actual
Source: Lyles 1996 Survey/Partners	1996 (B)		25
Indicator Description: Proportion of surveyed SMEs which responded positively when asked if they have access to Internet	1997	30	18
	1998 (T)	35	
Comments: 1996 is baseline	1999 (T)	40	

Strategic Objective: Improved Operations of Small and Medium Sized Enterprises Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Increased Access to Database Facilities			
Indicator: Users of information in university resource centers			
Unit of Measure: Number of users	Year	Planned	Actual
Source: Implementing partners	1997 (B)	500	3,750
Indicator: Number of users of databases in university resource centers	1998 (T)	1,000	
Comments: 1997 is baseline	1999 (T)	8,000	

Strategic Objective: Improved Operations of Small and Medium Sized Enterprises Approved: 8/32/96 Country/ Organization: USAID Hungary			
Result Name: Increased Access to Database Facilities			
Indicator: Users of Agriculture Information System			
Unit of Measure: Number of Users	Year	Planned	Actual
Source: Reports from Implementing Partners	1996 (B)	0	0
Indicator Description: Users of agricultural databases in	1997	570	1,200
micro regions assisted by implementing partners	1998 (T)	2,150	
Comments: 1996 is baseline	1999 (T)	3,300	

Strategic Objective: Improved Operations of Small and Medium Sized Enterprises Approved: 8/23/96 Country/ Organization: USAID- Hungary			
Result Name: Improved Business Systems and Practices Developed and in Place			
Indicator: Targeted Firms with Marketing Managers			
Unit of Measure: Percentage of surveyed firms	Year	Planned	Actual
Source: Lyles Survey/ Partners	1996 (B)		21.9
Indicator: Percentage of firms responding positively	1997	24	18
when asked if they had a marketing manager	1998 (T)	26	
Comments: 1996 is baseline	1999 (T)	29	

Strategic Objective: Improved Operations of Small and Medium Sized Enterprises Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Improved Business Systems and Practices Developed and In Place			
Indicator: Targeted Firms with Access to Computerized Accounting Systems			
Unit of Measure: Percentage of surveyed firms	Year	Planned	Actual
Source:Lyles 1996 Survey/Partners	1996 (B)		72
Indicator: Percentage of firms responding positively when asked if they had a computerized accounting system.	1997	72	51
	1998 (T)	72	
Comments: 1996 is baseline	1999 (T)	72	

Strategic Objective: Improved Operations of Small and Medium Enterprises Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Improved Business Systems and Practices Developed and in Place			
Indicator: Targeted Firms with Business Plans			
Unit of Measure: Percentage of surveyed firms	Year	Planned	Actual
Source: Lyles 1996 Survey/Partners	1996 (B)		45
Indicator Description: Proportion of firms responding	1997	48	49
positively when asked if they had a business plan	1998 (T)	55	
Comments: 1996 is baseline	1999 (T)	60	

Strategic Objective: Improved Operations of Small and Medium Sized Enterprises Approved: 8/23/96 Country/ Organization: USAID- Hungary			
Result Name: Local Support Organizations Provide Increased Services and Disseminate Information			
Indicator: Use of Local Consultancies by SMEs			
Unit of Measure: Percentage	Year	Planned	Actual
Source: Kallay Survey/Partners	1996 (B)		44
Indicator: Percentage which responded positively when	1997		53
asked if they had used local support organizations	1998 (T)		
Comments: changed from frequency of use to proportion	1999 (T)		
of users baseline: 1997			

Strategic Objective: Improved Operations of Small and Medium Sized Enterprises			
Result Name: National Education System Institutionalizes Business and Management Education			
Indicator: Number of MBA Programs offered in Hungary			
Unit of Measure: Number	Year	Planned	Actual
Source: Reports by implementing partners	1996 (B)	7	8
Indicator: Number of MBA Programs	1997	7	8
	1998 (T)	7	
Comments:	1999 (T)	7	

Strategic Objective: Improved Operations of Small and Medium Sized Enterprises Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: National Education System Institutionalizes Business and Management Education			
Indicator: Students studying Total Quality Management			
Unit of Measure: Number	Year	Planned	Actual
Source: Reports from Implementing Partners	1996	7,000	7,885
Indicator Description: Number of students who enrolled	1997	9,000	12,502
in courses focusing on Total Quality Management	1998 (T)	11,000	
Comments: (cumulative)	1999 (T)	13,000	

Strategic Objective: Improved Operations of Small and Medium Sized Enterprises Approved: 8/23/96 Country/ Organization: USAID- Hungary			
Result Name: More Rational Tax Structure for SMEs			
Indicator: Taxable Business Profits			
Unit of Measure: Percentage	Year	Planned	Actual
Source: Survey	1995 (B)		35.8
Indicator: Profits before taxes as a percentage of sales	1996	37	N/A
	1997	38	
Comments: Baseline '95 reported 9/96: 35.8	1998 (T)	39	
	1999 (T)	40	

**A MORE COMPETITIVE AND MARKET
RESPONSIVE PRIVATE FINANCIAL SECTOR**

Strategic Objective: A More Competitive and Market Responsive Private Financial Sector Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: A More Competitive and Market Responsive Private Financial Sector			
Indicator: Financial Sector Assets			
Unit of Measure: %	Year	Planned	Actual
Source: National Bank of Hungary; Monthly Report; Budapest Stock Exchange	1996	100	112
Indicator Description: The higher the financial sector "assets", that is total bank assets plus insurance premiums plus the Stock Exchange's capitalization, the better. Assets reported as a % of GDP	1997	105	118
	1998 (T)	110	
Comments: The indicator shows the BSE's dramatic advancement in 1996 and 1997. Total premiums and total banking assets increased. Preliminary Estimate.	1999 (T)	120	

Strategic Objective: A More Competitive and Market Responsive Private Financial Sector Approved: 8/23/96 Country/ Organization: USAID- Hungary			
Result Name: A More Competitive and Market Responsive Private Financial Sector			
Indicator: Difference between interest rates on loans and deposits			
Unit of Measure: %	Year	Planned	Actual
Source: National Bank of Hungary, Monthly Report	1996	6.0	5.4
Indicator Description: Gap between weighted average interest rates on loans and deposits of the enterprise sector, with maturity up to one year. The gap is expected to decline as bank efficiency improves.	1997	5.0	3.7
	1998 (T)	4.5	
Comments:	1999 (T)	4.0	

Strategic Objective: A More Competitive and Market Responsive Private Financial Sector Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: A More Competitive and Market Responsive Private Financial Sector			
Indicator: Firms listed on Budapest Stock Exchange			
Unit of Measure: number	Year	Planned	Actual
Source: Budapest Stock Exchange	1996	46	45
Indicator Description: If more companies are listed on the BSE this means that more companies are meeting strict financial reporting requirements and take advantage of relatively cheap new capital increase possibilities.	1997	60	49
	1998 (T)	80	
Comments:	1999 (T)	100	

Strategic Objective: A More Competitive and Market Responsive Private Financial Sector Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Improved regulation and supervision			
Indicator: Number of comprehensive bank examinations			
Unit of Measure: Annual number	Year	Planned	Actual
Source: Bank and Capital Market Supervision	1996	15	16
Indicator Description: Growth in the number of comprehensive on-site bank examinations correlates with maturity of the supervisory agency and increased sophistication and security of the banking sector.	1997	18	17
	1998 (T)	20	
Comments:	1999 (T)	22	

Strategic Objective: A More Competitive and Market Responsive Private Financial Sector Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Reduced public sector ownership			
Indicator:Banks restructured and privatized			
Unit of Measure: number/cumulative	Year	Planned	Actual
Source: Ministry of Finance, GOH Privatization Agency	1996	6	6
Indicator Description:The number of Hungarian state-owned banks restructured and privatized.	1997	8	10
	1998 (T)	9	
Comments:	1999 (T)	10	

**AN ECONOMICALLY SUSTAINABLE
RESTRUCTURED ENERGY SECTOR**

Strategic Objective: An Economically Sustainable, Restructured Energy Sector Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: An Economically Sustainable, Restructured Energy Sector			
Indicator: Return of Investment in power sector			
Unit of Measure: %	Year	Planned	Actual
Source: Hungarian Energy Office	1996	1	-3.9
Indicator Description: Combined return on investment for power plants and distribution companies in privatized hands	1997	8	3.2
	1998 (T)	12	
Comments: Actuals refer only to distribution companies	1999 (T)		

Strategic Objective: An Economically Sustainable, Restructured Energy Sector Approved: 8/23/96 Country/ Organization: USAID- Hungary			
Result Name: An Economically Sustainable, Restructured Energy Sector			
Indicator: Adoption of legislation on regulation on restricting ownership concentration			
Unit of Measure: yes/no	Year	Planned	Actual
Source: Hungarian Energy Office	1996		state-owned
Indicator Description:	1997	adopted	no
	1998 (T)	adopted	no
Comments: Maintaining a de-concentrated ownership structure is an important part of maintaining a competitive structure	1999 (T)		

Strategic Objective: An Economically Sustainable, Restructured Energy Sector Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: An Economically Sustainable, Restructured Energy Sector			
Indicator: consumer satisfaction with electricity prices and tariffs			
Unit of Measure: percentage	Year	Planned	Actual
Source: Survey conducted by the regional electricity distribution companies, coordinated by the Hungarian Energy Office	1996		39
Indicator Description: In a questionnaire customers were asked to rate their satisfaction with prices and tariffs on a 1-5 scale	1997	45	NA
	1998 (T)	50	
Comments: Forty percent is similar to Western figures	1999 (T)		

Strategic Objective: An Economically Sustainable, Restructured Energy Sector Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Increased Strategic Private Investment			
Indicator: Power sector assets in private hands			
Unit of Measure: %	Year	Planned	Actual
Source: Hungarian Energy Office	1996	40	36
Indicator Description: "Private hands" includes foreign state-owned companies	1997	60	55+
	1998 (T)	90	
Comments:	1999 (T)		

Strategic Objective: An Economically Sustainable, Restructured Energy Sector Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Modernized Management Practices Implemented			
Indicator: Least Cost planning implemented at MVM Rt.			
Unit of Measure: Yes/No	Year	Planned	Actual
Source: Hungarian Electricity Works (MVM Rt.)	1996	in place	in place
Indicator Description: The Hungarian Electricity Works uses LCP methods in compiling its demand forecasts.	1997		
	1998 (T)		
Comments:	1999 (T)		

Strategic Objective: An Economically Sustainable, Restructured Energy Sector Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Increased Integration of System			
Indicator: CENTREL (CEE grid) member of UCPTTE (EU grid)			
Unit of Measure: recognition of partnership	Year	Planned	Actual
Source: Hungarian Electricity Works (MVM Rt.)	1996	trial period	trial period
Indicator Description: CENTREL grid consists of the interconnected systems of Hungary, Slovakia, Czech Republic and Poland	1997	**	active
	1998 (T)	**	
Comments: Work with CENTREL will continue under the regional SO on remaining legal and regulatory issues. **Full Partnership	1999 (T)		

Strategic Objective: An Economically Sustainable, Restructured Energy Sector Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Effective Regulatory Body in Place			
Indicator: Competitive bidding process for new capacity adopted by GOH			
Unit of Measure: Formal adoption of policy	Year	Planned	Actual
Source: Hungarian Energy Office	1996	draft	draft
Indicator Description:	1997		yes
	1998 (T)		
Comments:	1999 (T)		

Strategic Objective: An Economically Sustainable, Restructured Energy Sector Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Regulator technically capable			
Indicator: Price regulaton issued by HEO without Ministry review			
Unit of Measure: Yes/No	Year	Planned	Actual
Source: Hungarian Ministry of Industry, Trade and Tourism	1996	yes	no
Indicator Description: The Ministry of Industry, Trade and Tourism can exercise final decision-making power on prices	1997	yes	no
	1998 (T)	yes	
Comments:	1999 (T)	yes	

Strategic Objective: An Economically Sustainable, Restructured Energy Sector Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Regulator technically capable			
Indicator: Time required for regulator to issue electricity licenses			
Unit of Measure: months/days	Year	Planned	Actual
Source: Hungarian Energy Office	1996		90 days
Indicator Description: Time judged between application submission and issuance.	1997	60 days	60 days
	1998 (T)		
Comments: Baseline: *six months or more	1999 (T)		

Strategic Objective: An Economically Sustainable, Restructured Energy Sector Approved:8/23/96 Country/ Organization: USAID Hungary			
Result Name: HEO director appointed for fixed term*			
Indicator: Regulator technically capable			
Unit of Measure: Yes/No	Year	Planned	Actual
Source: Hungarian Ministry of Industry, Trade and Tourism	1996		no
Indicator Description:	1997	yes	no
	1998 (T)	yes	
Comments: * appointed and dismissed at Min. discretion	1999 (T)		

Strategic Objective:An Economically Sustainable, Restructured Energy Sector Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Improved End Use Efficiency			
Indicator: Firms actively involved in energy efficiency market			
Unit of Measure: Number	Year	Planned	Actual
Source: Hungary/EU Energy Centre	1996		65
Indicator Description: Includes consulting firms and energy efficiency equipment manufacturers	1997	112	110
	1998 (T)	150	
Comments:	1999 (T)		

Strategic Objective::An Economically Sustainable, Restructured Energy Sector Approved:8/23/96 Country/ Organization: USAID Hungary			
Result Name: More Commercially-viable Energy Efficiency Projects Implemented			
Indicator: Targeted public institutions with financed energy efficiency projects			
Unit of Measure: Number	Year	Planned	Actual
Source: Electrotek Concepts Inc.	1996		
Indicator Description: "Targeted" reflects that this is an activity level indicator.	1997	10	NA
	1998 (T)	25	
Comments: no baseline available	1999 (T)		

Strategic Objective: An Economically Sustainable, Restructured Energy Sector Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: More Commercially-viable Energy Efficiency Projects Implemented			
Indicator: Energy efficiency projects financed in targeted public institutions			
Unit of Measure: Number	Year	Planned	Actual
Source: Electrotek Concepts Inc.	1996		
Indicator Description:"Targeted" reflects that this is an activity level indicator.	1997	15	NA
	1998 (T)	35	
Comments:	1999 (T)		

Strategic Objective:An Economically Sustainable, Restructured Energy Sector Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Policies and regulations Promoting Energy Efficiency in Place			
Indicator:HEO issues guidelines on demand side management (DSM) to distribution co.s			
Unit of Measure:yes/no	Year	Planned	Actual
Source: Hungarian Energy Office	1996	draft issued	drafted
Indicator Description: Distribution companies has to annually submit a description of their DSM activities according to HEO guidelines	1997	*	partial guidelines issued
	1998 (T)	**	yes
Comments: Economic Analysis: HEO guidelines should include how to determine cost savings of DSM. *issue without economic analysis.** issue with economic analysis	1999 (T)	**	

Strategic Objective:An Economically Sustainable, Restructured Energy Sector			
Result Name: Policies and regulations Promoting Energy Efficiency in Place			
Indicator: Active DSM programs in place at distribution co.s			
Unit of Measure: number	Year	Planned	Actual
Source: Hungarian Energy Office	1995		none
Indicator Description: "Active" means that the DSM programs does more than simple information dissemination	1996		15
	1997	30	NA
Comments:	1998 (T)	50	
	1999 (T)		

Strategic Objective:An Economically Sustainable, Restructured Energy Sector			
Approved: 8/23/96		Country/ Organization: USAID Hungary	
Result Name:Policies and regulations Promoting Energy Efficiency in Place			
Indicator: Targeted municipalities tracking energy costs			
Unit of Measure: Number	Year	Planned	Actual
Source: EGI, Engineering Inc.	1996		0
Indicator Description: "Targeted" reflects that this is an activity level indicator	1997	5	3
	1998 (T)	15	
Comments:	1999 (T)		

**BETTER INFORMED CITIZENS INCREASE
THEIR PARTICIPATION IN DECISION MAKING
AT THE LOCAL LEVEL**

Strategic Objective: Better Informed Citizens Increase Their Participation in Decision-Making Processes Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Strategic Objective			
Indicator: Citizen Satisfaction with Local Government			
Unit of Measure: % Average of Survey Responses	Year	Planned	Actual
Source: Political Sciences Institute Foundation	1996		38
Indicator Description: Percentage average of survey responses related to citizen satisfaction with local government according to following scale: 0=total dissatisfaction; 100=total satisfaction	1997	40	49
	1998 (T)	45	
Comments: 1995 Baseline 37	1999 (T)	50	

Strategic Objective: Better Informed Citizens Increase Their Participation in Decision-Making Processes Approved: 8/23/96 Country/ Organization: USAID- Hungary			
Result Name: Strategic Objective			
Indicator: Citizen Rating of Opportunities to Participate in Local Decisions			
Unit of Measure: % Average of Survey Responses	Year	Planned	Actual
Source: Political Sciences Institute Foundation	1996		41
Indicator Description: Percentage average of survey responses related to opportunities for citizens to participate in local decisions	1997	44	43 (city survey) 49 (nation-wide sample)
	1998 (T)	45	
Comments: 1995 Baseline 39	1999 (T)	50	

Strategic Objective: Better Informed Citizens Increase Their Participation in Decision-Making Processes Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Strategic Objective			
Indicator: Citizen Rating of Impact from Their Input			
Unit of Measure: % Average of Survey Responses	Year	Planned	Actual
Source: Political Sciences Institute Foundation	1996		35
Indicator Description: Percentage average of survey responses related to citizen rating of impact from their input to local government	1997	38	38 (city survey) 43 (nation-wide sample)
	1998 (T)		
Comments: 1995 Baseline 31	1999 (T)	40	

Strategic Objective: Better Informed Citizens Increase Their Participation in Decision-Making Processes Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Increased Flow of Useful Information			
Indicator: Citizen Awareness of Local Government Issues and Activities			
Unit of Measure: % Average of Survey Responses	Year	Planned	Actual
Source: Political Sciences Institute Foundation	1996		24
Indicator Description: Percentage average of survey responses related to citizen awareness of government issues and activities according to following scale: 100%=highly informed; 67%=quite informed; 33%=slightly informed; 0%=not informed	1997	35	35 (city survey) 45 (nationwide sample)
	1998 (T)	40	
Comments: 1996 Baseline 24.3%	1999 (T)	50	

Strategic Objective: Better Informed Citizens Increase Their Participation in Decision-Making Processes Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Increased Flow of Useful Information			
Indicator: Length of Airtime Devoted to Local News by Local Television Stations			
Unit of Measure: Hours per Week	Year	Planned	Actual
Source: Center for Independent Journalism	1996		5.6
Indicator Description: N/A	1997	6.2	6.6
	1998 (T)	7.0	
Comments: N/A	1999 (T)	NA	

Strategic Objective: Better Informed Citizens Increase Their Participation in Decision-Making Processes Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Increased NGO Capacity			
Indicator: NGO enabling legislation			
Unit of Measure: Passed/Not passed	Year	Planned	Actual
Source: Parliament	1996		not passed
Indicator Description: N/A	1997	passed	passed
	1998 (T)	passed	
Comments: Baseline 1995 - not passed	1999 (T)	passed	

Strategic Objective: Better Informed Citizens Increase Their Participation in Decision-Making Processes Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Increased NGO Cooperation			
Indicator: NGO support network established			
Unit of Measure: Number of Satellite Centers	Year	Planned	Actual
Source: Democracy Networks Hungary	1996	5	6
Indicator: N/A	1997	10	19
	1998 (T)	15	
Comments: Baseline 1990 - 0	1999 (T)	20	

Strategic Objective: Better Informed Citizens Increase Their Participation in Decision-Making Processes Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Local Governments, NGOs and Private Sector Establish Effective Collaborative Fora			
Indicator: Municipalities with institutionalized mechanisms for collaboration with NGOs			
Unit of Measure: Number of civil ombudsman, etc.	Year	Planned	Actual
Source: Democracy Networks Hungary	1996	2	3
Indicator Description: N/A	1997	4	4
	1998 (T)	7	
Comments: Baseline 1990 - 0	1999 (T)	10	

Strategic Objective: Better Informed Citizens Increase Their Participation in Decision-Making Processes Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Local Governments, NGOs and Private Sector Establish Effective Collaborative Fora			
Indicator: Cross-Sector Collaborative Committees Formed to Aid Targeted Communities			
Unit of Measure: Number of committees (cumulative)	Year	Planned	Actual
Source: Department of Labor	1996	15	16
Indicator Description: N/A	1997	25	34
	1998 (T)	30	
Comments: N/A	1999 (T)	30	

Strategic Objective: Better Informed Citizens Increase Their Participation in Decision-Making Processes Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: General Management Capacity of Local Governments Improved			
Indicator: Targeted municipalities use budgets as management tools			
Unit of Measure: Number	Year	Planned	Actual
Source: Urban Institute/ICMA(B-1990)	1996	1	1
Indicator Description: N/A	1997	20	27
	1998 (T)	30	
Comments: N/A	1999 (T)	40	

Strategic Objective: Better Informed Citizens Increase Their Participation in Decision-Making Processes Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Increased Interlocal Cooperation			
Indicator: Cooperative agreements between municipalities			
Unit of Measure: number	Year	Planned	Actual
Source: ICMA	1996		4
Indicator Description: N/A	1997	8	13
	1998 (T)	12	
Comments: N/A	1999 (T)	16	

Strategic Objective: Better Informed Citizens Increase Their Participation in Decision-Making Processes Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Increased Interlocal Cooperation			
Indicator: Municipalities involved in cooperation			
Unit of Measure: Number	Year	Planned	Actual
Source: ICMA	1996		12
Indicator Description: N/A	1997	24	88
	1998 (T)	36	
Comments: N/A	1999 (T)	50	

Strategic Objective: Better Informed Citizens Increase Their Participation in Decision-Making Processes Approved: 8/23/96 Country/ Organization: USAID Hungary			
Result Name: Improved National Level Framework for Efficient Local Government			
Indicator: Own-source revenue of the Council for Local Associations			
Unit of Measure: % of expenditures	Year	Planned	Actual
Source: Council	1996		40
Indicator Description: N/A	1997	45	47.3
	1998 (T)	55	
Comments: N/A	1999 (T)	65	

ANNEX III

WORKFORCE RESOURCES

Workforce

Org. OAR Hungary FY 1998 On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	Fiscal	Financial	SME	LocGov	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire								0	1						1	1
Other U.S. Citizens: 1/ OE Internationally Recruited OE Locally Recruited Program	1.5	0.5	1.5	2				0 0 5.5	2 0.5						0 2 0.5	0 2 6
FSN/TCN Direct Hire: OE Internationally Recruited OE Locally Recruited								0 0							0 0	0 0
FSN/TCN Non-Direct Hire: OE Internationally Recruited OE Locally Recruited Program	0.5 0.5		0.5 0.5	1 1				0 2 2	1				3		0 4 0	0 6 2
Total Staff Levels	2.5	0.5	2.5	4	0	0	0	9.5	4.5	0	0	0	0	3	7.5	17
TAACS Fellows								0 0							0 0	0 0

1/ Excluding TAACS and Fellows

Workforce

Org. OAR Hungary FY 1999 Target On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	Fiscal	Financial	SME	LocGov	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire								0							0	0
Other U.S. Citizens: 1/ OE Internationally Recruited								0							0	0
OE Locally Recruited Program								0							0	0
FSN/TCN Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FSN/TCN Non-Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited Program								0							0	0
Total Staff Levels	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Org. OAR Hungary FY 1999 Request On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	Fiscal	Financial	SME	LocGov	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire								0							0	0
Other U.S. Citizens: 1/ OE Internationally Recruited								0							0	0
OE Locally Recruited Program								0							0	0
FSN/TCN Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FSN/TCN Non-Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited Program								0							0	0
Total Staff Levels	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Workforce

Org. OAR Hungary FY 2000 Target On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire								0							0	0
Other U.S. Citizens: 1/ OE Internationally Recruited								0							0	0
OE Locally Recruited Program								0							0	0
FSN/TCN Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FSN/TCN Non-Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited Program								0							0	0
Total Staff Levels	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Org. OAR Hungary FY 2000 Request On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire								0							0	0
Other U.S. Citizens: 1/ OE Internationally Recruited								0							0	0
OE Locally Recruited Program								0							0	0
FSN/TCN Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FSN/TCN Non-Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited Program								0							0	0
Total Staff Levels	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Workforce

Org. OAR Hungary FY 2001 On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire								0							0	0
Other U.S. Citizens: 1/ OE Internationally Recruited								0							0	0
OE Locally Recruited Program								0							0	0
FSN/TCN Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FSN/TCN Non-Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited Program								0							0	0
Total Staff Levels	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Workforce

MISSION :

OAR Hungary

USDH STAFFING REQUIREMENTS BY SKILL CODE

BACKSTOP (BS)	NO. OF USDH EMPLOYEES IN BACKSTOP FY 98	NO. OF USDH EMPLOYEES IN BACKSTOP FY 99	NO. OF USDH EMPLOYEES IN BACKSTOP FY 2000	NO. OF USDH EMPLOYEES IN BACKSTOP FY 2001
01SMG				
02 Program Off.				
03 EXO				
04 Controller				
05/06/07 Secretary				
10 Agriculture.				
11Economics				
12 GDO				
12 Democracy				
14 Rural Dev.				
15 Food for Peace				
21 Private Ent.				
25 Engineering				
40 Environ				
50 Health/Pop.				
60 Education				
75 Physical Sci.				
85 Legal				
92 Commodity Mgt				
93 Contract Mgt				
94 PDO	1			
95 IDI				
Other*				
TOTAL	1	0	0	0

*please list occupations covered by other if there are any

ANNEX IV

ACTIVITY CLOSEOUT TIMELINES

Activity Completion Chart

Sector/Area/Project Activity	Quarter:	FY 97				FY 98				FY 99				Notes
		1	2	3	4	1	2	3	4	1	2	3	4	
S.O. Team - Fiscal														
Environmental Economics (HIID)														
Tax & Pension Reform (CIPE)														
Tax Administration (UST)														
Fiscal Reform (FSVC)														
Case Mapping Seminars (HAC)														Pending
Prime Minister's Office Support														
NGO Development - Education (Confederation)														Pending
Pension Funds IT														Pending
Pension Fund Supervision (UST)														
Health Services - Protocol Guidelines (DHHS)														
Hospital Accreditation (Joint Commission)														
Outpatient Care (3M HIS)														
Rational Drug Use (Global)														
S.O. Team - Financial														
Privatization & Restructuring (Credit Rating Agency)														
Financial Markets Dev. (FSVC)														
Financial Housing (Urban Institute)														
State Banking Supervision (Barents)														
Financial Services (UST)														
S.O. Team - Energy														
Industry Contracts/Utility Grants (Bechtel)														
Regional Energy Efficiency (Electrotec)														
S.O. Team - SME														
Enterprise Restructuring (RONCO)														
Entrep. Mgmt. & Exec. Dev. (World Learning)														
Total Quality Management Centers (SUNY)														
ESOPs Assistance (Share Participation)														
SME Housing (EE Real)														
SME Housing (Urban Institute)														
Private Enterprise Development (CIPE)														
Regional Access to Info. & Credit (ACDI/VOCA)														
Mgmt. Training & Econ. Educ. (Indiana University)														
OTP LPG (Small Business Loans)														Post Presence #1
S.O. Team - Local Governance														
Democracy Networks (UWI)														
Pro Media (IREX)														
Improved Public Sector Environmental Services (EPA)														
NGO Legislation (ICNL)														
Partnerships in Health Care (AIHA)														
Public Administration (ICMA)														
Labor Activities (DOL)														
Local Governance Housing (Urban Institute)														
Democracy Commission Small Grants (USIS)														
Media Training (USIS)														
Democracy Advocate (Urban Institute)														
Cross Cutting & Special Initiatives														
English Teaching (USIS)														
Participant Training (Technical Training in US.)														
Ron Brown Scholarship (USIS)														Post Presence #2
US-Israeli CDR Program														Post Presence #3
Audit Evaluation/Project Support														
Hungarian American Enterprise Fund														Post Presence #4
Water Quality Investment (GEF)														Post Presence #5

#1 G/EGAD/CI will monitor existing guarantees.

#2 Study programs completed in 2000, under 632a transfer USIS will monitor activity.

#3 Projects selected by AID/G/EG, oversight provided by the Office of the Science Attaché in the US Embassy in Tel Aviv.

#4 USAID/W will monitor Enterprise Fund activities until entire portfolio is liquidated in 2005.

#5 OAR/Hungary will transfer activity management to ENI/EEUD in September, 1998.

ANNEX V

STRATEGIC OBJECTIVE TEAMS MEMBERSHIP DIRECTORY

**Increased Soundness of Fiscal Policies and Fiscal Management Practices
A More Competitive And market-Responsive Private Financial Sector
(Operate as a single team)**

Core Team:

Katalin Babosik
Ken Beasley
Larry Birch
Karoly Okolicsanyi
Chris Frost
Reka Juhasz
Brian Wickland, ENI/ECA/NT
Susan Matthies, ENI/HR/HP
Mitzi Likar, ENI/PER/CMB
Victoria Wohlsen, ENI/PER/CMB
Jean Lange, ENI/PER/CMB
Elisabeth Wickstrom, ENI/PER/LRTF
Rebecca Black, RHUDO/Warsaw
Nancy Hoof, ENI/EEUD/UDH
Melissa Brinkerhoff, EMI/ED/SB
Michael Kenyon, RCO

Extended Team:

John Moran, ECON
Michael Zorick, ECON
Roderick Rumreich, First Washington Associates
Jozsef Rotyis, First Washington Associates
Mark Allen, IMF
Roger Grawe, World Bank
Roberto Rocha, World Bank
Robert Palacios, World Bank
Imre Hollo, World Bank
William Sudmann, US Treasury
Denis Lamaute, US treasury
David Nummy, US Treasury
Robert Klayman, US Treasury
Chris Black, FSVC
Edward Nollan, BARENTS
John Borzyskowski, BARENTS
Mercedes Borzykowski, BARENTS
Peter Csillik, Prime Minister's Office
Robert Angelus, Prime Minister's Office
Imre Tarafas, Bank and Capital Market Supervision
Tibor Parniczky, Pension Supervision
Peter Mihalyi, Ministry of Finance

Katie Mark, Urban Institute

Jean Rogers, CIPE

Eva Kereszty, Ministry of Welfare

Laszlo Kekesi, Hungarian Tax Authority

Gabor Bessenyei, Hungarian Tax Authority

Improved Operations of Small and Medium Sized Enterprises

Core Team

Katalin Babosik
Anne Beasley
Larry Birch
Karoly Okolicsanyi
James Dzierwa
Susan Kutor
Melissa Brinkerhoff,ENI\ED\SB
James May,ENI\ED\SB
John Moran,G\EG\CI
Patricia Bekele,ENI\HR\TE
Charles Signer,ENI\ED\SB
Frank Mertens,ENI\ED\AG
Sonny Low,ENI\EEUD\UDH

Extended Team

Michael Zorick,Econ.
Krisztina Nemeth, Peter Toth,EU-PHARE
Nick Leake,Brithish Know How Fund
Gabor Jobbagy, Center for Private Enterprise Development
Arpad Kezdi, Center for Private Enterprise Development
Gerry Martin, World Learning
Tamas Szekelyhidi,BOCA
Maria Sebestyen Kostyal,ACDI
Ezsebet Banyaine,OTP Bank
Jean Rogers,CIPE
Deborah Wahlberg,RONCO
Katie Mark,Urban Institute
Al Van Hoyck,EERPF
Gyorgy Bogel,Management Development Center
Eva Molnar,MATCH Indiana University
Janos Lukacs,Share Participation Foundation
Istvan Bogyo,Small Business Development Center, Debrecen
Anna Szekacs,Hungarian Ministry of Finance
Laszlo Kallay,Institute for Small Business Development
Zoltan Szemerey,Hungarian-American Enterprise Foundation
Peter Zuban,Baranya County Enterprise Promotion Center

An Economically Sustainable, Restructured Energy Sector

Core Team

Kenneth Beasley - USAID/Hungary
Jacqueline DeRosa - USAID/Washington
Ira Birnbaum - USAID/Washington
Rajiv Rastogi - USAID/Washington
Gordon Weynand - USAID/Washington
Loren Schulze - USAID/Washington
Robert Ichord - USAID/Washington

Extended Team

Gabor Szorenyi - HEO
Howard Menaker - Bechtel Consulting
Lawrence Markel - Electrotek Concepts, Inc.
Ruth Cherenson - U.S. Energy Association (USEA)
Ian Brown - EU/Hungary Energy Centre
Jim Elvis - USEA
Robert Russo - Electrotek Concepts
Jennifer Fagan - Electrotek Concept
Scott Vicary - Electrotek Concepts
J. Charles Smith - Electrotek Concepts
Istvan Kovacsics - EGI Contracting/Engineering
Sandor Nagy - Veszprem County Hospital
Robert Borgstrom - Bechtel Consulting
John Gullivan - Pierce Atwood
Ferenc Horvath - HEO
Howard S. Stone - Arthur Anderson
Catherine Connors - Pierce Atwood
Gyorgy Barkany - HEO
Tibor Tersztanszky - HEO
Alan E. Finter - Arthur Anderson

**Better Informed Citizens Increase Their Participation in
Decision Making at the Local Level**

Core Team

Larry Birch
Klara Vizer
Marc Ellingstad
Susan Kutor
Niki Nagy
Bruce Grogan
Wendy Wallace
Rebecca Black
Ted Priftis
Peter Graves
Jennifer Karp

Extended Team

Peter Nizak
Maria Heidkamp
Tim Honey
Katie Mark
Charles Jokay
Beatrice Camp
Susan Elbow
Sandor Orban

Operating Expenses

Org. Title: USAID Hungary Org. No: USAID Hungary OC		Overseas Mission Budgets											
		FY 1998 Estimate			FY 1999 Estimate			FY 2000 Target					
		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
Org. Title: USAID Hungary		Overseas Mission Budgets											
Org. No: USAID Hungary		FY 1998 Estimate			FY 1999 Estimate			FY 2000 Target					
OC		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total

Operating Expenses

OC	Org. Title: USAID Hungary Org. No: USAID Hungary	Overseas Mission Budgets														
		FY 1998 Estimate			FY 1999 Estimate			FY 2000 Target			Dollars	TF	Total	Dollars	TF	Total
		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total						
11.1	Personnel compensation, full-time permanent															
11.1	Base Pay & pymt. for annual leave balances - FNDH			0			0			0			0			0
	Subtotal OC 11.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11.3	Personnel comp. - other than full-time permanent															
11.3	Base Pay & pymt. for annual leave balances - FNDH			0			0			0			0			0
	Subtotal OC 11.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11.5	Other personnel compensation															
11.5	USDH			0			0			0			0			0
11.5	FNDH			0			0			0			0			0
	Subtotal OC 11.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11.8	Special personal services payments															
11.8	USPSC Salaries	114.9		114.9	66		66	0		0			0			0
11.8	FN PSC Salaries	43.4		43.4	23.8		23.8	0		0			0			0
11.8	IPA/Details-In/PASAs/RSSAs Salaries			0			0			0			0			0
	Subtotal OC 11.8	158.3	0	158.3	89.8	0	89.8	0	0	0	0	0	0	0	0	0
12.1	Personnel benefits															
12.1	USDH benefits															
12.1	Educational Allowances	32		32	0		0	0		0			0			0
12.1	Cost of Living Allowances			0			0			0			0			0
12.1	Home Service Transfer Allowances			0			0			0			0			0
12.1	Quarters Allowances			0			0			0			0			0
12.1	Other Misc. USDH Benefits	1		1	1		1	0		0			0			0
12.1	FNDH Benefits															
12.1	Payments to the FSN Separation Fund - FNDH			0			0			0			0			0
12.1	Other FNDH Benefits			0			0			0			0			0
12.1	US PSC Benefits	19.1		19.1	14.5		14.5	0		0			0			0
12.1	FN PSC Benefits															
12.1	Payments to the FSN Separation Fund - FN PSC			0			0			0			0			0
12.1	Other FN PSC Benefits	22.4		22.4	18.3		18.3	0		0			0			0
12.1	IPA/Detail-In/PASA/RSSA Benefits			0			0			0			0			0
	Subtotal OC 12.1	74.5	0	74.5	33.8	0	33.8	0	0	0	0	0	0	0	0	0
13	Benefits for former personnel															
13	FNDH															
13	Severance Payments for FNDH			0			0			0			0			0
13	Other Benefits for Former Personnel - FNDH			0			0			0			0			0
13	FN PSCs															
13	Severance Payments for FN PSCs			0	30.2		30.2	0		0			0			0
13	Other Benefits for Former Personnel - FN PSCs			0			0			0			0			0
	Subtotal OC 13.0	0	0	0	30.2	0	30.2	0	0	0	0	0	0	0	0	0
21	Travel and transportation of persons															
21	Training Travel	0		0	0		0	0		0			0			0
21	Mandatory/Statutory Travel															
21	Post Assignment Travel - to field			0			0			0			0			0
21	Assignment to Washington Travel	1.2		1.2	6.1		6.1	0		0			0			0
21	Home Leave Travel	10		10			0			0			0			0
21	R & R Travel			0			0			0			0			0
21	Education Travel			0			0			0			0			0
21	Evacuation Travel			0			0			0			0			0
21	Retirement Travel			0			0			0			0			0
21	Pre-Employment Invitational Travel			0			0			0			0			0
21	Other Mandatory/Statutory Travel			0			0			0			0			0
21	Operational Travel															
21	Site Visits - Headquarters Personnel	0		0	0		0	0		0			0			0
21	Site Visits - Mission Personnel	1		1	2		2	0		0			0			0
21	Conferences/Seminars/Meetings/Retreats	3		3	3		3	0		0			0			0
21	Assessment Travel			0			0			0			0			0
21	Impact Evaluation Travel			0			0			0			0			0
21	Disaster Travel (to respond to specific disasters)			0			0			0			0			0
21	Recruitment Travel			0			0			0			0			0
21	Other Operational Travel	1		1	5		5	0		0			0			0
	Subtotal OC 21.0	16.2	0	16.2	16.1	0	16.1	0	0	0	0	0	0	0	0	0
22	Transportation of things															
22	Post assignment freight	16		16	16		16			0			0			0
22	Home Leave Freight	10		10			0			0			0			0
22	Retirement Freight			0			0			0			0			0
22	Transportation/Freight for Office Furniture/Equip.	0		0	1.4		1.4	0		0			0			0
22	Transportation/Freight for Res. Furniture/Equip.	0		0	1.1		1.1	0		0			0			0
	Subtotal OC 22.0	26	0	26	18.5	0	18.5	0	0	0	0	0	0	0	0	0
23.2	Rental payments to others															
23.2	Rental Payments to Others - Office Space	260		260	200.9		200.9	0		0			0			0
23.2	Rental Payments to Others - Warehouse Space	10		10	10		10	0		0			0			0
23.2	Rental Payments to Others - Residences	46		46	21.5		21.5	0		0			0			0
	Subtotal OC 23.2	316	0	316	232.4	0	232.4	0	0	0	0	0	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges															
23.3	Office Utilities			0			0			0			0			0

USAID BUDGET SUMMARY

NUMBER		PROJECT	PARTNER	FY97	FY98
NO. 1 INCREASED SOUNDNESS OF FISCAL POLICIES AND FISCAL MANAGEMENT PRACTICES					
180-0027	.01	Tax Administration	Treas. Dept.	475,000	360,000
180-0027	.01	Pension Fund Supervision	Treas. Dept.	475,000	475,000
180-0027		NGO Development	Confederation	50,000	
180-0027	.02	Fiscal Reform	FSVC	195,000	
180-0004	.11	Environ. Econ. (Advisor at Min. of Finance)	HIID	100,000	
180-0023	.03	Pension Reform	CIPE	250,000	25,000
180-0038		Case Mapping	HAC	72,500	
180-0038	*	Protocol Guidelines	Dept. Health & Human Res.	400,000	100,000
180-0038	*	Hospital Accreditation	Joint Commission on Accred.		100,000
180-0038	*	Outpatient Care	3M HIS	300,000	100,000
180-0038	*	Rational Drug Use	RPM Global	150,000	200,000
180-0014	*	Policy Reform and Technical Assistance	IQC	180,000	777,500
1.2 Total				2,647,500	2,137,500
NO. 2 IMPROVED OPERATIONS OF SMALL AND MEDIUM SIZED ENTERPRISES					
180-0014	*	ESOPs Assistance	Shared Participation	150,000	
180-0014	*	Corp. Resource Center (SME evaluation & support)	East-West Bus. Center/RONCO	959,924	
180-0023	.03	Private Enterprise Development	CIPE	700,000	250,000
180-0023	.11	Entrep. Mgmt. & Executive Dev. (Business Training)	PIET	500,000	
180-0024	.01	TA to Agr. Sector (Regional Access to Info. and Credit)	VOCA	1,615,884	230,000
180-0024	.04	TA to Agr. Sector (Regional Access to Info. and Credit)	ACDI		350,000
180-0024	*	Info Fact/S.O. Support	TBD	50,000	250,000
180-0029	.01	Total Quality Management Centers	SUNY	281,000	
180-0029	.01	Management Training & Economic Education	Indiana University	100,000	
180-0034	*	Housing Sector Assistance	Urban Institute	500,000	50,000
180-XXXX	*	SME Policy	TBD	79,076	20,000
180-XXXX	*	USPSC Contracts	na	150,000	
1.3 Total				5,085,884	1,150,000

USAID BUDGET SUMMARY

NO. 3 A MORE COMPETITIVE AND MARKET RESPONSIVE PRIVATE FINANCIAL SECTOR

180-0014	*	State Banking Supervision	Barents	1,040,000	475,000
180-0027	.01	TA/Financial Services (Short-term TA)	Treas. Dept.	475,000	237,500
180-0027	.02	Financial Markets Dev. (Volunteer Advisors)	FSVC	205,000	
180-0034	*	Housing Sector Assistance	Urban Institute	550,000	200,000
180-0014	*	Credit Rating Agency	First Washington Associates	600,000	
180-0014	*	USPSC Contracts	na	255,000	
1.4 Total				3,125,000	912,500

NO. 4 AN ECONOMICALLY SUSTAINABLE RESTRUCTURED ENERGY SECTOR

180-0030	.01	Industry Contracts/ Utility Grants	Bechtel Corp. etc.	0	
1.5 Total				0	

NO. 5 BETTER INFORMED CITIZENS INCREASE THEIR PARTICIPATION IN DECISION MAKING AT THE LOCAL LEVEL

180-0004	.06	NGO Grant Support	Regional Environ. Center	0	100,000
180-0019	.07	Public Administration (Local Government Support)	ICMA	450,000	
180-0021	.13	Demo. Commission Small Grants (NGO Support)	USIA	150,000	100,000
180-0022	.01	Professional Media Program	IREX	250,000	
180-0022	.02	USIS Media Training	USIS	50,000	50,000
180-0032	.09	Democracy Network (NGO Grants & Training)	United Way Int'l.	200,000	
180-0032	.09	Democracy Network (NGO Grants & Training)	DEM NET		875,000
180-0033	*	Labor Activities (Rapid Response)	U.S. Dept. of Labor	250,000	250,000
180-0034	*	Housing Sector Assistance	Urban Institute	800,000	350,000
180-0034	*	Democracy Advocate	Urban Institute	700,000	50,000
180-0034	*	USPSC Contract	na	150,000	125,000
2.1 Total				3,000,000	1,900,000

4.1 CROSS CUTTING AND SPECIAL INITIATIVES

180-0002	.09	English Teaching	USIA	150,000	
180-0045	.01	Participant Training (Technical Training in U.S.)	PIET	500,000	300,000
180-0045	.06	Ron Brown Scholarship	USIA	0	100,000
180-0249	.01	Project Support/Evaluation	na	489,278	500,000
180-XXXX		Parking Fines	na	2,338	
4.1 Total				1,141,616	900,000
GRAND TOTAL				15,000,000	7,000,000

INFORMAL R4 REVIEWS

I. REVIEW PROCEDURES

1. Country Working Group (CWG) organized to conduct R4 review:

- * chaired by PCS officer with assigned responsibility for respective country;
- * other CWG members will consist of the desk officer and one representative each from OIM, AMS, FS and Central Bureaus;

2. CWG reviews full country program, covering the same topics as an intensive review:

- * request POT perspective on Mission's SO ratings and issues regarding performance, prospects, funding, and graduation/closeout. At CWG's discretion, invite participation by ENI/W technical officers in review of problematic SO(s);
- * assess SO performance, and adjust SO ratings up or down based on extenuating circumstances and changed SO prospects (see Attachment E for rating scale);
- * consider appropriateness of SO resource allocations;
- * assess viability of graduation/closeout plans (where applicable) and subsequent progress towards graduation/closeout targets;
- * consider cross-cutting resource issues on workforce/OE;
- * endorse (or question) Mission proposals to adjust SO plans;
- * make summary judgments concerning whether SOs are on-track for successful achievement;
- * assess progress/prospects of major special initiatives;
- * communicate with post to obtain essential information, reconcile different views on SO performance, and resolve issues through agreed actions;
- * draft program review cable, including agreed management actions, and send draft to post for comment.
- * NOTE: The CWG should apply the same economizing and simplifying review principles established for intensive reviews.

3. If there are no unresolved issues, the CWG chairperson composes the draft cable based on CWG review, adjusts the cable to accommodate Mission views, obtains clearances and AA/DAA approval, and transmits to post. (Standard clearances include ENI office directors, applicable POT leaders, Central Bureau reps, and State.)

4. If issues remain after CWG/Mission communications, the CWG convenes a limited-attendance decision meeting with the AA/DAA.

- * Participants will be limited to the AA/DAA, office directors of ECA/NCA, PCS, OIM; the office director and POT leader (or their designees) for the SO(s) at issue; the CWG chairperson, and desk officer;
- * If the issues are sufficiently serious to warrant Mission representation, the meeting will be scheduled to accommodate such participation;
- * The draft R4 review cable, with issues highlighted, will be distributed to participants before the decision meeting, but the meeting will focus exclusively on resolution of issues;
- * The CWG chairperson will incorporate AA/DAA decisions in the program review cable; obtain clearances and AA/DAA approval; and transmit to post.

II. STANDARD TIMETABLE

Week One:

- * Monday: Receipt of document from post;
- * Monday: Electronic distribution to ENI office directors, POTs, and ENI liaison officers in Central USAID Bureaus;
- * Thursday: Printing and distribution of printed version to ENI office directors, POTs, ENI liaison officers in Central Bureaus, and State offices.

Week Two:

- * Monday: Country Working Group (CWG) invites POT perspectives on SO performance rating and program issues; as deemed necessary, CWG invites selected technical officers to participate in review of problematic SOs;
- * Wednesday/Thursday: CWG holds initial meeting(s) to consider SO ratings, performance prospects, resource allocations, and graduation/closeout plans (where applicable);

- * Thursday: CWG communicates with post to request information, provide rationale for different SO performance ratings, identify potential issues, and/or recommend Mission actions to enhance performance;

Week Three:

- * Wednesday: Mission responds to CWG questions/issues;
- * Thursday/Friday: CWG reconvenes to consider Mission response, adjust views accordingly, and identify any remaining issues.

Week Four:

- * Tuesday COB: CWG e-mails draft program review cable to Mission, highlighting issues and areas of continuing difference between the CWG and the Mission;
- * Friday COB: Mission provides comments on draft cable to CWG, suggesting modifications for improved accuracy, acknowledging and/or adding to issues, and proposing management actions to resolve selected issues.

Week Five:

- * Tuesday COB: Track A -- no unresolved issues. The CWG modifies the draft cable to incorporate Mission inputs and distributes the cable for clearance;
- * Tuesday COB: Track B -- unresolved issues with the Mission. the CWG schedules a decision meeting with the AA/DAA, modifies the draft cable to incorporate Mission inputs and highlight issues, and distributes the cable to prospective participants at the decision meeting;
- * Thursday: Track B. AA or DAA/ENI chairs a limited-attendance decision meeting, normally without Mission representation. If the issues warrant Mission Director participation, the meeting date is set accordingly.

Week Six:

- * Wednesday: Track B. The CWG chairperson distributes draft cable for clearance, modified to incorporate results of the decision meeting;
- * Friday: Track A. CWG chairperson obtains DAA/AA cable approval and transmits program review cable to post.

Week Seven:

- * Friday: Track B: CWG obtains DAA/AA cable approval and transmits program review cable to post