

PD-ABR-120

100440

ENI REGIONAL R4

FOR BUDGET YEAR

FY2000

Submissions by ENI/W Program Objective Teams

May 26, 1998

ENI's Strategic Framework consists of eleven objectives in three strategic assistance areas, supported by cross-cutting programs

Strategic Assistance Area I Economic Restructuring

Goal Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources is privately owned and managed.

- ENI Objective 1 1 Increased transfer of state-owned assets to the private sector
- ENI Objective 1 2 Increased soundness of fiscal policies and fiscal management practices
- ENI Objective 1 3 Accelerated development and growth of private enterprises
- ENI Objective 1 4 A more competitive and market-responsive private financial sector
- ENI Objective 1 5 A more economically sound and environmentally sustainable energy system
- ENI Objective 1 6 Increased environmental management capacity to support sustainable economic growth

Strategic Assistance Area II: Democratic Transition

Goal Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes

- ENI Objective 2 1 Increased, better-informed citizens' participation in political and economic decision-making
- ENI Objective 2 2 Legal systems that better support democratic processes and market reforms
- ENI Objective 2 3 More effective, responsible, and accountable local government

Strategic Assistance Area III: Social Stabilization

Goal: Respond to humanitarian crises and strengthen the capacity to manage the human dimension of the transition to democracy

- ENI Objective 3 1 Reduced human suffering and crisis impact
- ENI Objective 3 2 Improved sustainability of health and social benefits and services

Assistance Area IV. Cross-cutting Programs/Special Initiatives

- 1 -

SUBJECT: ENI/W REGIONAL R4 SUBMISSION

Summary This memo updates procedures for the ENI/W Regional R4, with emphasis on simplified requirements. Our system relies on POTs to assess results to date, briefly describe new or expanded program initiatives, and justify resource requests for their respective program objectives. Results reporting should be made in relation to performance measures established in the FY1997 Regional R4 submission, as modified or refined per PCS e-mail guidance of March 3, 1998. For new program proposals, POTs will need to provide plans and establish performance measures.

1. Objectives Consistent with the Government Performance and Results Act, this memo defines standard procedures for ENI/W's Regional R4 submission. The procedures seek to ensure the following:

- results reporting in relation to established performance measures,
- linkage of resource allocation decisions to results and prospects for future progress,
- opportunity for ENI overseas posts to comment on relevance, utility, and performance of regional programs,
- simplified procedures for R4 preparation and presentation.

2. Coverage For purposes of R4 coverage, ENI/W regional programs consist of activities that (a) are geographically cross-border in scope or are otherwise inappropriate for inclusion in a country R4 and (b) are managed by or subject to the management oversight of an ENI/W office or team. This definition embraces the following types of programs:

- truly regional programs, i.e., programs whose success depends upon concurrent action and/or cooperation by two or more countries,
 - workshops, information networks, and institutional support for cross-border sharing of development experience,
 - assessment/design arrangements whose flexibility and rapid response capability would be impaired if budgeted on a country-specific basis,
 - programs intended to extend U.S.-country relationships and reinforce sustainability beyond closure of USAID posts,
 - programs to be initiated in ENI countries where resident USAID missions have already closed.
- 1

Exempted from regional R4 treatment are (a) programs managed and monitored by other agencies, e g , 632(a) interagency transfers and allocations, and (b) programs of the Enterprise Funds which, per ENI/W guidance of 9/30/96, are intended to solve problems within countries rather than an effort to address a truly regional problem

3 Responsibilities ENI/W is the operating unit for the overall ENI/W regional program The ENI Regional R4 will be presented in program components corresponding to the twelve program objectives defined in the ENI Strategic Framework and cross-cutting programs (POT4 2) Program Objective Teams (POTs) are responsible for reporting on results, defining plans for new programs, and presenting/justifying the resource request for their respective program objectives

4 Resource Trends for the Regional Program: A PCS e-mail of March 3, 1998 communicated FY98 OYB and FY99 planning levels for ENI/W regional programs, by POT and activity Funding trends suggest need for conservatism in FY2000 resource requests We expect the State Coordinator to restrict funding for the NIS Regional Account Administrative expenses (including PSCs) were held to \$6 million in FY98, and that level is likely to be maintained through FY2000 NIS regional program funds are also unlikely to rise above FY98 levels While we do not want to dissuade POTs from proposing important new programs, realistically there will be little slack in the NIS regional budget beyond administrative costs and environmental partnerships The CEE regional budget also offers little flexibility, in part because of funding requirements for the CEE Civil Society Trust, estimated at \$12.5 million per year beginning in FY99 Overall CEE regional funding levels will likely decline from FY98

5 R4 Content (each POT to supply)

A **Results review** Provide a brief narrative (not to exceed four pages) covering the following topics

- assess program progress over the past year relative to planned results and targets (based on RFs or selected indicators that POTs established for the 1997 R4),
- state explicitly whether progress exceeded, largely met, or fell short of expectations,
- describe actions to correct problems of underperformance,
- discuss prospects for progress through the budget request year (FY2000)

B New Program Descriptions and Performance Measures For new, expanded, or significantly modified programs, POTs should present plans in one of the following forms, depending upon the breadth and significance of the total program managed by the POT

1 - selected results/indicators - For programs of modest funding and impact, POTs may submit an abbreviated plan consisting of the following

- program description and rationale for regional funding, including duration of program and participating countries,
- one/two desired results,
- one/two indicators, baselines & targets, per result

2 - results framework - When the total POT program will contribute significantly to achieving a particular ENI program objective, the POT needs to provide the following

- program description and rationale for regional funding, including duration of program and participating countries,
- a full results framework, including a schematic, narrative, and performance data table (Normally, only one RF will be required per POT, although different program approaches and/or results for CEE and NIS might call for separate RFs for each region)

Note Although POT submissions should include regionally-funded PSCs and contractor/grantee assistance to Missions for program assessment/design, POTs need not identify results and indicators for these Mission-support activities

C Programs in Graduation/Closeout Countries The Regional R4 is also the Bureau's mechanism to consider the justification for regionally-managed programs in ENI countries that will extend beyond or be initiated after closeout of the bilateral program. As noted in a recent e-mail summary of ENI/W meetings on the subject, "post-presence activities will have to pass a high-threshold test because funds and staff resources will be declining, and ENI will need to focus resources on countries where graduation has not yet been achieved"

POTs should include such proposals in their Regional R4 submission, identifying the countries to be assisted and providing program descriptions and performance measures per para B, above. In the program description, POTs are requested to provide justification for post-closeout programs along the following lines

- problem addressed and why it impedes successful transition,
- planned results and their importance to sustainable transition,
- need for USAID to address the problem rather than rely upon another donor agency or the country's own initiative,
- management arrangements in the absence of a resident mission, among other things specifying the USAID officer(s) responsible for oversight,
- expected time frame for achieving planned results and concluding the assistance activities

Pursuant to recent ENI/W meetings on the subject and views from overseas posts, we expect further elaboration of guidance on justification for post-presence programs and criteria for judging their relative priority. Supplementary guidance will be supplied when available.

D Resource Request Please use the attached tabular format to present your POT's resource request through FY2000 by region (CEE or NIS), traditional ENI project or component, and principal program/activity. Note that all POTs must submit resource requests to assure approval of ENI/W USPSCs and other support costs, even POTs that do not manage regional programs or activities. For PSCs, please show the position title as the activity name and indicate which region (NIS or CEE) the position supports or if both, use the notation "CEE/NIS". All travel and miscellaneous PSC resource needs may be shown as one activity line per SO, project and POT. Note that the tabular format requests information on pipeline by activity/contract as of FY97. Please provide the most accurate information available. If you encounter data problems, explain the problem in your accompanying narrative.

Provide a brief narrative justification for your resource request in relation to planned results, particularly for any program that has performed below expectations over the past year. POTs need not provide narrative justification for PSC requirements and other administrative support costs.

6. Regional R4 Review Chronology

- May 18, 1998. POTs submit their R4 "chapters", including RFs where applicable, to ENI/PCS
- May 22, 1998. PCS assembles complete ENI/W Regional R4 and distributes to ENI/W offices, other USAID/W offices, and ENI overseas posts for comment June 10 target date set for receipt of comments
- June 16, 1998. PCS chairs R4 Regional issues meeting On basis of the meeting, PCS prepares the agenda paper and FY1999/2000 budget recommendations for AA/DAA-chaired review of Regional R4 program
- June 23, 1998. AA/DAAs chair R4 Regional Program Review to reach agreement on FY1999/2000 resource allocations Meeting will be organized by Strategic Assistance Area, with brief coverage of performance issues, alternative resource levels, implications for results
- June 26, 1998. PCS prepares decision paper and resource allocation summary for ENI/W Regional Program, and circulates for comment/clearance
- July 02, 1998 AA approves ENI/W Regional R4, including resource allocations by program objective through FY2000

ENI/PCS/Apr22

ENI OBJECTIVE 1.1:

**Increased Transfer of State-owned Assets
to the Private Sector**

POT 1.1 REGIONAL R-2

1. REGIONAL ACCOUNTING REFORM AND HARMONIZATION ACTIVITY

(110-0005 - FY 99: \$200,000 and FY 00: \$200,000)

(180-0014 - FY 99: \$200,000 and FY 00: \$200,000)

This activity will be implemented in conjunction with POT 1 3

SUMMARY

This is a request for a regional activity to promote regional and global development, integration, and harmonization of 1) auditing standards and practices, 2) training, education, and certification of professional accountants and auditors and 3) development of a regional accounting and audit professional association(s) in support of accounting reform in the ENI region. The proposed mechanism to accomplish this is the formation of one or two regional self-regulatory organizations comprising emerging accounting and audit professional associations in the target countries.

BACKGROUND

Good accounting and auditing practices are essential for a vibrant market economy. They promote transparent capital markets, sound banking sector, and transparent public sector. These practices are critical to the transition economies in ENI where privatized enterprises seek to finance their operations and investments by borrowing money from banks or raising equity capital in the stock markets, and where the governments need to be more accountable to the public. Good accounting practices also provide management of these privatized enterprises and public officials with critical financial and managerial information.

Accounting and auditing practices are being globalized to facilitate capital flows beyond borders. International organizations recognize the needs for cross-border trading and encourage development of internationally accepted accounting and auditing standards. More and more multi-national companies raise capital in more efficient foreign capital markets, such as New York and London. In these more efficient capital markets they will also gain access to better investment opportunities, as demonstrated by the merger between Daimler-Benz and Chrysler. Accounting is the language of business. Without Daimler-Benz speaking the internationally accepted common business language, this merger would probably not have happened. In 1994 Daimler-Benz converted its financial records from the German accounting practices to the US Generally Accepted Accounting Principles, one

of the two internationally accepted accounting standards. As they were able to speak the internationally accepted common business language, they were able to more easily persuade Chrysler investors to merge with them. Easy access to cross-border capital flows will aid privatized enterprises in ENI in expanding their operations and creating jobs, contributing to overall economic growth. However, without speaking the common business language, that is, internationally accepted accounting and auditing practices, the access may be blocked. USAID accounting reform activities are designed to address these needs.

USAID is the most active donor in accounting reform in the region. USAID currently has accounting reform activities in 10 ENI countries, that seek to address the various weaknesses by establishing and disseminating the common business language and providing sustainable mechanisms for such efforts. Linking these country-based activities on a regional basis would considerably enhance the effectiveness in each country by 1) providing an intermediate and mutually supporting platform for accessing and assimilating global accounting and audit trends and developments, 2) outmaneuvering the provincial barriers to reform in each country and 3) providing the forum for ongoing sharing of materials, strategies and concerns common to the region. USAID experienced a great deal of success in these country-based accounting reform activities. In Kazakhstan and Kyrgyzstan, USAID was able to set national accounting standards and convert 1,000 enterprises to the new standards while training 10,000 accountants in the use of standards. In Ukraine and Moldova, SROs have been established that would sustain longer-term accounting reform and development. In Macedonia, a new university curriculum has been established that would contribute to professionalization of the accounting profession. These successful methodologies need to be shared amongst ENI countries through a regional mechanism.

This proposal, therefore, calls for a 3-year, incrementally funded program to create a sustainable regional infrastructure to support accounting reform in the ENI region.

DESIRED RESULTS/INDICATORS

The proposed regional activity will consist of two phases: (1) identifying and evaluating existing accounting and audit associations in ENI, and (2) bringing together accounting/audit associations in ENI in a series of workshops and forming a regional self-regulated organization(s) admitted to the international federation of accountants (IFAC) as an affiliated member. The regional SRO will

1. Promote development of country-based SROs utilizing its stature as a member of the international accounting and audit community such as IFAC (development of country-based SROs is a key element in addressing sustainability of accounting reform).

activities)

Indicator - existence of a regional SRO admitted to IFAC

Baseline - no such organization exists

Target - one regional SRO

2 Obtain permission from IFAC to translate the International Auditing Standards (ISA) into local language under the auspices of IFAC and disseminate official translated copies to ENI countries

Indicator - existence of official translation of ISA into at least one local language and dissemination of copies to the governments, associations, and educational institutions.

Baseline - no such translation exists

Target - an official translation of ISA exists and 500 copies distributed

3 Establish an information clearing house utilizing a web site and newsletters for accounting reform-related activities financed by donors and host country entities

Indicator - existence of web site and newsletter

Baseline - no such web site and newsletter exist

Target - one web site created and monthly newsletters distributed to 500 people

4 Assist country-based accountant and auditor certification programs to conform to the ifac international education guidelines resulting in reciprocity of the certifications across the region

Indicator - country-based certification programs conform to the IFAC guidelines

Baseline - no such program conforms to the IFAC guidelines

Target - at least one country-based program conforms to the IFAC guidelines

5 Promote internationally recognized accountant and auditor certification programs across the region

Indicator - internationally recognized certification programs translated and implemented

Baseline - no such program exists

Target - at least one such program exists and 100 people sit for the certification exam

2 PRIVATIZATION LESSONS LEARNED LINKING ACTIVITY

(110-0005 - FY 99: \$100,000)

(180-0014 - FY 99: \$100,000)

SUMMARY

This is a request for a regional project to enable the central privatization technical bureau to catalyze more regional lessons learned exchanges. By systematizing the information available to USAID in the privatization area. By bringing together principally USAID related practitioners and managers of privatization projects throughout the region physically at an annual symposium with subsequent follow-up inter agency and ministry exchanges, and by periodic lessons learned publication.

The USAID Privatization technical office in Washington has identified that there is insufficient exchange of information to guide practitioners of privatization in the newer privatization program states derived from appropriate examples principally in the Northern tier USAID assisted ENI states and Russia. There is a pool of resources particularly in training and systems areas that can and should be readily applicable in the new state's programs but because of lack of personal professional linkages it is not done.

Time Frame It is proposed that the funding be made available for one year period to enable the design and execution of the symposium and exchange program to specifically include a systems and training materials cataloging exercise.

BACKGROUND

Privatization programs throughout the region are varied and usually mixed ranging from mass programs to case-by-case. In some circumstances USAID is taking the lead in others it is only playing a supporting role. All of the programs tend to have certain communalities which can form a basis for a transfer of knowledge from practitioners in one program to practitioners in another.

USAID finds itself reinventing whole wheels unnecessarily from privatization project to privatization project when only a certain amount of add on and modification of existing programs, training materials, or system support may be necessary in some instances.

Increased communications among USAID ENI privatization related projects particularly now that some are maturing while others are just starting up would reap the reward of previous lessons expensively learned transferred across at low cost across the region

DELIVERABLES

- 1 This program will fund the creation of a catalog of proprietary USAID training materials on Privatization in Russian and/or English, manuals on privatization programs and methods in Russian and/or English, privatization program software and related documentation in Russian and or English
- 2 This program will sponsor an annual practitioners symposium on privatization issues bringing together the USAID funded privatization programs and their overlapping agencies and programs
- 3 This program will sponsor the publication of occasional papers of interest to the privatization community with the intent of communicating lessons learned across programs

DESIRED RESULTS

Using incremental Triumph Technology contracted resources the following will be accomplished

- 1 A catalog of USAID training materials and manuals on Privatization and related matters in Russian and/or English, and listing of USAID privatization program software and the related documentation in Russian and English
- 2 A practitioners symposium and follow on exchanges A publication of papers presented and value added reports on each exchange funded will be made available
- 3 Throughout the year occasional papers from various sources will be culled and made available to practitioners in the field The necessary copyright and other problems will be addressed and overcome

3. PRIVATIZATION PROGRAM GRADUATION POINT ESTABLISHMENT

(110-0005 - FY 99: \$100,000)
(180-0014 - FY 99: \$100,000)

SUMMARY

This is a request for a regional project to support the systematic definition of the point at which transition from active privatization programs into post-program support is

appropriate The need is fundamental to the ENI region and will be increasingly needed as more and more programs/nation's privatization programs mature

1 There is the need to establish a uniform ENI framework to guide country practitioners as to when it is time for USAID to end its formal support of the privatization process and "graduate" a country from programmatic privatization support

2 Linked to this is the need to establish a systematic framework for the type of "post graduation" support that should be available after the formal program period is past

It is proposed that funding be made available in 1999 to enable support of the design and application of this graduation framework to the privatization programs in the region

BACKGROUND

Privatization programs by their nature are "sunset" programs that run a course from start-up through maturity to wind down and close out This cycle has already been experienced in the ENI region It is clear that at some point in the process privatization is well institutionalized and self-sustaining -or indeed substantially over- and USAID's support is less needed and its funding can be responsibly and reasonably withdrawn in order to serve other needs

A specific regional program of support is needed in 4 areas

1 There is a need to establish an analytical framework as to when a country is ready to "graduate" from USAID support of its privatization process

2 There is the need to tailor the framework on a by-country basis so that it is a useful and specific tool that helps the management process as it makes the difficult decisions as to reorienting or discontinuing program support

3 Support is needed to refine, promulgate, test, and apply the newly created framework on a country by country basis

4 A model of a "post-graduation" support program in the privatization area is needed as by definition USAID will be leaving before the job is done and certain continuing support activities can be reasonably anticipated in order to protect USAID's previous investment of time and funding

DELIVERABLES

1 An easy to use analytical questionnaire will be prepared which will enable a competent regional economist or privatization

specialist to run a "graduation" scenario on his target country

2 The questionnaire will be staffed through-out USAID and its contractor and sister agency community

3 The questionnaire will be run on pilot countries and on controls (the US, UK, France, Sweden, for example)

4 The result of the pilot analysis will become the core of a ENI policy seminar to decide on whether the "graduation" test is a useful tool for policy guidance

5 The results of the initial testing and ENI policy seminar will be presented and discussed as part of a regional privatization seminar and subsequently as a part of the Mission Director's meetings

6 The questionnaire, as needed will be customized by country in the ENI to lay out the framework for the country-team and ENI managements decision on privatization program "graduation "

7 A byproduct of the "graduation" scenario systematization will be a written study of the likely "post-graduation" privatization support required scenario The "post-graduation" support scenario will key off of the graduation point chosen and will vary by country and circumstances but there will be communalities in specific

a "post-graduation" support is going to be required

b Such support will have to be delivered quickly and in a targeted manner

c The support will be limited as resources are limited

4. ECONOMIC RESTRUCTURING POST-PRESENCE (ACCESS USA)

(180-0014 - FY 99: \$1,250,000 and FY 00: \$1,250,000)

This activity will be implemented in conjunction with POTs 1 2
1 3 and 1 4

Problem

The problem with ENI graduation end-point and close-out scenarios is that (a) the market laws, processes and policies put in place may periodically require significant subsequent revision, (b) the core market institutions (regulatory agencies, self regulatory organizations, stock exchanges, etc) responsible for implementing and enforcing laws and policies often remain fragile and untested and may need further strengthening, and (c) new situations may arise where even well functioning institutions may require special assistance The institutions are still new, managed by relatively inexperienced individuals, and not been

through a full business cycle or encountered the full range of possible crises and problems. This is leaving a serious gap and threatens the full achievement of USG market reform objectives in the region. USAID has paid a key role in creating or strengthening the basic policies and institutions, government and non-government, of market economies in ENI and created many linkages between U S organizations and their ENI counterparts. A limited but continued involvement would help us to protect the substantial investments we have made. What is lacking is a mechanism to respond to a full range of remedial situations where the sustainability of key reforms is at stake, be they predictable (preventative medicine) or in response to unanticipated crises.

Why USAID?

A variety of U S organizations have implemented economic restructuring activities and created or improved market institutions in ENI. Most of the systems and institutions we have supported utilize U S models, in areas where we have a recognized comparative advantage or where we believe our approach is the best. Other countries will not be able to assist these as effectively as the U S could. The explicit, short-duration post-presence actions to be supported will convey U S knowledge, values and recommendations on continuing economic reform issues. Activities may/should be related on any given reform front to work by the EU, World Bank, IMF, etc, but the option to use the U S gives us the means to complement other advice with U S - inspired approaches. Wherever relevant the program will also encourage "East-East" information exchange.

How (Mechanism)

A single grant would be awarded, competitively, to a non-profit U S institution or consortium. The grantee would operate from the U S and probably not have any permanent staff in Europe. It would organize and finance rapid response interventions (TA, training, internships, conference participation, etc), normally via pre-negotiated sub-grants to U S partner entities, paying only those costs that the U S and ENI entities cannot offer themselves on a cost-share or pro bono basis. Much of the assistance will be pro bono support from U S institutions already involved in the region that have an interest in maintaining relationships. Reform categories where post-presence interventions may be needed will vary from country to country (see Annex 1). USAID oversight would be by ENI/Washington. Details re clearance of activities with U S embassies in recipient countries and the possible role of RSC/Budapest need to be carefully spelled out and approved. A 10-year life-of-grant is proposed, with work beginning no sooner than two years prior to close-outs (where bilateral programs cannot otherwise fund interventions) and ending no later than five years after close-

out

Results

Fragile institutions in ENI would have access to state of the art TA and training on a modest but continuing basis, and targeted assistance when needed. The assistance and training will help ensure ENI institutions to strengthen and sustain their ability to perform market functions. Counterpart institutions will have access to assistance to deal with crises or unanticipated situations that could have significant impact on the economy, as well as avoid these kind of crises. Links and partnerships between U S and ENI institutions will be maintained, and there will be a better environment for U S business and investment.

5. PSCs

PSC positions are currently funded under POT 1 1. All of these are regional privatization advisors in ENI/PER's Enterprise Restructuring and Privatization (ERP). Due to the reassignment of one FS activity manager and the dearth of USDH employees with accounting reform experience, POT 1 1 proposes to hire a new PSC for a regional accounting reform advisor position to continue to support and monitor accounting reform activities.

1 1 Increased transfer of state-owned assets to the private sector

Initial FY of Funding	Cumulative Obligations	Pipeline Sept 99	FY 1999		FY 2000 Est
			FY 99 NOA	FY 99 NOA	
110-0005 Private Sector Initiatives					
1999			200 000		200 000
1999			100 000		
1999			100 000		
1999			190 000		190,000
1999			90 000		100 000
110-0009 Economic Restructuring					
1999			162 000		175 000
1999			150,000		175,000
Subtotal CEE 1.1					
			2,245,000		2,105,000
180-0014 Privatization and Enterprise Restructuring					
1999			200 000		200,000
1999			100 000		
1999			100 000		
1999			1,250,000		1 250 000
1999			180 000		200,000
1999			150,000		175 000
180-0026 Competition Policy, Laws and Regulations					
1999			180 000		185 000
1999			85 000		95 000
180-0027 Business Services					
1999			30 000		185 000
1999			30 000		40 000
Subtotal CEE 1.1					
			2,305,000		2,390,000
TOTAL R4 Request for POT 1.1					
			3,297,000		3,170,000

ENI OBJECTIVE 1.2:

**Increased Soundness of Fiscal Policies and Fiscal
Management Practices**

**POT 1 2 INPUT FOR REGIONAL R4
INCREASED SOUNDNESS OF FISCAL POLICIES AND
FISCAL MANAGEMENT PRACTICES**

This POT presentation encompasses one continuing technical assistance activity, 3 proposed new activities, and related PSC positions

**I CONTINUING ACTIVITY
CEE/NIS FISCAL REFORM REVIEW AND ASSESSMENT**

This is continuation of an activity approved last year, which will be conducted as an Omnibus II task order. The contractor competitively selected is Barents Group. An award is hoped for by June 1, 1998 and the task order will run for 24 months. FY97 and FY98 funds have been committed, in the amounts of \$408,000 SEED Act and \$225,000 FSA. An additional \$100,000 of FY 99 SEED Act money is budgeted to complete funding for this activity.

However, \$100,000 FSA funds for this activity were cut from the FY99 budget. That amount is critically needed for participant training, and POT 1.2 requests that these funds be restored.

Since last year's Regional R4, the POT has refined the content of the CEE/NIS Fiscal Reform Review and Assessment task order. What follows is a program description, results, and indicators for the work about to begin.

PROGRAM DESCRIPTION

Background

In the years since independence, the countries of Central and Eastern Europe and the New Independent States have pursued individual courses toward fiscal restructuring. Some of these countries have established a capability to collect and spend public funds with reasonable efficiency and according to agreed public purposes. Governments have adopted the fundamental legal, institutional and technical requirements for tax policy and administration, fiscal analysis, budget formulation and execution, public-sector accounting, intergovernmental fiscal arrangements, and pension programs. These basic reforms have stabilized government finance, encouraged the growth of private-sector activity, drawn these economies increasingly into cross-border trade and investment, and attracted the participation of sophisticated international financial entities. At this point, many USAID fiscal reform programs, either those provided directly by USAID or through USAID-financed US Treasury technical assistance, are winding down or have an end in sight. This is primarily true of Northern Tier CEE countries.

A number of NIS countries are fully in the midst of fiscal reform programs supported by substantial USAID technical assistance. Kazakhstan and Kyrgyzstan are well in the forefront, with Moldova, Uzbekistan, Russia, and Ukraine gaining ground.

New or nascent programs of fiscal reform appear in Georgia, Armenia and Tajikistan. In Europe, those with much fiscal work yet to come include Bosnia, Bulgaria, Romania, Albania and Macedonia.

The Issues to be Addressed

A. The varied characteristics of fiscal policy and practice in the twenty-six countries of these regions beg for some deliberate attempt to measure and describe the status of fiscal development on a country-specific basis. **How far have we come?**

B. The time is also right for examining a number of countries in depth, to reflect on what the different courses in fiscal reform have been and why. **What lessons can be learned across the ENI region?**

C. This is also the time to combine ENI-wide experience to create a vision of the future. **What will ENI fiscal development look like in the year 2000 and beyond?**

The Tasks to be Performed

A. Common Indicators of Fiscal Reform

The tapering-off of USAID fiscal technical assistance in many CEE countries, and eventually in NIS countries as well, comes from a collective sense that the main components of post-Soviet restructuring are taking hold. This may or may not be true for fiscal reform.

In any case, a "collective sense" that the graduation point has been reached in any given country -- the point of leaving behind "reform", it might be said, and moving ahead to "development" -- is an inadequate measure of progress.

There is a need to articulate precisely what are the common indicators, quantitative and qualitative, of fiscal reform, and to measure each country in these two regions according to the common indicators.

B. Fiscal Reform Diagnostics

In addition to profiling the status of fiscal reform country by country, USAID also recognizes the need to reflect with hindsight on the circumstances and decisions which have proven successful in advancing, and those which have hindered, fiscal reform.

For this purpose, an in-depth field evaluation of fiscal reform in three sample CEE countries will be performed and documented. At least one country will be identified as an economic "leader" within the region, and another country will typify a slower approach to fiscal reform.

Each diagnostic will produce a thorough description of the present characteristics of the country's tax regime (both policy and administration), fiscal analysis capability, budget formulation and execution, public-sector accounting practices, intergovernmental fiscal arrangements, and pension program.

Further, each diagnostic will illuminate the observed performance linkages among different areas of fiscal reform, the non-economic influences, and the strategic choices which were made by the government and by major fiscal technical assistance providers. From this analysis, conclusions will be drawn about what contributed to successful fiscal reform and what detracted, in the case at hand.

Finally, each diagnostic will indicate likely trajectories of next-stage fiscal development for the three countries selected.

The results of these three diagnostics will be considered along with the results of four similar diagnostics performed in NIS countries under a separate contract, to draw summary conclusions "lessons learned" which can be applied throughout CEE and NIS.

C. CEE/NIS Conference

At a point when the indicator-profiles and country diagnostics are well advanced, a conference on fiscal development will be held in Eastern Europe. High-level government decisionmakers in CEE/NIS governments, USAID officials, other technical assistance providers, and NGOs will be invited to participate and make presentations.

The work of the conference will be future-oriented. For the entire ENI region, the conference will

- Survey recent developments in fiscal policy and practice in the two regions
- Identify current fiscal issues and lessons learned
- Reach for a vision of the future fiscal development in ENI countries, year 2000 and beyond

Reports of conference proceedings will be prepared, printed and distributed.

Expected Results and Results Indicators over Life of Task Order

A. Common Indicators of Fiscal Reform

RESULT Fiscal reform is accurately measured, and status of fiscal reform is described for each ENI country in a standardized format by which each country can be compared to others.

INDICATOR 26 country profiles are created, kept current, and made available to broad range of users, probably via the Internet.

B. Fiscal Reform Diagnostics

RESULT The structures and process of fiscal reform in ENI region are recorded in depth based on field research, revealing lessons about how to do fiscal reform most efficiently and effectively.

INDICATOR Three CEE country diagnostics are performed. These are combined with results of four NIS country diagnostics (performed FY98 under separate contract) to

produce "lessons learned" report

C. CEE/NIS Conference

RESULT ENI region-wide experience in fiscal reform is collected in dynamic interaction to create vision of fiscal development in the region, for Year 2000 and beyond

INDICATOR Fiscal development conference is held in FY99 and proceedings published and disseminated

II PROPOSED NEW ACTIVITY

REGIONAL NGO-BUILDING FOR FISCALLY-RESPONSIBLE GOVERNMENT

PROGRAM DESCRIPTION

USAID fiscal reform programs have necessarily been carried out with ENI government counterpart agencies -- parliamentary budget and tax committees, ministries of finance and economy, state tax services, and subnational government entities. In this way, USAID technical assistance is helping governments to reshape the way they collect and spend money.

As time goes on, however, it becomes important for fiscally-knowledgeable non-governmental organizations to emerge within ENI countries. Such organizations would possess the ability to engage the government sector in dialogue about important issues of taxation and budgeting. The NGO role in public debate is well-known in the US, where think-tanks and universities conduct research, hold seminars and conferences, and publish studies. These inform the voting public, legislators, and policymakers alike, by providing different angles on complex issues and enriching the common pool of knowledge.

For this purpose POT 1.2 proposes a new NGO-building activity which would create partnerships between US think-tanks/universities and new, young NGOs in the ENI region. We expect that these would soon become genuinely reciprocal partnerships, in which ENI NGOs would be helped up the learning curve by their more experienced US partners, and in which US NGOs would gain on-the-ground access to perspectives and data in this unique and significant region of the world.

This would be a truly regional activity in at least three respects:

(1) Shared experience: New NGOs in ENI countries would be brought together in regional workshops with US partners, to learn mutually from the experience of being pioneers in societies where NGOs are a new phenomenon.

(2) Regional integration: All over the globe, economic forces are moving toward regional integration. Following the underlying trend, new ENI NGOs engaged in economic

research and policy exploration will also tend to develop a regional reach. We envision one or two fiscally-specialized NGOs' becoming strong in Central and Eastern Europe, with perhaps three or four winning the lead in the New Independent States. Country-specific USAID technical assistance faces border limitations. But this proposed new POT 1 2 regional NGO-building activity would be able to work across borders, moving with the trend toward regional economic integration.

(3) Handing over regional database: The work of the POT 1 2 CEE/NIS Fiscal Reform Review and Assessment, which will be regional in scope, can be handed on to one or more of the indigenous ENI-region NGOs. This will be particularly true of the data base for the common indicators of fiscal development for the 26 ENI countries, which USAID will develop and maintain during a two-year period, but will not continue after that time.

Tasks envisioned under this activity would include, but not be limited to:

- (1) Site visits by US partners to local ENI NGOs, to provide technical assistance on how to become established and effective as a fiscally-specialized NGO.
- (2) Regional seminars and conferences, co-organized by US and ENI partners, supported by USAID funding.
- (3) Travel by ENI NGO professionals to US partner organizations.

EXPECTED RESULTS AND RESULTS INDICATORS

A. Reciprocal, self-sustaining partnerships are developed between US think-tanks/universities and indigenous ENI NGOs, for the purpose of furthering knowledge and public debate on important issues of government taxation and budgeting.

INDICATOR Partnerships continue after end date of this activity, without USAID funding support.

B. Indigenous NGOs contribute to knowledge and public debate within ENI countries, on important issues of government taxation and budgeting.

INDICATOR Indigenous NGOs attract adequate funding.

III PROPOSED NEW ACTIVITY REGIONAL NGO-BUILDING FOR PENSION REFORM

PROGRAM DESCRIPTION

This program would be a twin of Regional NGO-Building for Fiscally-Responsible Government. Our view is that the whole area of pension policy and programs is a new and specialized aspect of economic development, in which ENI governments are

increasingly becoming involved. As in the case of government taxation and budgeting in general, it will become increasingly important for pension-knowledgeable non-governmental organizations to emerge within ENI countries. Such organizations would possess the ability to conduct significant research and to engage the government sector in dialogue about important issues of public pension programs, including demographic and economic forecasting, appropriate levels of risk, financing, registration and accounting, regulation of non-government providers and intermediaries, transparency and accountability.

The NGO role in public debate is well-known in the US, where think-tanks and universities conduct research, hold seminars and conferences, and publish studies. These inform the voting public, legislators, and policymakers alike, by providing different angles on complex issues and enriching the common pool of knowledge. As ENI governments move further into pension reform, the contributions of local NGOs could be very significant.

For this purpose POT 1 2 proposes a new NGO-building activity which would create partnerships between US think-tanks/universities and new, young NGOs in the ENI region. We expect that these would soon become genuinely reciprocal partnerships, in which ENI NGOs would be helped up the learning curve by their more experienced US partners, and in which US NGOs would gain on-the-ground access to perspectives and data in this unique and significant region of the world.

This would be a truly regional activity in at least two respects:

(1) **Shared experience:** New NGOs in ENI countries would be brought together in regional workshops with US partners, to learn mutually from the experience of being pioneers in societies where NGOs are a new phenomenon.

(2) **Regional integration:** All over the globe, economic forces are moving toward regional integration. Following the underlying trend, new ENI NGOs engaged in economic research and policy exploration will also tend to develop a regional reach. We envision one or two pension-specialist NGOs' becoming strong in Central and Eastern Europe, with perhaps three or four winning the lead in the New Independent States. Country-specific USAID technical assistance faces border limitations. But this proposed new POT 1 2 regional NGO-building activity would be able to work across borders, moving with the trend toward regional economic integration.

Tasks envisioned under this activity would include, but not be limited to:

(1) Site visits by US partners to local ENI NGOs, to provide technical assistance on how to become established and effective as a pension-specialist NGO.

(2) Regional seminars and conferences, co-organized by US and ENI partners, supported by USAID funding.

(3) Travel by ENI NGO professionals to US partner organizations.

EXPECTED RESULTS AND RESULTS INDICATORS

A. Reciprocal, self-sustaining partnerships are developed between US think-tanks/universities and indigenous ENI NGOs, for the purpose of furthering knowledge and public debate on important issues of public pension programs

INDICATOR Partnerships continue after end date of this activity, without USAID funding support

B. Indigenous NGOs contribute to knowledge and public debate within ENI countries, on important issues of public pension programs

INDICATOR Indigenous NGOs attract adequate funding

IV PROPOSED NEW ACTIVITY POST-PRESENCE ENTERPRISE RESTRUCTURING FUND (being implemented in conjunction with S.O. 1.1, 1.2, and 1.3)

Economic Restructuring Post-Presence Proposal

Problem The problem with ENI graduation end-point and close-out scenarios is that (a) the market laws, processes and policies put in place may periodically require significant subsequent revision, (b) the core market institutions (regulatory agencies, self regulatory organizations, stock exchanges, etc) responsible for implementing and enforcing laws and policies often remain fragile and untested and may need further strengthening, and (c) new situations may arise where even well functioning institutions may require special assistance. The institutions are still new, managed by relatively inexperienced individuals, and not been through a full business cycle or encountered the full range of possible crises and problems. This is leaving a serious gap and threatens the full achievement of USG market reform objectives in the region. USAID has paid a key role in creating or strengthening the basic policies and institutions, government and non-government, of market economies in ENI and created many linkages between U S organizations and their ENI counterparts. A limited but continued involvement would help us to protect the substantial investments we have made. What is lacking is a mechanism to respond to a full range of remedial situations where the sustainability of key reforms is at stake, be they predictable (preventative medicine) or in response to unanticipated crises.

Why USAID A variety of U S organizations have implemented economic restructuring activities and created or improved market institutions in ENI. Most of the systems and institutions we have supported utilize U S models, in areas where we have a recognized comparative advantage or where we believe our approach is the best. Other countries will not be able to assist these as effectively as the U S could. The explicit, short-duration post-presence actions to be supported will convey U S knowledge, values and recommendations on continuing economic reform issues. Activities may/should be

related on any given reform front to work by the EU, World Bank, IMF, etc , but the option to use the U S gives the us the means to complement other advice with U S - inspired approaches. Wherever relevant the program will also encourage "East-East" information exchange

How (Mechanism) A single grant would be awarded, competitively, to a non-profit U S institution or consortium. The grantee would operate from the U S and probably not have any permanent staff in Europe. It would organize and finance rapid response interventions (TA, training, internships, conference participation, etc), normally via pre-negotiated sub-grants to U S partner entities, paying only those costs that the U S and ENI entities cannot offer themselves on a cost-share or pro bono basis. Much of the assistance will be pro bono support from U S institutions already involved in the region that have an interest in maintaining relationships. Reform categories where post-presence interventions may be needed will vary from country to country (see Annex 1). USAID oversight would be by ENI/Washington. Details re clearance of activities with U S embassies in recipient countries and the possible role of RSC/Budapest need to be carefully spelled out and approved. A 10-year life-of-grant is proposed, with work beginning no sooner than two years prior to close-outs (where bilateral programs cannot otherwise fund interventions) and ending no later than five years after close-out.

Results Fragile institutions in ENI would have access to state of the art TA and training on a modest but continuing basis, and targeted assistance when needed. The assistance and training will help ensure ENI institutions to strengthen and sustain their ability to perform market functions. Counterpart institutions will have access to assistance to deal with crises or unanticipated situations that could have significant impact on the economy, as well as avoid these kind of crises. Links and partnerships between U S and ENI institutions will be maintained, and there will be a better environment for U S business and investment.

V PSCs

Several PSC positions are currently funded under POT 1.2. Two are for regional fiscal advisors in ENI/PER's Legal/Regulatory Reform and Tax/Fiscal Division. Program support is also provided through funding for two positions in the Program Operations Division. In addition, the Legal/Regulatory Reform and Tax/Fiscal Division plans to bring in a new PSC position, for a regional pension advisor.

POT 1 2 Increased Soundness of Fiscal Policies & Fiscal Management

Initial FY of Funding	Cummulative Obligations	Pipeline Sept 97	FY 95 CO	FY 1998 FY 97 CO	FY 98 NOA	FY 1999 Est	FY 2000 Request	Remarks
10-0005 Private Sector Initiatives								
PSC Travel			0 00	25,099 00	0 00	100,000 00	120,000 00	
PSC Admin			0 00	0 00	0 00	150,000 00	83,500 00	
10-0009 Economic Restructuring & Financial Reform								
Fiscal Review	1998	0 00	0 00	0 00	225,000 00	0 00	100,000 00	0 00
Fiscal NGOs		0 00	0 00	0 00	0 00	0 00	250,000 00	250,000 00
Pension NGOs		0 00	0 00	0 00	0 00	0 00	150,000 00	250,000 00
PSC Travel			0 00	45,594 00	0 00	100,000 00	120,000 00	
PSC Admin			0 00	66,409 00	0 00	90,000 00	193,500 00	
Subtotal CEE 1.2		0 00	0 00	0 00	362,102 00	0 00	340,000 00	1,817,800 00
80-0014 Privatization and Enterprise Restructuring								
PSC Travel						85,000 00	100,000 00	
PSC Admin			0 00	0 00	0 00	20,000 00	50,000 00	
80-0026 Competition Policy Laws and Regulations								
PSC Travel						80,000 00	100,000 00	
PSC Admin			6,135 00	0 00	42,000 00	150,000 00	130,000 00	
80-0027 Business Services								
Fiscal Review	1998	0 00	0 00	0 00	108,000 00	300,000 00	100,000 00	0 00
Fiscal NGOs		0 00	0 00	0 00	0 00	0 00	250,000 00	250,000 00
Pension NGOs		0 00	0 00	0 00	0 00	0 00	150,000 00	250,000 00
Post Presence							1,250,000 00	1,250,000 00
PSC Travel			0 00	22,819 00	20,000 00	45,000 00	50,000 00	
PSC Admin				0 00		50,000 00	100,200 00	
Subtotal CEE 1.2		0 00	0 00	6,135 00	130,819 00	362,000 00	2,100,000 00	2,280,200 00
TOTAL R4 Request for POT 1.2		0 00	0 00	6,135 00	492,921 00	362,000 00	3,120,000 00	3,297,200 00

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ENI OBJECTIVE 1.3:

**Accelerated Development and Growth of Private
Enterprises**

POT 1.3 REGIONAL R4 SUBMISSION

A ON-GOING ACTIVITIES

1. Anti-Corruption Initiative

Mission and multi-lateral demand for anti-corruption assistance through regional programs has significantly grown during FY 98. During the last year, new anti-corruption initiatives in Russia, Ukraine, Albania, Georgia and Bulgaria have been launched by USAID Missions and multilaterals -- such as the World Bank and OECD. Work under the regional initiative has not yet been initiated. The initial contract should be finalized by July 30. In the interim, USAID has developed partnerships and is leveraging its resources by working closely with multilaterals.

FY'99 and 2000 funding will provide continuing support for (i) regional and global comparative diagnostic work and support for related "lessons learned" workshops, as well as travel for experts to participate in joint assessments/design/lessons learned exercises with PER/DG/multilaterals, (ii) Transparency International's new regional efforts, and (iii) the new OECD-led donors/business advisory group, including the development of a regional information collection/dissemination network and donors advisory group.

Results and indicators are as follows:

- Detailed assessments of corruption-combatting elements of existing Mission-funded commercial law and other economic reform activities (Indicator: Number of detailed assessments completed)
- Limited, pilot technical assistance projects focused intensively on specific gaps not being met with bilateral funds (Indicator: no. of projects)

Resource request

	FY 98	FY 99	FY 00
180-0026 (CEE)	250K	500K	300K
110-0009 (NIS)	200K	300K	300K

2 Commercial Law Diagnostics

The purpose of this activity is to deepen the Bureau's understanding of the status of specified commercial law reforms in ENI countries. Six categories of commercial law reform are to be included in a series of diagnostics/workshops: company law/corporate governance, contract law, collateral law, bankruptcy law, trade/investment regime, and competition policy. Full in-country diagnostics will be done in three CEE and three NIS countries; information on other countries will also be assembled.

The implementation contract for this activity was signed in May 1998. Thus, no results can yet be reported. Planned results include

- Refinement of measures and means by which successful commercial law reform can/should be recorded -- i.e., evidence of implementing regulations, administration capacity, enforcement (indicator explicit measures/means identified)
- Assessments of effects of commercial law reforms in mitigating crime and corruption related to business transactions (n.b. this aspect relates to the pilot anti-corruption initiatives) (Indicator explicit desired effects defined)
- Determination of when it can be said that reforms are "irreversible" (indicator recommendations by country)
- Recording of lessons learned, including how to institutionalize cross-border regional information exchange on the reform process (indicator comprehensive report on accumulated experience)

Funding requirements (mortgage) for FY 1999 are as follows

	FY'97 CO	FY'98 NOA	FY'99
180-0026 (CEE)	200,000	300,000	250,000
110-0009 (NIS)	250,000	200,000	250,000

3. EBRD U.S. Advisors Fund

The U.S. Advisors Fund was established in October 1997 to provide funding support to the European Bank for Reconstruction and Development (EBRD) for the use of U.S. technical assistance consultants to design and implement EBRD programs. The sectors in which the EBRD conducts its development activities and which qualify for support under this Grant are those relating to environment, business services, privatization, private sector development (including small and micro-enterprise development), finance, and democracy and governance. To date, the Fund has supported three consultancies with a total funding requirement of nearly \$130,000. EBRD officials project a much greater demand for use of the fund in the near future. FY'99 and '00 funds would be used to replenish and extend this established fund.

Resource Request

	FY'98	FY'99	FY'00
110-0001 (NIS)	300,000	500,000	500,000
180-0249 (CEE)	515,000	200,000	200,000

B NEW PROPOSALS

1 Regional Agribusiness Federation

The proposed project will establish a regional, self-supporting federation of national agribusiness associations and industry leaders (with initial focus on the dairy industry) that will deliver business and market information services and related legal training, represent issues of concern to members, and aggressively market products and opportunities for the membership. The four-year project (three years' funding) will focus on inter-connecting three essential groups: national agribusiness associations working to improve the environment within which their represented industries operate, individual agribusinesses pursuing greater regional business interaction, and U S agribusinesses interested in expanding investment and trade in Central Europe. The project may include a small training component on relevant legal issues to facilitate adjudication of simple cases that may have agribusiness-related issues and/or components. The project direction would be based in Warsaw, at the office of the Poland National Dairy Alliance, and would work primarily in Bulgaria, Romania, Macedonia, and Lithuania.

Resource Request	FY 98 (CO)	FY 99
180-0024	\$250,000	\$150,000

(balance requirement of \$1 million to be requested from CEE Performance Fund)

2. Regional Accounting Reform and Harmonization Activity

(This is being presented as part of 1 1 and 1 3)

This is a regional activity to promote regional and global development, integration, and harmonization of 1) auditing standards and practices, 2) training, education, and certification of professional accountants and auditors and 3) development of a regional accounting and audit professional association(s) in support of accounting reform in the ENI region. The proposed mechanism to accomplish this is the formation of one or two regional self-regulatory organizations comprising emerging accounting and audit professional associations in the target countries.

Desired Results/indicators

1 Promote development of country-based SROs utilizing its stature as a member of the international accounting and audit community such as IFAC (development of country-based SROs is a key element in addressing sustainability of accounting reform activities) (Indicator existence of a regional SRO admitted to IFAC Baseline - no such organization exists Target - one regional SRO)

2 Obtain permission from IFAC to translate the International Auditing Standards (ISA) into local language under the auspices of IFAC and disseminate official translated copies to ENI countries (Indicator existence of official translation of ISA into at least one local language and dissemination of copies to the governments, associations, and educational institutions Baseline - no such translation exists Target - an official translation of ISA exists and 500 copies distributed)

3 Establish a information clearing house utilizing a web site and newsletters for accounting reform-related activities financed by donors and host country entities (Indicator existence of web site and newsletter Baseline no such web site and newsletter exist Target one web site created and monthly newsletters distributed to 500 people)

4 Assist country-based accountant and auditor certification programs to conform to the ifac international education guidelines resulting in reciprocity of the certifications across the region (Indicator country-based certification programs conform to the IFAC guidelines Baseline no such program conforms to the IFAC guidelines Target at least one country-based program conforms to the IFAC guidelines)

5 Promote internationally recognized accountant and auditor certification programs across the region (Indicator internationally recognized certification programs translated and implemented Baseline no such program exists Target at least one such program exists and 100 people sit for the certification exam)

POT 1 3 Resource Request

	FY 99	FY 00	Total
180-0014 (CEE)	150,000	150,000	300,000
110-0005 (NIS)	150,000	150,000	300,000

3. Conference/Workshops on Small-Medium Enterprise (SME) and Competition Policy Reform

The objective of Competition Policy Seminars is to get officials of governments that have no relevant laws to begin addressing anti-monopoly and competition problems through drafting legislation. Through this activity joint USAID/OECD (and possibly other donor) regional conference/workshops would be conducted on legislative and regulatory reforms to support the SME sector and enhance competition. These would build on the results of the OECD International Conference on SME Reform, targeting the regional/country levels for follow-up actions. Participants will include parliamentary and government policy-makers and leaders of business associations who will develop action agendas on key reforms and practical steps to achieve meaningful legal/regulatory change that will benefit private enterprise, specifically SMEs.

The regulatory aspect of the project would include working with the OECD on regional competition/policy issues that will affect SME's. The workshop/conferences would review lessons learned, and possibly identify a limited number of countries for particular joint USAID-OECD program emphasis.

At least two conferences are planned during FY 1999. One in the W/NIS region (Kiev), and the second in the Caucasus region (Yerevan).

Int Result Competition Policy Laws Drafted and Enacted by all countries in each region to be covered by an OECD conference

Indicators Southern Tier Bulgaria, Macedonia, Albania, [Montenegro, Bosnia, Yugoslavia, Croatia] each draft and enact legislation (Many of these countries already have laws on the books, although such laws where they exist may be deficient)

Caucasus Ditto above, except would cover Armenia, Georgia, and Azerbaijan

Central Asia Ditto, except would cover all CARs

Resource Request	FY 1999	FY 2000
Project 110-0005 (SB)	\$200,000	---
Project 180-0026 (PER)	50,000	\$ 50,000
Project 110-0009 (PER)	---	50,000

4. Regional Trade Initiative

This proposal would assist the efforts of U S trade and commerce policy makers in establishing better cross-border linkages in trade in critical regions with a goal of reducing regional tensions and integrating national economies to the WTO/World Trading system. The initiative would be co-managed by G and ENI, with two complementary components: (1) policy, focusing on development of sound and harmonious legal infrastructure (much like the Southeast Europe Cooperation Initiative [SECI]), and (2) transactions facilitation, employing the Global Technology Network (GTN), an internet-linked network devoted to trade-matching opportunities between U S and foreign companies. Actions under each component would work to inform and support the other. Both are more thoroughly described below.

Development of Legal Infrastructure The focus of efforts will be to harmonize and de-regulate trade practices so that SMEs and foreign investors/traders will be further encouraged to transact business across borders. The bulk of the funding would be used for regional seminars and initiatives, like SECI but in other priority regions, undertaken in partnership with other international donors/institutions (e.g., the World Bank, EC, WTO, EBRD, World Customs Organization). This aspect of the initiative would focus on systemic issues and barriers, and encompass regulatory reform. Neither EU or CIS membership would be promoted. Likely focus points would be Yugoslavia/Balkans, Caucasus, and the CARs plus the Russian Far East. This activity will require close consultation with U S Trade Representative, S/NIS/C and State/EB in order to ensure conformity with broader U S foreign policy interests.

Int Result Trade/Customs Procedures harmonized with neighboring states

Indicators (a) Border delays for trucking, shipping, and air freight reduced,, and (b) Transaction costs/corruption/ red tape is minimized

Separate indicator for each of three regions

- Southern Tier Bulgaria, Macedonia, Albania, [Montenegro, Bosnia, Yugoslavia, Croatia]
- Caucasus Ditto above, except would cover Armenia, Georgia, and Azerbaijan
- Central Asia Ditto, except would cover all CARs

Resource requests (Legal Infrastructure) for POT 1 3 will be

	FY 99	FY 00	Total
180-0023 (CEE)	50,000	150,000	200,000
110-0009 (NIS)	200,000	250,000	450,000

Global Technology Network (GTN) A GTN trade-matching program between U S companies and those based in high-priority regions of Europe/NIS would be developed in four technology sectors energy/environment, agriculture, health and communications This internet-linked network would utilize USAID-financed and other programs in Europe/NIS countries to gather and disseminate trade leads to the 60,000 U S companies in the GTN database GTN is now operating on three continents--Asia, Africa and Latin America--and has already generated more than \$90 million in trade and investment Twenty-one state trade organizations, SBA and USDOC partners assist GTN staff with strategic follow-up GTN would assist ENI in establishing a long-term presence in Europe/NIS countries and work with U S companies operating in the region long after USAID close-outs The regions being considered include the southern Balkans, the Western NIS, the Caucasus, and Russia-Ukraine

ENI/ED CO funding of \$68,000 has been provided to initiate a trade matching program with the USAID-funded Macedonian Business Resource Centers (MBRC), whose staff are being trained in GTN system use During CY 1998, G/EGAD/BD would start the process of identifying appropriate partners in neighboring Balkan countries for collection and dissemination of trade leads In FY'99 and '00, G/EGAD/BD proposes to move into Phase II of this program, expanding the regional dimensions of the FYR Macedonia program to establish a "Balkans Trade Association" (BTA) in FYR Macedonia, Bosnia and Croatia, to facilitate intra-regional business collaboration as well as U S -Balkan trade (Albania would be an alternate participating country) The cost of this initiative would be \$50,000 per country in FY'99, for a total of \$150,000

Similar programs could be developed for other ENI regions (e g , the trans-Caucasus)

Int Result Increased trade linkages between U S and ENI firms

Indicators 1) the average number of "trade leads" per month disseminated to U S companies; and 2) the resulting transfers of technology to foreign companies when a business agreement is concluded

Assuming one additional CEE and one NIS region, GTN resource requests for POT 1 3 will be

	FY 98 (CO)	FY 99	FY 00	Total
180-0023 (CEE)	\$ 68,000	150,000	150,000	300,000
110-0009 (NIS)	0	150,000	150,000	300,000

Total Regional Trade Resource requests for POT 1 3

	FY 98 (CO)	FY 99	FY 00	Total
180-0023 (CEE)	68,000	200,000	300,000	568,000
110-0009 (NIS)	0	350,000	400,000	750,000

5 Partnership for Insurance in Emerging Markets

Countries of eastern and central Europe are currently negotiating their WTO accession, their adherence to the GATS is a main requirement for WTO membership. It is in the United States' interest to help countries in the region develop their risk management and insurance markets so as to encourage investment, which will benefit their economies as well as create opportunities for U S insurance providers.

It is therefore, proposed to fund a program of cooperation between the U S Government (USAID) and the International Insurance Foundation (IIF) for technical assistance to insurance regulators and executives in emerging markets. The proposed program will increase the economic security and social stability of these markets, as well as support and promote the interests of the United States Government and U S insurance industry, by 1) increasing institutional capacity for an efficient risk transfer mechanism to attract foreign direct investment, 2) fostering cooperation, mutual recognition, and harmonization among countries in insurance regulation to promote future economic and trade liberalization, 3) providing the U S with a tool in future market access and economic policy talks with emerging market countries, and 4) creating commercial opportunity for U S insurance providers in developing and transitional economies.

Elements of the proposed program would include research and analysis, technical assistance, and a series of seminars in the region. In order to maintain exposure to new ideas and solutions to problems of insurance regulation and oversight, papers on catastrophic risks, the WTO Financial Services Agreement and capital requirements for insurance entities could be researched (as examples). Resident advisor(s) could assist Eastern and Central European governments to develop a regulatory framework. Items for discussion at seminars could include

- organization of regulatory or supervisory authority,
- insurance licensing,
- financial supervision such as technical provisions, assets, and solvency margin,
- insurance accounting and reporting systems, reinsurance,
- statistical skills needed for the calculation of technical provisions and tariffs,
- cooperation among insurance regulatory authorities,
- treatment of troubled insurance companies, including

- policyholders protection,
- risk management, claims management, data collection, underwriting and pricing techniques, life insurance, pensions, health care and, workers' compensation

Performance indicators would include

- an expanded number of insurance products offered to the public,
- significant reduction in risk assessment associated with the investment climate,
- satisfying WTO requirements and,
- increase in direct foreign investment realized

Total costs are estimated at \$1 9 million Funding would be provided jointly by the International Insurance Foundation and USAID on a 50-50 basis Approximately \$200-300,000 is available now from resources returned by the Department of Commerce under the Consortia of American Businesses in Eastern Europe (CABEE) program) Thus, additional USAID resource requirements are as follows

	—	FY'99	FY'00
180-0023	—	400,000	350,000

6. Economic Restructuring Post-Presence Proposal

Problem The problem with ENI graduation end-point and close-out scenarios is that (a) the market laws, processes and policies put in place may periodically require significant subsequent revision, (b) the core market institutions (regulatory agencies, self regulatory organizations, stock exchanges, etc) responsible for implementing and enforcing laws and policies often remain fragile and untested and may need further strengthening, and (c) new situations may arise where even well functioning institutions may require special assistance The result is a serious gap that threatens the full achievement of USG market reform objectives in the region USAID has played a key role in creating or strengthening the basic policies and institutions, government and non-government, of market economies in ENI and created many linkages between U S organizations and their ENI counterparts A limited but continued involvement would help us to protect the substantial investments we have made Lacking is a mechanism to respond to a range of situations where the sustainability of key reforms is at stake, be they predictable (preventative medicine) or in response to unanticipated crises

Why USAID A variety of U S organizations have implemented economic restructuring activities and created or improved market institutions in ENI Most of the systems and institutions USAID has supported utilize U S models, in areas where we have a recognized comparative advantage For this reason, other

countries will not be able to assist these as effectively. The short-duration, post-presence actions to be supported may/should be related on any given reform front to work by the EU, World Bank, IMF, etc., but the option to use the U S provides the means to complement other advice with U S -inspired approaches. Wherever relevant, the program will also encourage "East-East" information exchange.

How (Mechanism) A single grant would be competitively awarded to a non-profit U S institution or consortium. The grantee would operate from the U S and probably not have any permanent staff in Europe. It would organize and finance rapid response interventions (TA, training, internships, conference participation, etc.), normally via pre-negotiated sub-grants to U S partner entities, paying only those costs that the U S and ENI entities cannot offer themselves on a cost-share or pro bono basis. Much of the assistance will be pro bono support from U S institutions already involved in the region that have an interest in maintaining relationships. Reform categories where post-presence interventions may be needed will vary from country to country. USAID oversight would be by ENI/Washington. Roles of embassies and RSC/Budapest need to be carefully spelled out and approved. A 10-year life-of-grant is proposed, with work beginning no sooner than two years prior to close-outs (where bilateral programs cannot otherwise fund interventions) and ending no later than five years after close-out.

Results Fragile institutions in ENI would have access to state of the art TA and training on a modest but continuing basis, and targeted assistance when needed. The assistance and training will help ensure ENI institutions to strengthen and sustain their ability to perform market functions. Counterpart institutions will have access to assistance to deal with crises or unanticipated situations that could have significant impact on the economy, as well as avoid these kind of crises. Links and partnerships between U S and ENI institutions will be maintained, and there will be a better environment for U S business and investment.

<u>Resource Request</u>	<u>FY'99</u>	<u>FY'00</u>
180-0023	1,250,000	1,250,000

1.3. Accelerated Development and Growth of Private Enterprise

	Initial FY of Funding	Cumulative Obligations	Pipeline Sept 97	FY 96 CO	FY 97 CO	FY 98 NOA	FY 1999 Est.	FY 2000 Request	Remarks
0001									
EBRD U.S. Advisors Fund	98					300,000	500,000	500,000	
EDMEF PSC Project Officers (2)							224,000	236,000	
EF PSC Travel							80,000	84,000	
Total, 110-0001						300,000	804,000	820,000	
0003									
Private Sector Initiatives									
Reg. Accounting Reform	98		0	0	0	0	150,000	150,000	
OECD SME and Competition Workshops (EDSS)	98		0	0	0	0	200,000		
EDSS PSC Project Officers (6)						150,000	340,000	366,666	
SB PSC Travel						100,000	100,000	105,000	
PER PSC Financial Analyst							28,000	30,000	
PER PSC Travel							80,000	75,000	
Total, 110-0003						250,000	878,000	715,666	
0008									
Food Systems Restructuring							115,000	120,000	
EDMAG PSC Project Officers (2)							35,000	37,000	
AG PSC Travel & misc						0	150,000	157,000	
Total, 110-0008							150,000	157,000	
0009									
Economic Restructuring & Financial Reform									
Anti-Corruption Initiative	98			0	200,000	300,000	300,000	300,000	
Commercial Law Diagnostics	98			250,000	200,000	250,000	250,000	0	
OECD SME and Competition Workshops (PER)	98			0	0	0	0	60,000	
Regional Trade Initiative	98						200,000	250,000	
Legal Infrastructure (PER)							150,000	150,000	
GTN (MEGAD)							180,000	170,000	
PER PSC Legal Advisors (2)							120,000	150,000	
PSC Travel						0	630,000	720,000	
Total, 110-0009							630,000	720,000	
Total 1.3			0	0	0	550,000	2,482,000	2,412,665	
0014									
Regional Accounting Reform	98						150,000	150,000	
PER PSC Program Specialist							80,000	20,000	
PSC Travel							35,000	35,000	
Total, 100-0014				0	0	0	265,000	205,000	
0023									
Regional Trade Initiative	98						50,000	150,000	
Legal Infrastructure (PER)					80,000		150,000	150,000	
GTN (MEGAD)							400,000	360,000	
Partnership for Insurance	98						1,250,000	1,250,000	
Post Presence Economic Restructuring	98						150,000	340,000	366,666
EDMEF PSC Project Officers (6)							100,000	100,000	105,000
PSC Travel						60,000	250,000	2,390,000	2,390,666
Total, 100-0023						60,000	250,000	2,390,666	
0024									
Regional Agribusiness Federation	98				250,000		150,000	120,000	
EDMAG PSC Project Officers (2)							115,000	120,000	
PSC Travel & Misc							35,000	37,000	
Total, 000-0024					250,000	0	300,000	157,000	
0026									
Anti-Corruption Initiative	98			0	250,000	500,000	500,000	300,000	
Commercial Law Diagnostics	98			200,000	300,000	250,000	250,000	0	
OECD SME and Competition Workshops (PER)	98						50,000	50,000	
PER PSC Legal Advisors							145,000	155,000	
PER PSC Financial Analyst							20,000	20,000	
Total, 000-0026				200,000	550,000	953,000	953,000	525,000	
0027									
PER PSC Financial Analyst							30,000	30,000	
PSC Travel							25,000	25,000	
Total, 000-0027						0	55,000	55,000	
0249									
EBRD Advisors Fund	98				0	0	200,000	200,000	
EDMEF PSC Project Officers (3)							338,000	354,000	
PSC Travel & Misc							120,000	128,000	
Total, 000-0249					0	0	658,000	682,000	
Total CBE 1.3						510,000	880,000	4,264,665	3,777,335
TAL R4 REQUEST, POT 1.3						510,000	1,350,000	6,728,900	5,180,110

advised FY 98 No 0026 ver

ENI OBJECTIVE 1.4:

**A More Competitive and Market-responsive Private
Financial Sector**

RESOURCE REQUEST

SO 1.4 - A more competitive and market-responsive private financial sector

PROGRAM DESCRIPTIONS

NOTE All regional activities in capital markets and banking support individual country programs and their respective strategic frameworks, as detailed in Country Strategy and Results Review and Resource Request documents submitted by each of the ENI countries

East-West Institute (Continuing Activity)

Objective. To continue funding a unique approach to transferring financial skills to the CEOs and other senior management of commercial banks and other financial institutions in the CEE by providing pro-bono services of senior American and European banks. This relatively inexpensive activity is an important part of the process of establishing and consolidating a network of formal and informal partnerships between CEE and Western financial sector players, without any government involvement (except for the small amount of financing we provide). The links will last much longer than the funding as well as will accelerate the development of market-oriented banking sectors, risk management, and the integration of the financial sectors by developing a common language and approach.

Coverage. - This is a regional program whose success depends upon concurrent action and/or cooperation by two or more countries
- This program is intended to extend U S -country relationships and reinforce sustainability beyond closure of USAID posts

Expected Result. Creation of strong informal networks and communication links between financial sector players in the region and U S and Western Europe, as well as between the more advanced countries in Central and Eastern Europe and the lesser developed CEE and NIS countries in order to accelerate the transfer of financial skills and know how

Indicator 1. Six regional workshops/seminars for bank regulatory authorities in the region conducted annually

Indicator 2. The establishment of a regional advisory group of senior financial sector professionals to complement the country advisory group

Resource Request. FY99 CEE \$100,000
FY00 CEE \$0

Regional Bank Regulatory Assistance (Continuing Activity)

Objective. To provide tightly focused, high quality semi-annual regional workshop or seminars to bring together U S and other Western bank regulatory practitioners, institutions and regulatory authority with their counterparts in CEE and NIS (and the IMF, World Bank, and others) to discuss experience related to the development of legal/regulatory framework for the banking sector, on- and off-site supervision issues, accounting issues, risk management issues, problem bank resolution, bank bankruptcy and related judiciary issues USAID/ENI now has technical assistance activities in these areas in over 15 countries These have been some of the most successful projects in the area of economic restructuring as governments make the transition from owner to regulator As these transition economies and financial sectors become more integrated into the global markets, the development of a sound, well regulated, efficiently functioning sector becomes even more critical because of spill-over and contagion effects ENI is recognized by the IMF and the World Bank as having developed a successful methodology and mechanism for similarities, synergies and cross-fertilization that could be beneficial to all participants This would be a very cost-effective way to continue to harmonize banking regulations and practices across the region, prepare them for EU entry and include countries who have not graduated from USAID assistance

Coverage. - This program implements workshops, information networks, and institutional support for cross-border sharing of development experience
- This is an assessment/design arrangement whose flexibility and rapid response capability would be impaired if budgeted on a country-specific basis
- This program is intended to extend U S -country relationships and reinforce sustainability beyond closure of USAID posts

Expected Result. Faster and deeper harmonization of banking laws/regulations across the region, countries more prepared to meet financial sector directives/requirements for entry into the EU, greater exchange of information and cross-border cooperation between bank regulatory authorities in the regional, more standardized policies and procedures to monitor the banking sector and enforce laws/regulations All of this promoting greater financial stability, integration of financial sectors in the region and stronger economic growth than otherwise

Indicator 1. Two regional seminars for bank regulatory authorities in the region conducted annually

Indicator 2. Two regional training sessions for mid-level management on priority bank supervision topics conducted annually, plus development of related training courses

Indicator 3. Two advisory trips by experts to regulatory authorities in the region

<u>Resource Request.</u>	FY99 CEE	\$250,000
	FY99 NIS	\$250,000
	FY00 CEE	\$200,000

FY00 NIS \$200,000

Financial Sector Diagnostics (New Activity)

Objective To have a rapid flexible response mechanism to identify opportunities and initiatives at government regulatory authorities, oversight ministries and in the commercial banking sector to accelerate the development of a sound market-oriented banking system Banking crises in the region have undermined macroeconomic stability, led to high rates of inflation, social problems and generally undermined progress in other critical areas of reform as well as USAID activities These diagnostics can be used in such situations to help determine how the USG/USAID can best provide help In addition, these diagnostics will be particularly important in those countries in the region which have, heretofore, been slow reformers and changes in governments can lead to windows of opportunity of creative absorptive capacity for assistance In the past, such diagnostics have been critical in ensuring that USAID is the timeliest provider of technical assistance in the banking sector We expect that the diagnostics will focus on the following areas problem bank resolution, bank liquidation, bank auditing functions, off and on-site supervision, bank bankruptcy and related legal and judiciary issues, deposit insurance, banker training These diagnostics will help ensure increased public confidence in the bank sector, more banking services provided to household and firms, and more transparent resolution of banking crises

Coverage. - This is an assessment/design arrangement whose flexibility and rapid response capability would be impaired if budgeted on a country-specific basis

<u>Resource Request..</u>	FY99 CEE	\$100,000
	FY99 NIS	\$100,000
	FY00 CEE	\$100,000
	FY00 NIS	\$100,000

Securities and Exchange Commission (SEC) Inter-Agency Agreement (Continuing Activity)

Objective. The SEC program has been in operation since FY 1994 and is intended to facilitate the creation of strong securities regulation in the NIS and Central and Eastern European countries as they develop their capital markets The program has been instrumental in offering technical advisory services in-country as well as training by SEC personnel both in-country and through programs offered in the U S

The technical assistance portion of the Agreement is designed to allow for quick, short term assistance in response to unexpected, but pressing, needs Because this is akin to a master contract, we can send SEC personnel to CEE and NIS countries on short notice, with maximum oversight and coordination Since the SEC and USAID both have home offices in Washington, management of the program has been both time and cost efficient The IAA is not intended to replace Omnibus II or SEGIR longer-term projects, but rather as a adjunct to fill short term needs

The annual training programs, especially the enforcement program and international institute, serve as useful training and international coordination vehicles. The two annual training vehicles of the IAA bring together about 2 senior regulatory officials from each country in the ENI region. The SEC annual training institutes provide intensive, in depth substantive education. In addition, and perhaps just as valuable, the institutes provide an opportunity for capital markets policy-makers to meet each other, SEC and USAID staff. This has led to significantly better relations among the regulators in the region and better exchanges of information and policy views.

Approaching the SEC's regional involvement under the IAA significantly reduces the processing that would otherwise exist. The alternative would be a series of separate project agreements or IAAs for each country worked in. Last year in CEE/NIS this would have resulted in processing 23 individual project agreements if we had not had Regional Funds. At the same time, the Missions retain decision-making authority. USAID's in-country staff are part of the decision-making process. They have travel authorization power over proposed technical and advisory work performed by the SEC overseas. There is also a cost benefit in that the actual cost of salaries, services, per diem, and expenses for trips is not fully covered by USAID funds. The SEC can often tap former SEC Commissioners, law firm partners and attorneys for pro bono work, or just expenses.

Lastly, the SEC gives unbiased, objective advice. We can coordinate with the SEC to offer independent opinions which are not motivated by profit or creation of long-term projects as solutions to problems. Regulation and rule-making is a recurring area of required attention. Several NIS and CEE areas show the demand for additional regulatory aid even though program funding is actually diminishing. Central Asia shows the need for continuing focus on financial regulation, as does USAID/Moscow and Croatia.

Coverage. - This program implements workshops, information networks, and institutional support for cross-border sharing of development experience.
- This is an assessment/design arrangement whose flexibility and rapid response capability would be impaired if budgeted on a country-specific basis.

Expected Results. Will allow those countries in region to gain very specialized expertise from senior officials of the Securities and Exchange Commission.

Indicator 1. At least two training sessions annually with participants from the region.

Indicator 2. One to five programs annually where legal and regulatory assistance and training is provided.

<u>Resource Request.</u>	FY99	CEE	\$500,000
	FY99	NIS	\$600,000
	FY00	CEE	\$500,000
	FY00	NIS	\$600,000

National Securities Clearing Corporation (NSCC) (Continuing Activity)

Objective The NSCC program provides short-term technical assistance for the review and assessment of clearance and settlement systems, including hardware and software needs and capabilities as well as institutional capacity, to ensure that the capital markets in which PER works are developed up to international standards

The program is designed to allow for short term assistance largely in the design and evaluation phases of projects. Because this is structured as a master contract, we can send NSCC personnel to CEE and NIS countries as needed, with maximum oversight and coordination. The NSCC contract is not intended to replace Omnibus II or SEGIR longer-term projects, but rather as a adjunct to fill short term needs

Using this master contract significantly reduces the processing that would otherwise exist. The alternative would be a series of separate project agreements or IAAs for each country worked in. At the same time, the Missions retain decision-making authority. USAID's in-country staff are part of the decision-making process. They have travel authorization power over proposed technical and advisory work performed by the NSCC overseas. Lastly, the NSCC gives unbiased, objective advice. NSCC's advice are not motivated by profit or creation of long-term projects as solutions to problems

Coverage. - This is an assessment/design arrangement whose flexibility and rapid response capability would be impaired if budgeted on a country-specific basis

Expected Results Fully functioning depository, clearance and settlement facilities where USAID is involved in capital markets projects

Indicator Securities despositories with adequate safeguards in place in countries where AID provides capital markets assistance in this area

Results to Date During the past year risk/policy reviews and infrastructure assessments were conducted in Lithuania, Czech Republic (pre-close-out), Romania, Bulgaria, and Ukraine

Resource Request. FY99 CEE \$150,000
FY99 NIS \$150,000

Financial Services Volunteer Corps (FSVC) (Continuing Activity)

Objective Ongoing FSVC programs use banking and capital market sector volunteers from a wide range of public and private financial institutions to provide technical assistance and training to participating countries in the NIS and CEE. The CEE program currently operates under a \$2,000,000 cooperative agreement and includes \$100,000 in regional funding, with the remainder allocated to specific country programs. As discussed below, the availability of regional funding for FSVC activities allows for a broad spectrum of initiatives and for critical problem-solving to take place. Based on

this functionality, it is recommended that for FY99 and FY2000 we sustain a \$100,000 level of regional funding for FSVC

Coverage. FSVC activities, which include assessments, training and targeted technical assistance, offer significant aspects of flexibility and rapid response to program implementation. These are critical factors for countries in which limited (and diminishing) budget allocations would otherwise prohibit any work to be undertaken.

Through the use of volunteers, the program offers host country counterparts access to individuals with high levels of expertise in specific technical fields and who otherwise would not be affordable. Additionally, the short-term nature of interventions lend themselves to discrete activities (including post-presence initiatives) for which there are no country budgets. The ability to provide a rapid turnaround of assistance and resolution builds solidly on groundwork already in place in diverse capital market and banking sectors of respective country economies.

Expected Results. Regional funding will strengthen and enhance ongoing USAID financial sector activities by providing targeted expert advice in critical program areas (Respective USAID field missions reserve the right to review and approve all workplans). In those countries without budget resources, regional funding will allow for pro-bono assistance to be directed to timely and topical initiatives.

Indicator. 5-8 FSVC volunteers travelling to regional programs, 2-4 host country participants slated for training in specified areas.

Results to Date. Exemplary initiatives/achievements during calendar year 1997, directly attributable to regional funding include:

- ground level support of National Bank activities in Romania,
- bank examination activities in Bosnia,
- stock exchange work in Macedonia,
- pension reform work in the Czech Republic and Slovenia in phase-down stage of USAID presence.

Resource Request. FY99 CEE \$100,000
FY00 CEE \$100,000

Chesapeake Associates/3-E-Net (Continuing Activity)

Objective. ENI/PER/CMB recommends additional funding for Chesapeake Associates from the regional budget. Chesapeake's primary efforts have been concentrated on developing independent economic/public policy institutes in the Balkans. The Institute for Market Economics (IME) in Bulgaria and the Albanian Center for Economic Research (ACER) have already been created and work is beginning to establish a similar institute in Montenegro. In Bulgaria, competitors to IME have now developed. With a modest overhead cost, similar activities across the region can be maintained, enhanced and begun anew, if necessary.

The grantee also plays a key role in fostering cross border communication in the region on pertinent subject, e g pension reform, financial markets and informal sector reform. Communication is enhanced by 3-E-Net, an alliance of 200 economists in eleven countries of Central and Eastern Europe. These economists are affiliated with seventeen independent, market-oriented economic research institutes, composed of many of the most prominent and respected free market analysts in their countries. These institutes are linked together to share information and analysis on public policy issues. In many countries in the region this is one of the few sources for such activities. Such activities assist USAID in fostering the concept of regionalization of certain economic reform activities, such as regional capital markets.

Expected Results. This activity promotes advocacy work in the region which promotes the open and free discussion of issues relevant to economic reform. These institutes, for example, may provide the forum for a debate on pension reform in a country where the press is still controlled by the government.

Indicator The institutes need to be conduits of public education and public policy in the area of economic reform. Publication of results of grantee-funded experts travelling to the region, conferences held on specific subjects, in other words a more broadened knowledge of the precepts of economic reform is a goal.

Results to Date Papers, surveys, pamphlets have been distributed and interviews have been held with officials from various institutes on subjects such as pension and social security reform, deposit insurance, foreign trade liberalization, financial market reform. A seminar was held in Belgrade "Challenges and Opportunities for the Economic Transition in Yugoslavia." Attendees came from around the region, including 50 people from Montenegro. A new activity will begin to develop a public advocacy institute in Montenegro.

<u>Resource Request.</u>	FY99	CEE	\$300,000
	FY00	CEE	\$300,000

Association of NIS Banker Training Institutes (NARROWED FOCUS)

Objective. Given the reduction in available FY 98 funding from \$500,000 to \$150,000 during the year, POT 1.4 has decided to narrow to focus of this regional program to its most critical activity with the widest impact: the development of additional computer-based training (CBT) courses for commercial bankers and other financial sector institutions. The highest priority courses requiring CBT development are in International Accounting Standards (IAS) and commercial banking risk management. These and additional core courses will be distributed initially to all past and present USAID-funded banker training centers in the NIS (seven centers in six countries) for use in PC's at the centers and participating commercial banks. It is expected, however, that these courses will eventually have global applicability and distribution.

Coverage. - This is a regional program whose success depends upon concurrent action

and/or cooperation by two or more countries

- This program implements workshops, information networks, and institutional support for cross-border sharing of development experience

- This program is intended to extend U S -country relationships and reinforce sustainability beyond closure of USAID posts

Expected Results. Development of highly flexible but low tech prototype computer based self-learning courses in the fundamental market-oriented commercial banking subjects

Indicator. Completion of fully tested course modules (chapters)

Results to Date. Three of eight modules (chapters) in International Accounting Standards for bankers

Resource Request.

FY99 NIS	\$250,000
FY00 NIS	\$250,000

Economic Post-Presence Activity (Access USA) (New Activity)

Problem. The problem with ENI graduation end-point and close-out scenarios is that (a) the market laws, processes and policies put in place may periodically require significant subsequent revision, (b) the core market institutions (regulatory agencies, self regulatory organizations, stock exchanges, etc) responsible for implementing and enforcing laws and policies often remain fragile and untested and may need further strengthening, and (c) new situations may arise where even well functioning institutions may require special assistance. The institutions are still new, managed by relatively inexperienced individuals, and not been through a full business cycle or encountered the full range of possible crises and problems. This is leaving a serious gap and threatens the full achievement of USG market reform objectives in the region. USAID has paid a key role in creating or strengthening the basic policies and institutions, government and non-government, of market economies in ENI and created many linkages between U S organizations and their ENI counterparts. A limited but continued involvement would help us to protect the substantial investments we have made. What is lacking is a mechanism to respond to a full range of remedial situations where the sustainability of key reforms is at stake, be they predictable (preventative medicine) or in response to unanticipated crises.

Why USAID. A variety of U S organizations have implemented economic restructuring activities and created or improved market institutions in ENI. Most of the systems and institutions we have supported utilize U S models, in areas where we have a recognized comparative advantage or where we believe our approach is the best. Other countries will not be able to assist these as effectively as the U S could. The explicit, short-duration post-presence actions to be supported will convey U S knowledge, values and recommendations on continuing economic reform issues. Activities may/should be related on any given reform front to work by the EU, World Bank, IMF,

etc , but the option to use the U S gives the us the means to complement other advice with U S -inspired approaches Wherever relevant the program will also encourage "East-East" information exchange

How (Mechanism) A single grant would be awarded, competitively, to a non-profit U S institution or consortium The grantee would operate from the U S and probably not have any permanent staff in Europe It would organize and finance rapid response interventions (TA, training, internships, conference participation, etc), normally via pre-negotiated sub-grants to U S partner entities, paying only those costs that the U S and ENI entities cannot offer themselves on a cost-share or pro bono basis Much of the assistance will be pro bono support from U S institutions already involved in the region that have an interest in maintaining relationships Reform categories where post-presence interventions may be needed will vary from country to country (see Annex 1) USAID oversight would be by ENI/Washington Details re clearance of activities with U S embassies in recipient countries and the possible role of RSC/Budapest need to be carefully spelled out and approved A 10-year life-of-grant is proposed, with work beginning no sooner than two years prior to close-outs (where bilateral programs cannot otherwise fund interventions) and ending no later than five years after close-out

Results Fragile institutions in ENI would have access to state of the art TA and training on a modest but continuing basis, and targeted assistance when needed The assistance and training will help ensure ENI institutions to strengthen and sustain their ability to perform market functions Counterpart institutions will have access to assistance to deal with crises or unanticipated situations that could have significant impact on the economy, as well as avoid these kind of crises Links and partnerships between U S and ENI institutions will be maintained, and there will be a better environment for U S business and investment

Resource Request. FY99 CEE \$1,250,000
FY00 CEE \$1,250,000

Year 2000 Crisis Impact Assessment and Correction (New Activity)

Objective. USAID's IRM staff, ENI/PER staff and experts in general all predict that the impending Year 2000 (Y2K) computer program crisis will likely have a devastating impact on ENI countries The root of the Y2K problem (for both ENI and the rest of the world) is that many computer programs, due to their imbedded codes, cannot comprehend that the year date has changed from 1999 to 2000 Instead, the computer reacts as if the year date has reverted from 1999 to 1900 This causes all calculations involving dates and all records containing dates to become corrupted immediately, producing the computer equivalent of gibberish

Because financial and record-keeping systems are highly computerized, the overwhelming majority of fund flows and financial data is now driven by these problematic programs When they shut down in at 12 01 a m January 1, 2000 the impact will be the removal of all electronic cash flow from the economy and freezing of all

electronic records of ownership This will be a worldwide problem as many computer programs, even in the Western world, have not been debugged

Most of ENI/PER's past and current projects, now comprising the work of several POTs, have as a central component the creation of computerized financial and record-keeping systems Whether the subject matter is the banking sector, capital markets, privatization, and other restructuring activities necessary for the transition to market economies, the installation of technology has played a significant part of the assistance Thus, the success of these projects requires insulation of the technology against the Y2K problem

POT 1 4 projects are particularly vulnerable as they involve the creation and global integration of modern electronic banking, stock exchange and registry systems Consistent with rough IRM estimates, and on behalf of related POTs 1 1 and 1 2, POT 1 4 consequently requests a significant regional budget for IRM buy-ins to conduct on an emergency basis the necessary assessments, damage control and corrective action warranted Assuming a form of triage operation will be necessary, the priority will be first to save those projects which have had direct USAID funding and which would have broadest negative impact if uncorrected For the next level of priority, we recognize that in some situations, there will also be a need to help assess critical systems which were funded primarily from other sources, but which are vital for the functioning of the country's economy The funding requested does not include repair of these vital, but not USAID funded, systems

Coverage - This is a regional program whose success depends upon concurrent action and/or cooperation by two or more countries

- This is an assessment/design arrangement whose flexibility and rapid response capability would be impaired if budgeted on a country-specific basis

- This program is intended to extend U S -country relationships and reinforce sustainability beyond closure of USAID posts

Expected Results. During FY99 a thorough assessment of probable impact, correction cost estimates, and then most critical corrective actions taken Then in FY2000, additional highest priority corrective actions taken

<u>Resource Request.</u>	FY99	CEE	\$10,000,000	(proactive awareness, impact assessment, and critical correction work)
	FY99	NIS	\$10,000,000	(proactive awareness, impact assessment, and critical correction work)
	FY00	CEE	\$10,000,000	(highest priority corrections)
	FY00	NIS	\$10,000,000	(highest priority corrections)

Personal Services Contractors (PSC)/Administrative Support

PSC positions are currently funded under POT 1 4 All of these are regional capital markets and banking advisors in ENI/PER's Capital Markets and Banking

Division In addition, funding is requested for the insitutional contractor providing specialized support to three POTs that are resident in ENI/PER

<u>Resource Request.</u>	FY99	CEE	\$1,498,928
	FY99	NIS	\$1,342,952
	FY00	CEE	\$1,279,095
	FY00	NIS	\$1,162,730

1.4-A more competitive and market-responsive private sector

			Initial FY of Funding	Cummulative Obligations	Pipeline Sept 97	FY 95 CO	FY 1998 FY 97 CO	FY 98 NOA	FY 1999 Est	FY 2000 Request	Remarks
110-0005	Private Sector Initiatives						305 000	200 000	11 298 976	11 256 365	
	TA/Advisory	SEC	1994					200 000	600 000	600 000	
		Y2K Crisis Impact Assess & Correct	1999						10 000 000	10 000 000	
	PER Admin	Institutional Contractor (TTI)	1991				100 000		183 976	111 365	FY00 request does not include consultants
	PER Admin	PSC Travel and Misc Expenses					205 000		515 000	545 000	
110-0009	Economic Restructuring & Financial Reform						623 661	0	1 433 976	1 086 365	
	TA/Advisory	NSCC	1997				0	0	150 000	0	
	TA/Training	Financial Sector Diagnostics	1996				100 000	0	100 000	100 000	
	TA/Training	Reg bank regulatory initiative	1997				0	0	250 000	200 000	
	TA/Training	Int'l Assoc of Banker training inst	1997						250 000	250 000	
	PER Admin	Institutional Contractor (TTI)	1991				133 661		183 976	111 365	FY00 request does not include consultants
	PER Admin	PSC Travel and Misc Expenses					390 000		500 000	425 000	
Subtotal for 1.4							928 661	200 000	12 732 976	12 242 730	
180-0014	Privatization and Enterprise Restructuring					58 559	401 670	1 270,000	13,463,976	13 061,365	
	TA/Training	SEC	1994				0	350 000	500 000	500 000	
	TA/Advisory	NSCC	1996				0	200 000	150 000	0	
	TA/Training	East West Institute	1995				0	100 000	100 000	0	
	TA/Training	Chesapeake Associates	1995						300 000	300 000	
	TA/Training	Reg bank regulatory initiative	1997					100 000	250 000	200 000	
		Y2K Crisis Impact Assess & Correct	1999						10 000 000	10 000 000	Year 2000 if needed
	TA/Training	Financial Sector Diagnostics	1996				0	200 000	100 000	100 000	
		Post Presence Activity	1999						1 250 000	1 250 000	
	PER Admin	Institutional Contractor (TTI)	1991				48 317	90 000	183 976	111 365	FY00 request does not include consultants
	PER Admin	PSC Travel and Misc Expenses				58 559	353 353	230 000	630 000	600 000	
180-0026	Competition Policy Laws and Regulations						88	207,447	533,976	436 365	
	PER Admin	Institutional Contractor (TTI)	1991				88	112 447	183 976	111 365	FY00 request does not include consultants
	PER Admin	PSC Travel and Misc Expenses					0	95 000	350 000	325 000	
180-0027	Business Services						125 000	200 000	385,976	331 365	
	TA/Training	FSVC	1990				50 000	100 000	100 000	100 000	
	PER Admin	Institutional Contractor (TTI)	1991				0	100 000	183 976	111 365	FY00 request does not include consultants
	PER Admin	PSC Travel and Misc Expenses					75 000		102 000	120 000	
Subtotal for 1.4							58 447	507,447	16,366,952	13,822,095	
TOTAL for Business for 1.4							58 447	1,477,447	14,199,928	13,071,825	

ENI OBJECTIVE 1.5:

A More Economically Sound and Environmentally Sustainable Energy System

I REGIONAL ENERGY FRAMEWORK AND REGIONAL PROGRAM RATIONALE

The Program Objective Team for Strategic Objective 1.5 -- A More Economically Sound and Environmentally Sustainable Energy System, has developed a "meta" results framework for assessing the progress of the SO from a comparative perspective (See Attachment A) It consists of five intermediate results

- 1.5.1 Adoption of Rational Energy Prices and Sound National Energy Policies,
- 1.5.2 Improved Energy Efficiency and Reduced Emissions in Industry, Buildings, and Power/Heat Systems,
- 1.5.3 Restructured, Commercialized and Privatized Energy Subsectors (Power, Oil, Gas, Coal),
- 1.5.4 Increased Safety of Soviet-Designed Nuclear Reactors,
- 1.5.5 Expanded Regional and International Energy Trade and Integration of Energy Systems with Western Europe and International Energy Markets

The POT is involved in assessing each major ENI country on the basis of these five results. Each country is ranked on a scale of 1-5 for each of the five intermediate results (See preliminary evaluation in Attachment B). This scale reflects a progression from the baseline condition of the early 1990s

- 1.5.1 From Subsidized Prices and Supply-Oriented Policies to Cost/Market Based Prices and Balanced Supply/Demand Policies,
- 1.5.2 From Inefficient and Polluting Systems to More Efficient and Less Polluting Systems that are approaching EU standards
- 1.5.3 From State (often Ministry)-Owned and Operated Enterprises to Competitive and Privatized Power and Energy Markets
- 1.5.4 From High-Risk Nuclear Power Plants to Low-Risk Nuclear Plants Regulated by Independent and Competent Agencies
- 1.5.5 From excessive dependence on Russian energy and technology to diversified energy imports and Western technology

Energy is a truly regional SO due to the technical, economic and environmental nature of large, integrated energy systems. The trend in these systems is toward both increased integration and expanded competition on a national, regional and global scale. In particular, we propose to support (1) specific mechanisms that promote physical as well as economic integration, i.e. regional power pools, institutional networks that share development experience and complement bilateral technical assistance programs, i.e. energy efficiency business network and association of energy regulatory commissions, and programs that reinforce sustainability beyond closure of USAID posts, i.e. CEE utility management systems institute. All of these activities are attributable to the Agency and Bureau's Global Climate Change Program

While there are many regional dimensions that USAID could address, our Regional R4 strategy currently emphasizes electric power and energy efficiency. The SO 1 5 Regional Strategy is formulated to advance specific aspects of the five intermediate results outlined above.

II. RESULTS REVIEW

The following assesses progress toward achieving the results in last-year's Regional SO 1 5 R4. Three specific results were presented: (1) regional power pools, (2) competitive, privatized power markets, (3) increased private investment in energy efficiency.

(1) Regional Power Pools Are Established

TARGET Two regional power pools are established by 2000.

BACKGROUND Three regional power pools are under development in the ENI region: one in the Baltics, one in the Central countries (Poland, Hungary, Czech Republic and Slovak Republic), and one among the five Central Asian Republics. The Regional Program is supporting the first two and the CAR program the third. Regional cooperation in electricity is in the early stages of development in the Southern Tier and the Caucasus. The POT was asked to provide further information on the indicators used for measuring progress towards a regional power pool. In general, there are five dimensions that are important to consider: (1) transmission interconnection, (2) system operation, (3) power plant and network development, (4) economic policy, trade and pricing, and (5) organization, management, and legal/regulatory framework.

PROGRESS The Baltic activity, which is being implemented by Electrotek, focused on development of regional planning capabilities and their application to the evaluation of regional system operations. Work continued on a regional least-cost investment plan and the incorporation of computer-modeling components that allows better analysis of the hydro and Combined Heat Power aspects of the system. The final regional plan is now scheduled for completion in June 1998, or a slippage of about 3 months. Second, Working Group II under the Baltic Regional Energy Development Program began its planning for the procurement of software for assessing the costs and benefits of a power pool. Given the developments in the United States with respect to Independent System Operators, the Working Group began to consider this structural approach to forming the power pool. The work is on schedule to procure software by July 1998, produce an assessment of cost/benefits by February 1999 and a decision on Pool Operating Structure by May 1999.

The work with the CENTREL countries consisted of three complementary aspects: (1) economic focus on transmission

services and pricing by Electrotek, (2) regulatory system assessment by Bechtel, (3) environmental coordination and enhancement by the U S Energy Association. Electrotek completed its Transmission Services and Pricing Forum and made plans for a visit to the California ISO in mid 1998. After this visit, software will be identified to allow cost/benefit analysis and the simulation of a power pool. Given budget constraints, Electrotek is seeking to have the CENTREL utilities pay for the software and related equipment. Bechtel completed a successful workshop on Competitive Power Markets with both regulators and utilities in January. One additional program is planned to follow-up on issues on electricity contracting and related regulatory issues. USEA sponsored a major visit to US utilities and government agencies on environmental issues. A final workshop on emissions trading is planned for mid-1998. In FY99, Bechtel and USEA work will be incorporated into the new Utility Systems Management Institute. Electrotek activity will continue into FY99 and end with a final report on the costs and benefits of a regional power pool.

Work in the Southern Tier (SECI) countries was initiated with USAID participation in the first SECI electricity grid interconnection meeting hosted by Macedonia. Discussions and materials from this meeting revealed the substantial feasibility work that has been done, much with EU assistance, on transmission system modernization. As with the CENTREL countries, assistance is needed on the economic issues in electricity trade and coordinated system operation. The problems of Serbia severely complicate the formation of a formal power pool.

Excellent progress was made in the Central Asian Republics. The five countries, based in large measure on their study tour to the Baltics, developed with USAID assistance and approved at a high energy Ministry level a Protocol for Parallel Operation of the electricity system. This agreement is expected to be submitted to heads of State over the next year. The CAR mission plans to continue support for this program.

PROGRESS RATING Despite some delays in the Baltics due to funding availability constraints, the program met expectations.

(2) Competitive, Privatized Power Markets

TARGET The target presented last year was the creation of ten Independent Power Companies (IPPs) by the year 2000. This target may need to be revised to match the objectives of the two initiatives below.

During the past year, activities were carried out to develop the concepts for a Regional (CEE/NIS) Association of Energy Regulatory Commissions and a CEE Regional Utility Systems Management Institute.

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Regional Association of Energy Regulatory Commissions:

BACKGROUND Sound and predictable regulation is needed to achieve efficient competitive power systems with substantial private investment. Because of the increased electricity trade among the NIS, CEE and Western European countries over the medium- and long-term, national regulation must be considered in the regional context. In the last year, the initial steps were taken to lay the foundation for a long-term sustainable regional (both CEE and NIS) energy regulatory network.

PROGRESS In November, 1997 50 regulators from 16 countries, including the Baltic countries and Russia, came together for the first time ever at the USAID-sponsored Energy Regulatory Conference for CEE and NIS hosted by the Hungarian Energy Office in Budapest. The 2 1/2 day Conference was highly successful in establishing a common bond among participants and reaching a consensus on the need for a regional regulatory organization. A preliminary set of specific regional activities was defined to strengthen the regulators and links among them. A smaller Working Group of 6 countries met in April and defined (1) a detailed program of networking activities, (2) a staged approach to determine what kind of formal organization would best serve their needs, and (3) the first technical Working Group meeting to take place in June on electricity licenses.

USAID discussions with the National Association of Regulatory Commissioners (NARUC) about their international interests indicated a close match between their interests and ENI regulators interests and needs. A cooperative relationship with NARUC, under discussion, will increase the prospects for the sustainability and success of the regional regulatory networking.

CEE Regional Utility Systems Management Institute

BACKGROUND The restructuring and privatization of the utility systems in Central and Eastern Europe is creating a demand for managers that can operate in the new market environments. Over the past seven years, USAID in partnership with the US Energy Association has cofunded a Utility Partnership Program, under which US electric utilities and electric industry companies have developed strong bonds with counterpart organizations in the CEE region. US industry has contributed about half the costs of this program in terms of the time of their senior executives. This program comes to an end on September 30, 1998. A Regional Utility Systems Management Institute is proposed (see new Initiative Section) to serve as a "legacy mechanism" and to sustain the vital relationship that has been forged through USAID's investment of almost \$20 million.

PROGRESS Over the past year, USAID and USEA have discussed the concept of an Institute with both US and CEE utilities and industry representatives, in particular at the Annual Meeting of the Utility Partnership Program in November in Riga. They have been very supportive of the concept. This has enabled USEA to develop a proposal for a program in which USAID share of total estimated costs of \$7 million over 3 years would only be 20-25%. US utilities are increasing their interest in the European market, given developments in Asia and the prospects in CEE to gain credits under a Global Climate Change regime. US IPPs have invested in Hungary and Kazakhstan and the prospects appear very good that the target of 10 IPPs can be reached by 2000.

PROGRAM RATING. **Progress exceeded expectations.** Both the Budapest Regulatory Conference and the Utility Partnership Meeting confirmed the support of regulatory agencies and utilities in the region for proceeding with these new regional initiatives and it appears that sound US implementors will be in place.

(3) Increased Private Investment in Energy Efficiency

TARGET. The target is to have in place 20 private performance contracts for energy efficiency investment by 2000.

BACKGROUND USAID continues to work toward promoting private energy efficiency trade/investment. These activities are a focus of USAID attention for two reasons: 1) the significant potential effect on development of the region's economy, and 2) the major strategic, economic, commercial, and environmental implications to the US. USAID regional activities contribute to the development and integration of regional networks for energy efficiency service providers, linking them to one another and to the US energy efficiency industry to substantially improve the climate for sustainable growth and private investment. In addition, the activities support broader USG regional goals including Global Climate Change and SECI.

The regional importance of energy efficiency is increasing in response to the Kyoto Convention on Climate Change. Discussions are underway among prospective buyers and sellers of emissions credits through emissions trading and joint implementation mechanisms, with energy efficiency playing a potentially large role.

USAID regional activities are aimed at developing and strengthening business associations and NGOs to create a regional infrastructure to build public policy support for energy efficiency throughout the CEE region, with some potential linkages to NIS countries. The activities build capabilities within existing associations and NGOs, link the organizations to one another within the region, and build institutional linkages to the US.

The specific USAID activities include the following

- * Under an agreement with the Alliance to Save Energy, build NGO expertise within the Regional Environmental Center, and work with organizations throughout the region to build capabilities to address policy issues relating to improving the business climate for energy efficiency

- * Strengthen and expand the Association of Energy Engineers chapters' ability to serve as effective business associations to further energy efficiency and environmental objectives

- * Conduct feasibility studies of potential SECI projects, thereby providing the stimulus for private investment in municipal energy efficiency projects

PROGRESS Several developments helped create the underpinnings toward meeting the target of 20 projects financed by energy performance contracting by 2000. The program is on track to meet the target. U.S. companies and financial institutions are taking a regional market perspective toward investment opportunities in energy efficiency. EBRD has funded Honeywell and two European companies to develop regional energy services companies (ESCOs) - they have begun implementing commercial projects in Hungary and Slovakia, and are poised to begin in Poland and Slovenia. DOE is sponsoring a trade mission for US ESCOs to several countries in the region later in 1998.

Several examples of the growing interest of US companies in the region include the following

- * Armstrong Services has distributors throughout the region. They have developed a vibrant market for steam traps, and are pursuing comprehensive steam solutions.

- * Dryvit has installed exterior insulation on 8,000 buildings in Poland.

- * Slant Fin (a Long Island boiler manufacturer) has about \$300,000 annual business volume in Hungary, with about 15 distributors, concentrating on improved heating systems and controls in hotels and other enterprises and poised to move into apartment markets. They are expanding operations to Romania and Slovenia.

- * GE Tungshram, GE's Hungarian subsidiary, controls 90% of the Hungarian market for compact fluorescent lamps, with significant market penetration in hotels and other commercial establishments.

- * Cleburn (a Pennsylvania firm) is successfully marketing

waste oil furnaces in Poland, allowing garages and bus depots to produce heat by recovering waste products

Significant progress toward the target was made in 1998 as a result of the USAID activities

The Alliance to Save Energy began its cooperative relationship with the Regional Environmental Center by sending one of its employees to the REC, and supervising a dedicated REC staff. The Alliance/REC team is beginning to assess the energy efficiency climate throughout the region regarding the capabilities of NGOs and business associations to contribute to policy and business developments

The Association of Energy Engineers conducted a Train the Trainer program for Certified Energy Managers (CEM) among members from seven chapters representing five countries in the region, allowing the chapters to build its CEM membership. The Chapters learned how to utilize the CEM program to become sustainable and raise funds for future Chapter activities through charging CEM course fees, testing and renewal fees, and seeking corporate sponsorships. In addition an administrative system for each chapter was established and quality assurance for the program was presented. Guidance was provided to help chapters develop business plans. A chapter "twining" concept was introduced, pairing chapters in the region to US chapters. Internet chapter meetings were initiated. New chapter development is underway in Poland, Macedonia, Slovakia and Moldova. An Environmental Auditing Course will take place in Romania in summer, 1998

SECI activities are promoting commercial lending for municipal energy efficiency activities. Project screening and feasibility studies in Hungary and Slovenia will be used to provide information to ESCOs and lenders from the US and Western Europe for project implementation. Similar activities are expected in Bulgaria, Romania, and perhaps Macedonia

PROGRESS RATING. **Met Expectations.**

III NEW REGIONAL PROGRAM INITIATIVES

Initiative #1: ENI Regional Association of Energy Regulatory Commissions

Purpose To advance the development of competitive, privatized electric power systems through the development of a Regional Association of Energy Regulatory Commissions

Background USAID is supporting in CEE and NIS the development of independent energy regulatory commissions as an essential part of the development of competitive, market-oriented power systems. Ten such bodies have been established over the past two years with more anticipated. The commissions face similar issues, there is a strong interest in learning from each others experience during this nascent period. The November '97 Budapest Conference brought 50 regulators from 16 countries together to formulate a common agenda. The Workshop recommended the development of an information network and more detailed planning for a Regional Association of Energy Regulatory Commissions. A follow-up Steering Group met in April and defined a set of regional activities and an approach to establishment of a formal association. A technical Working Group will meet in June on Licensing issues. Discussions with the U S National Association of Regulatory Utility Commissioners (NARUC) indicate that their objectives are consistent with the needs of the ENI regulatory organizations.

This activity is regional in character as it meets the established criteria. It is geographically cross-border, inappropriate for inclusion in a country R4 and subject to the management oversight of an ENI/W office. It is (a) a program whose success depends upon concurrent action and cooperation by two or more countries (initially 16), (b) consists of workshops, information networks, and institutional support for cross-border sharing of experience, and (c) extends U S -country/regional relationships and reinforces sustainability beyond closure of USAID posts.

Current Status The first Regional Regulatory Conference occurred and established a set of desired activities and consensus on the Association concept. A Working Group is in place and met in April to further define the approach and activities. The first technical working group activity will take place in June. NARUC is preparing a proposal for a Cooperative Agreement.

Northern Tier Participation Hungary, Poland, Latvia and Lithuania have established energy regulatory bodies and their experience is critical to both the establishment of the

Association and our goals in promoting similar development in the NIS and Southern Tier

Regional Rationale The development of energy regulatory commissions are critical in fostering regional power pools and system integration with EU as well in furthering domestic restructuring and privatization, including foreign investment. The involvement of Russian Federal Energy Commission makes this network a unique vehicle for pursuing USNEI objectives. The development of more efficient systems open to investment in gas-fired, cogeneration and other more efficient, cleaner technologies will directly contribute to our Global Climate Change objectives.

US Comparative Advantage USAID is uniquely suited to pursue this program because we are currently working with all the energy regulatory commissions in both CEE and NIS and because Western Europe does not have a tradition of either independent regulation or private investor-owned utilities. There is increasing interest among U S investors and regulators in the approaches to power reform and regulation in CEE and NIS.

Nature of Program Activities: Preliminary planning indicates that each year of the program will consist of a set of regional activities integrated with the establishment and development of a formal regional organization. The activities under consideration are an Annual Conference, 3-4 technical committee meetings, 1-2 workshops, electronic networking, newsletter, exchange visits, among the ENI regulatory commissions and with U S regulators, U S -ENI regulatory partnerships and short-term TA.

Implementation Mechanisms: Cooperative Agreements with NARUC and U S Energy Association, existing contracts that are supporting bilateral regulatory activities.

Program Costs/Duration This is a low-cost, high pay-off activity supportive of key regional objectives in which the participation of the Northern Tier countries is important. The estimated regional costs are on the order of \$600K per year for CEE and NIS combined (\$200K for CEE and \$400K for NIS) with some costs supported by mission programs. USAID support for the Association is expected to last for three-five years.

Management and Monitoring: POT 1.5 (EEUD/EI staff) will manage. Field monitoring function will be assigned depending on decisions with respect to the secretariat for the Association.

Initiative #2: Utility Systems Management Institute

Purpose This Institute is seen as a "legacy mechanism" for the continuing involvement of US utilities and energy companies in the development of the next generation of managers for the restructured and privatized electric utility systems of Central and Eastern Europe. It is also seen as a **centerpiece of ENI's Global Climate Change Strategy** (Secretary Albright recently cited the USEA Utility Partnership Program has an example of the type of Global Climate Change mechanism we will be using)

Background Over the past seven years, USAID and the US Energy Association have cooperated in a unique Utility Partnership Program. US utilities and energy companies have provided their senior staff and facilities for professional management development activities and exchanges in a wide-range of economic, financial, environmental and technical fields. USAID has contributed over \$20 million and US industry a like amount. Bilateral partnerships and regional forums and programs have been carried out with all CEE countries except Bosnia, Albania, Slovenia and Croatia. This Utility Partnership is scheduled to come to an end on September 30, 1998. Based on a dialogue with both CEE and US companies, a strong desire exists to maintain these relationships while preserving the unique regional aspects of the program. USEA is developing a proposal for a Regional Utility Systems Management Institute that would be initially supported primarily by the private sector and CEE companies. USAID support would be limited to one-third or less for a three-year transition period only. The main focus of the Institute would be on training in the areas of competitive power market development, international finance and investment, and environment and energy efficiency.

Current Status The current Utility Partnership Program is ending and the follow-on institute is in planning stage. USEA is ready to submit their proposal and it could be completed this year. It is hoped that this new initiative could be announced at the World Energy Congress in Houston in September.

Northern Tier Participation: All the countries of the Northern Tier are current participants in the UPP and have indicated an interest in participating and covering all local costs of the new Institute activities. The CENTREL (Poland, Hungary, Czech Republic and Slovak Republic) utilities seem to want to participate as a group. The participation of the Baltic countries is critical to enhance our NEI initiative and further discussions on the proposed Baltic Ring.

Regional Rationale The purpose is to create a unique (none currently exists) regional center for professional management development for the electric power sector and to concentrate US resources in a way that can hopefully make the program self-sustaining at the end of three years. This program will continue to advance US commercial interests in investment in private power.

US Comparative Advantage: US industry has gained substantial experience in carrying out training and exchange programs with the CEE utilities and the current restructuring of the electric power industry in the US as well as the US response to Global Climate Change brings unique insights to the CEE countries.

Nature of Program Activities training courses, internships, conferences, workshops/seminars, newsletters, educational materials, Advisory Board meetings and possible long-term local hire staff.

Implementation Mechanism Planned cooperative agreement with the US Energy Association.

Program Costs/Duration: The costs for the program are being developed in the USEA proposal. The current USEA thinking is that the program will be on the order of \$7 million over 3 years. The USAID contribution would only be \$1.6 million or about 22%. Between FY97CO and funds from the FY98 NEI, we already have over 50% of our share. We would need only \$750K over FY99 and FY2000.

Management and Monitoring POT 1.5 (EEUD/EI staff) will manage program. It may be feasible to monitor the program from new energy PSC in Romania or from Budapest.

IV. PROGRAMS IN GRADUATION/CLOSEOUT COUNTRIES

The following table highlights the current and/or potential participation of CEE countries in existing or proposed SOI 5 activities

Country Activ	Baltic Pool	Centrel Pool	S.Tier Pool	Allianc e/AEE	SECI Effic.	Reg Assoc	Utility Inst
Estonia	X					X	X
Latvia	X			X		X	X
Lithuan ia	X			X		X	X
Poland		X		X		X	X
Czech	→	X		X		X	X
Slovak	—	X		X		X	X
Hungary		X	X	X	X	X	X
Romania			X	X	X	X	X
Bulgari a			X	X	X	X	X
Macedon ia			X	X	X	X	X
Albania			X				
Sloveni a			X		X		
Croatia			X				

Participation of Graduated or Close-Out Countries

The participation of Estonia and Latvia are critical to the operation of the Baltic Power Pool as is the involvement of Czech and Hungary in the CENTREL pool. The Baltic Power Pool activity is specifically included in the Estonia close out memo. Hungary's experience in regulatory agency development and strategic privatization is critical for the Regulatory Association and the Utility Institute. CENTREL wishes to participate in the Institute as a group. Czech and Slovakia do not yet have separate energy regulatory agencies. The Alliance energy efficiency network is based at the Regional Environmental Center in Budapest. In USAID cooperative agreements with the Alliance and the AEE, it

specifically calls for them to seek USAID approval for activities

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in the Czech Republic They have not yet done this Hungary is a member of SECI and plays a critical role in both the energy efficiency and the electricity grid issues

Field Monitoring

The Baltic work is being monitored out of Lithuania per the Estonia close-out memo The Poland AIDREP office has been involved in the CENTREL work but this should probably be shifted to the Budapest regional office once it is staffed The Alliance network should also be monitored out of Budapest We are currently working out the monitoring relationships for the new SECI energy efficiency activities with AIDReps in Hungary, Bulgaria, Romania and Macedonia The Regulatory Association has not decided on a secretariat and no centralized field monitoring beyond that of the country SO teams for countries that have energy regulatory commissions and TA program is proposed at this time A decision on field monitoring will be made in conjunction with NARUC as the program develops The Utility Institute likewise does not have a physical locus yet USEA/Washington will serve as the secretariat and meetings of the Steering Committee will be held several times a year in the region or in the U S Thus, the burden on AID Reps or Embassies should not be significant The programs will be carried out under the Cooperative Agreement with minimal USAID oversight given our minority role in financing It is possible that the Budapest office or possibly the new energy PSC in Romania could periodically attend Institute functions

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ATTACHMENT B Preliminary Evaluation of Regional SO 1.5 Progress 1995/96 and 1997/98																	
Comparative Evaluation of ENI Country Energy Systems 1995-6																	
Results/Country	Latvia	Lithuania	Poland	Czech	Slovak	Hungary	Romania	Bulgaria	Macedonia	Russia	Ukraine	Moldova	Armenia	Georgia	Kazakhstan	Kyrgyzstan	
1 Price Rationalization	3	2	3	4	3	4	3	2	3	3	3	3	2	1	2	3	
2 Efficiency & Emission Reductions	3	2	3	4	3	3	2	2	2	2	1	2	2	1	2	2	
3 Restructuring and Privatization	2	1	3	4	2	4	1	1	1	2	2	2	2	1	2	2	
4 Increased Nuclear Safety	NA	1	NA	5	3	5	3	1	NA	2	1	NA	1	NA	NA	NA	
5 Regional/International Trade and Integration	1	1	3	4	4	4	2	2	1	2	1	2	1	1	1	1	
Comparative Evaluation of Energy System in ENI - 1997/98																	
Results/Country	Latvia	Lithuania	Poland	Czech	Slovak	Hungary	Romania	Bulgaria	Macedonia	Russia	Ukraine	Moldova	Armenia	Georgia	Kazakhstan	Kyrgyzstan	
1 Price Rationalization	4	3	4	4	2	5	4	3	4	3	3	4	3	3	3	2	
2 Efficiency & Emission Reductions	3	2	4	4	3	4	2	2	3	3	2	2	3	2	2	2	
3 Restructuring and Privatization	3	3	3	3	2	4	2	2	2	3	3	3	3	3	3	2	
4 Increased Nuclear Safety	NA	3	NA	5	3	5	4	2	NA	2	2	NA	3	NA	NA	NA	
5 Regional/International Trade and Integration	3	3	4	4	4	4	3	2	3	2	1	2	1	3	3	3	
For each result, a scale of 1-5 is used to evaluate the progress of the country on that dimension. 1 represents a level that while not necessarily complete or perfect, is consistent with a Western market economy. The starting point for each result is defined as: (1) major price subsidies -- not cost based; (2) major inefficiencies in energy/GDP (four times Western Europe); (3) state/Ministry owned monopoly of energy enterprises; (4) no safety upgrades, high risk plants in operation, no effective regulation, weak safety culture; (5) heavy dependence on Russia, limited trade links with W. Europe and international energy market, limited regional cooperation.																	

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V BUDGET REQUEST									
SO 1 5 Economically Sound and Environmentally Sustainable Energy System									
			Initial FY	Cum Oblig	Pipel 9/97		FY98	FY99Est	FY00Req
						Reobl	FY97CO	FY98NOA	
180-0030	Regional Energy Eff								
	Regional Power Pools								
	BaltcPool	1996	1472	200		409	200	200	100
	CentralPool	1997	556	90			300	0	
	S TierPool	1998	0				100	300	200
	Competitive PowerSys								
	RegulAssc	1997	100	0			200	200	200
	UtilityInst	1998	0	0			850	450	300
							++note for above		
	Private Energy Eff Inv								
	Alliance	1997	337	330	598		0	0	100
	AEE	1997	200	150			100	52	0
	SECI	1998	0	0			250	?	?
	PSCs/Travel								
							360	330	335
	TOTAL		2665	770	598	409	2360	1532	1235
110-0002	Energy Efficiency and Market Reform								
	Regional Power Pools CAR Mission Funds								
	Competitive Power Systems								
	Regul Assc	1997	100	0			0	400	400
	Utility Inst	NA					0		
	Private Energy Eff Inv								
	Alliance	NA					NA		
	AEE	1997	147	100			0		200
	SECI	NA					NA		
	PSCs/Travel								
							346	300	300

TOTAL			247	100			346	700	900
	Notes \$1 million in Hanseatic line item funds for \$FY98 are divided as follows								
	(1) \$150K for CENTREL for Baltic Ring issues								
	(2) \$200K for Regulatory Network participation of Baltics and linkage with Russia Federal Energy Commission								
	(3) \$400K for Utility management Institute which will have courses in Baltics								
	(4) \$250K transferred to EEUD/ENR to compensate for amount borrowed last year for Baltics								
	++ includes switch with FY97CO								

STRATEGIC OBJECTIVE 1.5

A More Economically Sustainable and Environmentally Sound Energy Sector

Intermediate Result 1.5.1: Adoption of Rational Energy Prices and Sound National Energy Policies

- 1 5 1 1 Decontrol of petroleum and coal prices,
- 1 5 1 2 Increase of electricity and gas prices to LRMC,
- 1 5 1 3 Adoption of policies that encourage rational pricing, competitive markets, private and foreign investment, trade liberalization and environmental protection

Intermediate Result 1.5.2: Improved Energy Efficiency and Reduced Emissions in Industry, Buildings, and Power/Heat Systems

- 1 5 2 1 Implementation of utility demand-side management and integrated resource planning programs,
- 1 5 2 2 Formation of private energy service companies,
- 1 5 2 3 Creation of NGO energy efficiency centers and local energy efficiency business associations,
- 1 5 2 4 Promulgation of energy standards and legislation that support commercial market development of energy efficiency and related environmental technologies and services,
- 1 5 2 5 Improvement in energy efficiency and reduction of emissions at selected demonstration facilities and wide-spread dissemination of results

Intermediate Result 1.5.3: Restructured, Commercialized and Privatized Energy Subsectors (Power, Oil, Gas, Coal)

- 1 5 3 1 Demonopolization and creation of market-oriented structures and corporations,
- 1 5 3 2 Development of legal frameworks and effective regulatory authorities that can improve the financial viability of the sector, promote competition, further private and foreign investment, and further development of energy/utilities components of emerging capital markets,
- 1 5 3 3 Establishment of commercially viable energy production and distribution companies and introduction of modern utility/corporate management approaches/culture,

1 5 3 4 Mobilization of private and public financing for investment projects that modernize facilities, improve efficiency and environmental performance, replace high-risk nuclear reactors and are consistent with a least-cost approach

1 5 3 5 Increased electricity and heat production by private companies and private/public joint ventures

Intermediate Result 1.5.4: Increase the Safety of Russian Designed Nuclear Reactors

1 5 4 1 Improvement in operational safety and reduction in possible causes of accidents at high-risk plants,

1 5 4 2 Corporatization of nuclear generation and creation of regulatory and economic incentives for investment in nuclear safety and improvement in safety culture,

1 5 4 3 Identification and development of economically-viable options to continued operation of high-risk reactors,

1 5 4 4 Development of competent, independent nuclear regulatory authorities and a legal framework which enhances their effectiveness

Intermediate Result 1.5.5: Expanded Regional and International Energy Trade and Integration of Energy Systems with Western Europe and International Energy Markets

1 5 5 1 Development of regional system for managing electricity transmission among three Baltic countries and formulation of regional investment program that supports the replacement of Ignalina,

1 5 5 2 Establishment of effective regional power pool among CENTREL countries (Poland, Czech Rep Slovak Rep and Hungary),

1 5 5 3 Integration of CEE into Western European UCPTE electric system,

1 5 5 4 Establishment of contractual and pricing mechanisms for energy trade among CEE and NIS countries,

1 5 5 5 Development of arrangements for the reliable and efficient export of oil and gas from the NIS to CEE, Western Europe and other markets

RFI 10/30/96

ENI OBJECTIVE 1.6:

Increased Environmental Management Capacity to Support Sustainable Economic Growth

REGIONAL RESULTS REVIEW AND RESOURCE REQUEST
STRATEGIC OBJECTIVE 1.6
MAY 27, 1998

I REGIONAL ENVIRONMENT AND NATURAL RESOURCES FRAMEWORK AND REGIONAL PROGRAM RATIONALE

In the previous R4, environment and natural resources activities were presented under the Europe and the New Independent States (ENI) Bureau's Strategic Objective 3.3 Reduced Environmental Risks to Public Health. During the past year, the Bureau through the Program Objective Team (POT) for Strategic Objective 3.3 proposed a new Strategic Objective (S O) for inclusion in the ENI Bureau's Strategic Framework. This S O more clearly articulates the important linkages among environmental issues, democratic principles, ambitious economic reforms and growth objectives which are at the heart of the ENI Bureau's overall development agenda.

In January, the ENI Bureau announced adoption of the new S O 1.6 Increased Environmental Management Capacity to Promote Sustainable Economic Growth. The results framework consists of five intermediate results:

- IR 1.6.1 Strengthened Policy, Legal, and Regulatory Framework,
- IR 1.6.2 Increased Environmental Trade, Finance, and Investment,
- IR 1.6.3a "Best Practices" Adopted by Industrial and Public Sectors,
- IR 1.6.3b Improved Management of the Natural Resources and Biodiversity,
- IR 1.6.4 Increased Institutional Ability to Identify and Remedy Environmental Problems,
- IR 1.6.5 Increased Participation of Non-Governmental Organizations (NGOs) and Citizens in Environment Decision Making

S O 3.3 remains an objective of the ENI Bureau's development effort in one country, Slovakia. However, all of the other countries reporting under S O 3.3 have transferred their environmental portfolios to the new S O 1.6. Such a rate of adoption clearly demonstrates the applicability of the new S O 1.6 and the acceptance of its capacity to capture the existing and future environment and natural resources activities.

Countries served by the ENI Bureau continue to face a daunting environmental challenge that is intimately linked to the economic transition process. The formerly centrally-planned economies of the region were rife with market distortions that led to poor environmental performance and left behind a legacy of heavy pollution, inefficient energy use, and other resource mismanagement not found elsewhere in Europe. The new Strategic Objective 1.6 recognizes the magnitude of the problem and

reflects the broader Agency goal of "Protecting the world's environment for long-term sustainability " It also captures a significant number of existing ENI environmental activities that are successfully contributing to other bureau objectives

The POT 1 6 and the Environment and Natural Resources Division (EEUD/ENR) address this environmental challenge with activities reported in the following section The limited number of U S direct hire EEUD/ENR staff has been supplemented with a number of U S personal services contractors, through arrangements with U S Government agencies and an 8a support contract As more individuals in the Missions and Offices of the AID Representative receive designations as Contracting Officer Technical Representatives (COTRs), the pressure will increase on the EEUD/ENR technical staff to provide even greater value-added support services to the field to prepare scopes of work, measure activity results, collect information attributable to meeting the Agency's commitment to address global climate change and perform other specialized tasks

EEUD/ENR anticipates future activities that the Office of Environment, Energy and Urban Development will continue to lead at an office level The synergistic relationships among the three divisions of this office have resulted in a whole greater than the sum of its parts For example, energy and environment issues in the Caspian Sea oil and gas arena are the subject of a closely-coordinated program between these divisions in EEUD Similarly, the environment and urban divisions are working closely with the U S Environmental Protection Agency (USEPA) and other U S agencies to develop a bond guaranty fund for municipal environmental investments in the New Independent States

As an example, under the Regional Environmental Partnership Program (EPP) one potential area for regional networking is among oil and gas regulatory officials This networking will ensure that lessons learned in the development of these specialized agencies are available to new organizations being established in the Central Asian Republics and Caucasus A similar inter-office cooperation could be proposed for climate change issues as well

II. RESULTS REVIEW

The following narrative assesses the POT 1 6 progress as stated in the previous Regional SO 1 6 R4 over the past year relative to planned results and targets The review endeavors to assess progress toward achievement of S O 1 6 across countries of the region looking at both bilateral and regional activities This fulfills the POT's mandate to monitor and report on results and to share experiences under S O 1 6 in programs throughout the region

IR 1.6.1: Strengthened Policy, Legal and Regulatory Framework

Since 1993, the Environment and Natural Resources Division has played an active and integral role in the transition in the environment sector throughout the region. During the past year, through a buy-in to the Global Bureau's Environmental Policy IQC (EPIC), the Division produced a major report entitled "Measuring the Environmental Transition in Eastern Europe and the New Independent States". The report reviewed the process of building a foundation for environmental improvement in the region and begins to address the questions "How far has the region come?" and "What remains to be done?" The transition report provides a framework and methodology for ranking progress made by countries in three broad impact areas: policy, legal, and regulatory frameworks, strength and commitment of environmental institutions, and, environmental trade, finance, and investment. The report assesses progress in these areas within four environmental stakeholder groups: private enterprise, central government, local government, and citizens, including NGOs. This analysis has contributed to the development of the strategic framework for S O 1 6, and provides a road map for planning and measuring the impact of future interventions, as well as a foundation for assessing countries' preparedness for graduation from USAID assistance.

Environmental Policy and Technology (EPT) Project

In the last year, EPT via the contractor CH2M Hill has been working on several different initiatives in Ukraine. EPT set up and sponsored the *Ukraine Council and Work Group Program to Promote Sustainable Development*, which includes high-level government officials, NGOs, private sector representatives, international finance institutions (IFIs), and other donors. The Work Group activities encompass urban water, agriculture, industry, energy efficiency, environmentally sound business development, and bio-diversity field demonstration projects. The Council (which supervises the Working Groups) serves as a mechanism to bring those barriers, and policy and legislative proposals to address those barriers, to the attention of national level officials. The Program has identified (a) policy/legislative barriers which impede reforms in the Working Group sectors, and proposed specific policy/legislative amendments to address those barriers, (b) opportunities to introduce the environmental management system ISO 14000, and (c) assistance in developing Ukraine's laws on hazardous waste in harmony with those of the European Union. The Program forwarded to the Gore/Kuchma Commission and to Ukraine's Cabinet of Ministers, proposals to address barriers to reform and to optimize opportunities for reform identified by the Work Groups. Ukraine's most recent amendments to its taxation code included reforms to the law affecting water utility profit calculations and capital depreciation that the Program proposed.

IR 1.6.2: Increased Environmental Trade, Finance and Investment

Finance Conference

Responding to the need to leverage more public and especially private resources to meet the huge needs for environmental investments in the ENI region, USAID sponsored a regional conference in January, "Innovative Financing for Environmental Investments Looking Toward the Future " Case studies were presented to illustrate the use of private-sector financing mechanisms and public-private partnerships to fund environmental infrastructure and industrial pollution prevention and mitigation projects Although the experience presented was primarily from Central Europe, participants included representatives from almost all countries in the ENI region

Environmental Action Programme Support (EAPS) Project

In order to support the development of indigenous sources of project financing, technical assistance has been provided to national and regional environmental funds in Poland, the Czech Republic, and Lithuania On the other side of the equation, EAPS has assisted applicants seeking environmental funding to develop technically sound and financially viable project proposals As a result, the approval rate of projects financed by these environmental funds has multiplied in both Poland and the Czech Republic In addition, a pipeline of projects is ready for the Lithuanian environmental fund once that organization receives working capital from the European Union and Lithuanian government

EAPS has supported more than 100 environmental finance projects in Poland, covering 20 municipalities Work with 16 municipalities was completed in the Czech Republic In Bulgaria, EAPS is providing ongoing assistance to the city of Stara Zagora to finance conversion of coal-fired boilers to natural gas In Slovakia and Romania, work has focused on environmental, technical and financial feasibility studies for process improvements to polluting enterprises

IR 1.6.3a: "Best Practices" Adopted by Industrial and Public Sectors

World Environment Center (WEC)

Through its waste minimization programs in Poland, Slovakia, Romania, Lithuania, and Ukraine, WEC has introduced low or no-cost modifications of industrial processes This enables industries to use technologies that reduce the amount of pollutants produced during manufacturing Investments that simultaneously better the environment, provide economic benefits, cut worker and public exposure to toxic compounds, and conserve natural resources through low and no-cost techniques are especially emphasized

CH2M Hill Environmental Policy and Technology (EPT) Project

The Lviv Vodokanal project addresses the engineering, legal and

financial structure of water utilities in Ukraine. The physical deterioration of the water system is being addressed through sampling, inspection, physical assessment, and computer-aided analysis. Computer software that enables the water system to be graphically portrayed and weak pressure points identified for maintenance has been procured and improved upon by the local engineers employed under this project. Engineering equipment, including pipe saws and flow meters, have been procured. Pricing methodologies have been developed that enable cost recovery and consumption-based billing. An additional component of the Vodokanal project was initiated this year to reduce the electrical cost of the Vodokanal's operations. This energy efficiency pilot includes the purchase of adjustable speed drives for water pumps and pipe lining equipment to reduce leakage and improve pressure. This component of the project is elaborated as part of USAID's energy efficiency program within the energy sector. The USAID-funded Ukraine Council to Promote Sustainable Development submitted proposals to the Cabinet of Ministers as part of the tax reform package to substantially reform the tax collection system, and capital reinvestment and depreciation procedures. These reforms were included in Ukraine's Law on Taxation of Profit of Enterprises, as amended 22 May 1997.

Two pilot roll-out projects are scheduled for the next six months, followed by a proposed 10 city roll-out in FY 1999 -- in support of a proposed \$200 million World Bank loan. In addition, reform proposals for implementing water tariffs based on cost recovery and for performance-based water utility management that will advance the autonomy of water utilities are proposed for future assistance.

Phase I of the Lviv City Vodokanal Pasichna water distribution pilot project is complete. The 35,000 residents of Pasichna now receive 12 hours of water per day, an increase of 75%, up to three hours per day. Further improved the delivery system by upgrading the pumping facility, refurbishing wells, replacing leaking water distribution pipes, installing booster pumps for high rise apartment complexes and connecting meters to monitor use and enable consumption-based billing. This phase of the Pasichna pilot provided increased capacity for 24-hour water service to Pasichna residents and will indirectly improve water service to an additional 70,000 residents in the surrounding districts. Phase II was completed in February 1998.

IR 1.6.3b: Improved Management of Natural Resources and Biodiversity

Late 1997, a multi-disciplinary design team composed of staff from the USDA, the Global Bureau and ENI/EEUD was invited by USAID/Skopje to perform a preassessment of the environment and natural resource issues facing the Government of Macedonia (GOM). The preassessment was a precursor to launching the first USAID-funded environment program for this country. Similar to other countries in the region, the team found pollution problems caused by decades of industrial and municipal neglect with few financial

resources to solve them. But unlike many countries in the region, Macedonia is home to a virtual treasure trove of flora and fauna that has been largely unspoiled, but is potentially in danger should authorities not protect this natural resource now.

The design team recommended that USAID provide assistance to the GOM in strengthening the administration of its National Environmental Fund and provide a grant to be given to a local NGO that had been delegated authority by the GOM to preserve biological diversity near Lake Ohrid. Supporting this NGO has the dual goal of helping to support conservation efforts near a very important lake, while reinforcing the idea that partnerships between the GOM and NGOs can be mutually beneficial.

CH2M Hill Environmental Policy & Technology (EPT) Project

In the last year, the EPT project has been working in Central Asia with the Water and Energy Uses Roundtable, the Interstate Fund for the Aral Sea (IFAS) and the Interstate Council of the Republic of Kazakhstan, the Kyrgyz Republic and the Republic of Uzbekistan (ICKKU) in developing an economically and environmentally sustainable system for management of water resources in the Syr Darya Basin. In the last year, under SO 16, the project sponsored a series of meetings, workshops and a study tour to enable the riparian states of the Syr Darya Basin to come to agreement on how to manage the water resources of the Basin to the advantage of all parties. In September of 1997, the countries agreed on a draft framework for rational management of these resources and in March of this year the agreement was ratified by the Prime Ministers of each country. Work is now progressing on implementation of the tenets of this agreement.

IR 1.6.4. Increased Ability to Identify and Remedy Environmental Problems

The Environmental Action Programme Support (EAPS) Project

Through assistance to environmental funds and applicants to the funds, EAPS helps both parties identify financially and technically viable projects to address environmental problems (see also IR 2)

World Environment Center (WEC)

Through workshops, WEC disseminates the results obtained through waste minimization projects to companies throughout a given sector (see IR also 3a)

Enterprise Fund Technical Training

Using regional funds from EEUD through a task order to a Global IQC, loan officers at the Enterprise Funds in CEE and NIS who are responsible for due diligence reviews are being trained in environmental considerations and issues. Training is designed to enable loan officers to incorporate questions of existing environmental liabilities, compliance costs, and environmental requirements of European Union accession into their loan decisions.

IR 1.6.5: Increased Participation of NGOs and Citizens in Environmental Decision Making

Environmental NGO Capacity Building

The Initiative for Social Action and Renewal (ISAR) assists NGOs toward the support of alternative energy, media relations, sustainable agriculture, child survival, women's issues, community action and citizens' rights. Its training activities in environmental protection encompass the principles of public awareness and legal advocacy. The NGOs which are selected for sub-grants not only obtain funding for specific causes, but often access international sources of program financing, as well as proposal preparation, fund-raising, grant making, computer and public relations skills. In the NIS, where civil societies are in their earliest states, ISAR's people-to-people training and education methods are making an impact on the vitality of the Third Sector grassroots movement.

III. PROGRAM DESCRIPTIONS AND PERFORMANCE MEASURES

A. ONGOING PROGRAM

Title: Environmental Partnership Program

The ENI Environmental Partnership Program (EPP), set to begin in FY 1998 and continue for five years through FY 2002, is a program to establish professional and financial linkages between U S and ENI businesses, local governments and trade and professional associations, that will promote solutions to environmental problems appropriate to market-oriented economies and democratic societies. EPP is a partnership initiative, not a technical assistance program and all partners will contribute resources (in cash and in kind).

EPP will also promote new markets for U S suppliers of environmental goods and services in the ENI region, producing mutual benefits from technology transfer and sustainable trade and investment relationships. EPP is the ENI Bureau's response to the Administrator's decision to replicate the success of the U S -Asia Environmental Partnership. EPP will also be an important vehicle for advancing the Agency's Global Change Initiative.

The EPP has three primary components

1. The Partnership Grants components, managed through a competitively-awarded cooperative agreement between USAID and an U S organization or consortium, will manage a program of cost-shared grants to organizations, businesses and local governments in ENI and the U S. The award of the cooperative agreement will be made in June 1998. Small, short-term "Challenge Grants" will facilitate quick exchanges, training, initial contacts with potential trade and investment partners, observation of U S

environmental technologies, and technical visits and consultations. Larger "Twinning Grants" will build sustainable linkages between entities in ENI and their counterparts in the U S , as well as across borders within the ENI leading to the truly regional aspect of the program.

2 The Environmental Trade Promotion/Technology Transfer component, to be jointly implemented by USAID and the Department of Commerce, will boost U S exports and jobs by matching trade opportunities in the ENI region with potential suppliers of U S environmental goods and services. In the field, environmental trade specialists attached to the Foreign Commercial Service (FCS) in U S embassies will identify specific trade leads/opportunities, help expand such market opportunities, and assist potential buyers in accessing financing. The FCS will provide feedback on policy-related bottlenecks to U S environmental trade and investment, as well as technical assistance requirements that might be addressed through other USAID environmental programs. The only northern tier nations where ENI anticipates having FCS representatives are Hungary, Poland and the Czech Republic. In the U S , the Global Technology Network (GTN), an electronic database and trade alert system, managed by the Global Bureau, will add ENI to Asia, Latin America, and Africa as clients for environmental trade promotion.

3 The Environmental Linkages and Best Practices Website will give ENI environmental professionals and policy-makers electronic access to extensive information resources on environmental laws and policies, technologies, consulting firms, procurements, trade fairs, professional and business associations, financing sources, potential partner organizations and particularly successful approaches to solving environmental problems.

Results.

Successfully operating environmental partnerships will be established to promote solutions to environmental problems appropriate to market-oriented economies and democratic societies.

Indicators.

Solutions to environmental problems/concerns as a result of involvement in environmental partnerships.

See Annex for discussion of graduating and post-presence countries in the ENI Environmental Partnership Program.

B NEW PROGRAMS

Title: Supporting the Transition in Environmental Policy (STEP)

Program Description and Rationale for Regional Funding

As the transition to market economies and democratic institutions in the ENI region matures, many valuable lessons involving the development of environmental policy in an era of rapid change have emerged. A number of these lessons relate to the development of more cost-effective environmental policies and for natural resources.

USAID is uniquely positioned to transfer the lessons learned during the earlier years of the transition by countries in the region supported by ENR's environmental policy projects. Capturing the spirit of USAID Russia's ROLL project, the proposed new environmental policy project will improve environmental management within the region through widespread dissemination and adoption of policies that have proven successful in pollution reduction and natural resources management.

Poland, Hungary, Czech Republic, Slovenia, Latvia, Lithuania and Estonia can bring valuable insight and experience to replication activities within the region. The Slovak Republic, Romania, Bulgaria, Croatia, Macedonia, Moldova, Belarus and the countries of the Central Asian Republics (CAR) will benefit from both regional and country-specific policy initiatives.

The STEP Project will also serve as a vehicle for transfer of lessons learned that support the policies necessary to combat global climate change. It is expected that the Agency will continue to emphasize the USG commitment in meeting the \$1 billion earmark for climate change activities, and ENI may receive increased pressure to attribute more funds to reach the Agency's targets. Successful implementation of STEP will also prove valuable in supporting the accession of many of the recipient countries to the European Union.

Results.

A successful transfer of environmental policy "lessons learned" will be accomplished.

Indicators.

Number of countries implementing/adapting lessons learned. Examples may include but are not limited to integrating economic instruments into a command-and-control regulatory structure, incorporating increased flexibility into the regulatory system in a gradual fashion, and, establishing stability and predictability of environmental policy.

Baselines are available in some of the target countries but will be verified as part of the project preparation process.

Title: Greenhouse Gas Emissions Reduction Initiative (GGERI)

Program Description and Rationale for Regional Funding

Last June at the United Nations Special Session on Environment, President Clinton announced that the U S intends to provide \$1

billion in assistance to developing nations and countries with economies in transition to reduce climate change threats. In support of this commitment, USAID's Climate Change Initiative places a high priority on assisting countries to identify opportunities for reductions in emissions of greenhouse gases. Joint Implementation (JI) provides a cost-effective means of achieving emissions reductions. In JI activities, an entity of one country partially meets its commitment to reduce greenhouse gas (GHG) emission levels by undertaking emission reductions or mitigation projects in another country. The Greenhouse Gas Emissions Reduction Initiative will provide assistance to establish the enabling environment for joint implementation and will begin implementing suitable activities. Insofar as JI projects lead to quantifiable reductions, GGERI will also support the development of international emission trading schemes.

This activity will be implemented on a regional basis because it involves on-going coordination with other USG agencies and because it aims to implement an international agreement, the Framework Convention for Global Climate Change, by developing mechanisms broadly applicable across countries. Since USAID already has representatives on international committees and working groups focusing on climate change issues, it will be important to coordinate new efforts with these existing arrangements.

Results.

The primary mission of the activity is to stimulate joint implementation activities funded by U.S. investors. Joint implementation activities may directly result in increased environmental trade, finance and investment.

Indicators and Targets.

Indicators include the establishment of an official Joint Implementation Registry containing information on the number of joint implementation activities implemented, establishment of a data base of potential joint implementation projects available to investors, and the completion of at least three joint implementation projects with at least five more under way.

TITLE: Post-Arhus Conference Activities

Program Description and Rationale for Regional Funding

The Fourth Ministerial Conference "Environment for Europe" in Arhus, Denmark will be held 23-25 June 1998. EEUD/ENR has participated in the activities leading up to the conference and will be represented on the official U.S. delegation to the conference. Several options exist as post-Arhus funding possibilities: 1) funding an environmental investment/financial adviser in the NIS, 2) funding to the secretariat for replicating the Ukraine Council for Sustainable Development in another NIS country/region, 3) sponsor/host future sub-regional meetings, 4) finance training for some of the implementing articles of the Convention for Public Participation (through NGO

training/sub-grant operations), and/or funding to support program components of the Environmental Action Programme Task Force. As the conference is a truly regional effort, any support to post-Arhus activities would also be regional in nature.

IV. PROGRAMS IN GRADUATION/CLOSEOUT COUNTRIES

The Environmental Partnership Program (EPP) was designed to enable participation in countries at a level that maximizes the benefits ENI entities and their U S partners with a minimum requirement for in-country support. The EPP has three components: partnership grants, an environmental trade promotion/technology transfer component, and an environmental linkages and best practices website. It is anticipated that organizations and firms in graduation/closeout countries may participate in the partnership grants as members of "East to East" partner relationships with other ENI countries, as well as with U S counterparts. Consumers of environmental technology in graduation/closeout countries will have access to the environmental trade promotion/technology transfer component of the EPP through environmental specialists linked to the Foreign Commercial Officers in their respective U S Embassies. Any individual in any country will have access to the EPP environmental linkages and best practices website. At the present time, no other U S entity in the region addresses the environmental trade needs as the EPP will. As a result of the five-year EPP, an estimated 45 partnerships will be developed between U S and ENI organizations.

The Danube Global Environmental Facility (GEF) Transboundary Pollution Reduction Program. This program contributes to meeting the U S commitment to parallel fund the GEF, in this case by addressing the quality of the Danube River flowing into the Black Sea. The Danube GEF activity involves three countries: Slovakia, Hungary and Romania. The Slovak portion is to be completed by closeout in FY 2000. The Hungary portion will be included in the Hungary Closeout Memorandum as it will continue past the Graduation Date of Hungary in FY 1999.

The Northern European Initiative has EEUD/ENR funding available for incorporation into activities involving the Baltic States and, potentially Poland. As this important initiative with the Nordic States is further developed at the mission and U S interagency level, the involvement of graduated countries will be taken into consideration.

A table of ongoing and proposed regional activities by country in 1999 and 2000 is attached.

V. RESOURCE REQUEST

Funding tables are attached

VI. ANNEX

Graduating and Post-presence Countries in the ENI Environmental Partnership Program

POT 1 6
**GRADUATING AND POST-PRESENCE COUNTRIES
IN THE ENI ENVIRONMENTAL PARTNERSHIP**

Program Description

The **ENI Environmental Partnership Program (EPP)**, set to begin in FY98, is a program to establish linkages -- professional and financial -- between U S and ENI businesses, local governments and trade and professional associations, that will promote solutions to environmental problems appropriate to market-oriented economies and democratic societies. EPP is a partnership initiative, not a technical assistance program. All partners will contribute resources (in cash and in kind) in a cost-sharing environment.

EPP will also promote new markets for U S suppliers of environmental goods and services in the ENI region, producing mutual benefits from technology transfer and sustainable trade and investment relationships. EPP is the ENI Bureau's response to the Administrator's decision to replicate the success of the U S -Asia Environmental Partnership. EPP will also be an important vehicle for advancing the Administration's Global Climate Change Initiative.

The **Partnership Grants** component, managed through a competitively-awarded cooperative agreement between USAID and a U S organization or consortium, will manage a program of cost-shared grants to organizations, businesses and local governments in ENI and the U S. Small, short-term "Challenge Grants" will facilitate quick exchanges, training, initial contacts with potential trade and investment partners, observation of U S environmental technologies, and technical visits and consultations. Larger "Twinning Grants" will build sustainable linkages between entities in ENI and their counterparts in the U S, as well as across borders within ENI.

The **Environmental Trade Promotion/Technology Transfer** component, to be jointly implemented by USAID and the Department of Commerce, will boost U S exports and jobs by matching trade opportunities in the ENI region with potential suppliers of U S environmental goods and services. *This component will be the only EPP activity in which the graduating Northern Tier CEE countries will normally participate. (On an exceptional basis, Northern Tier countries may also be parties to partnership grants with institutions in the U.S. other ENI countries, especially the latter when these countries are the "senior partners" with*

valuable experience and expertise to share through "lessons across borders."

In the field, environmental trade specialists attached to the Foreign Commercial Service in U S Embassies will identify specific trade leads/opportunities, help expand such market opportunities, assist potential buyers in accessing financing, and provide feedback on policy-related bottlenecks to U S environmental trade and investment, as well as technical assistance requirements that might be addressed through USAID's other ongoing environmental programs. In the U S, the Global Technology Network (GTN) -- an electronic data base and trade alert system, managed by USAID's Global Bureau -- will add ENI to Asia, Latin America and Africa as clients for environmental trade promotion. The system forwards trade leads received from the field to about 3,000 U S environmental technology firms in the GTN data base.

The **Environmental Linkages and Best Practices Website**, will give ENI environmental professionals and policy-makers electronic access to extensive information resources on environmental laws and policies, technologies, consulting firms, procurements, trade fairs, professional and business associations, financing sources, potential partner organizations and particularly successful approaches to solving environmental problems. The Website will be linked to other data bases and information providers and will be interactive and user-friendly.

Justification for Post-Presence Activity:

1. Remaining problem that prevents sustainable development

Cleaning up the disastrous environmental legacy of the communist years will take decades and extremely high cost. USAID's niche in this enormous task to date has been primarily in helping CEE and NIS countries establish an appropriate legal and regulatory framework for environmental management and strengthening public and private environmental institutions. The need now, especially in Northern Tier Eastern European countries aspiring to EU accession, is for massive private investment in environmental control technologies and management systems. The U S has a comparative advantage in many of these technologies and systems, and an interest in advancing global environmental interests such as mitigation of climate change. The market for U S environmental trade and investment is growing most rapidly in the graduating countries, mirroring the Asian experience where assistance under the U S Asia Environmental Partnership has leveraged private financial flows most strongly in non-USAID countries including Malaysia, Singapore, Taiwan and Korea. It should be stressed, however, that the largest USAID resource flows under EPP will be to countries still within the assistance program.

2. Rationale for USAID vs. other countries

The EU is very active in promoting compliance with EU environmental directives in the countries aiming toward accession, but focuses most resources on helping countries complete their environmental legal and regulatory frameworks and on prescriptive (as opposed to performance) approaches that may drive CEE countries toward overly costly technologies. USAID's program is driving toward using cost-effective market incentives and performance measures wherever possible to replace or at least complement "command-and-control" regulations. Furthermore, even the CEE northern tier is still largely unexplored territory for U S environmental goods and services vendors, and USG assistance (including USAID, Commerce and EPA) can make a critical difference in brokering opportunities in those markets.

3 Consistency and Manageability with Post Closures

As indicated above, post-presence countries will usually participate only or primarily in the trade promotion component, which will operate through an inter-agency agreement with the Department of Commerce for implementation by the Foreign Commercial Service in Embassies. Where partnership grants are warranted, they will be managed regionally through the cooperating organization's field office, the regional environmental advisor based in Budapest/RSC and ENI/EEUD.

4. Specific Results Critical to Sustainable Transition

We expect to see lasting intra- and inter-regional linkages emerge from EPP that will enable environmental professionals and policy-makers to continue to improve their environmental management capacities through networking, information access, and private financial flows without long-term direct foreign assistance. We also expect to see better outcomes in terms of cost-effectiveness and receptivity to U S approaches. Given the massive remaining challenge of environmental improvement, even in the Northern Tier, it would be premature to end all environmental assistance now.

Ongoing and Proposed* Regional Activities by Country in 1999 and 2000

	ALB	BUL	CRO	CZE	EST	HUN	LAT	LIT	MAC	POL	ROM	SVN	SVK	SER
Environmental Partnerships*	X	X	X	X	X	X	X	X	X	X	X	X	X	
Northeast Europe Init Environ *					X		X	X						
Greenhouse Gas Emis Reduct Init *										?	?			
Env policy follow-on project (TBD)*	X	X			X	X	X	X	X	X	X	X	X	
Baltic Reg Env Monitoring 632b					X		X	X						
EAPS (environmental financing)									X		X			
World Environment Center											X			
Development Credit Authority										X				
GEF/Danube						X					X		X	

16 Improve Capacity for Environmental Management to Promote Sustainable Economic Growth

			Initial FY of Funding	Cumulative Obligations	Pipeline Sept 87	FY 98 CO	FY 1998 FY 97 CO	FY 98 NOA	FY 1998 Est.	FY 2000 Request	Remarks
180-0004 Environmental Initiatives											
ENR	Admin	Project Managers 7 PSCs						292 520	393 312	395 714	
ENR	Admin	Nat. Resources Spec 2 RSSAs						50 000	132 500	140 450	
ENR	Admin	PSC Travel & Misc Expenses					17 779	187 480	125 000	125 000	
ENR	Admin	Public Awareness (DevTech)	1998	136 811			136 811	450 000	400 000	400 000	
TOTAL							154,590	980,000	1,050,812	1,061,164	
180-0039 Improved Public Sector Environmental Services											
ENR	Admin	PSC Travel & Misc Expenses					52 222				
ENR		Enterprise Training					80 000				
Partnership Program											
ENR		Environmental Partnership Program	1998					2 000 000	2 450 000	950 000	
ENR		Info System GTN	1998					275 000	200 000	200 000	
ENR		Best Practices WEB	1998					125 000	150 000	150 000	
ENR		Dept. of Commerce	1998					600 000	400 000	300 000	
PD&S											
ENR		Activity Dev /Evaluabons							100 000	100 000	
ENR		Northeastern European Initiative	1998					500 000			
ENR		TBD (DCA)						500 000			
ENR	Admin	Aarhus Initiative Activity							75 000	75 000	
ENR		Environmental Policy Activity	1999						1 500 000	750 000	New
ENR		Greenhouse Gas Emissions Activity	1999						1 500 000	1 500 000	New
TOTAL							132,222	4,000,000	6,375,000	4,025,000	

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16 Improve Capacity for Environmental Management to Promote Sustainable Economic Growth

			Initial FY of Funding	Cumulative Obligations	Pipeline Sept 97	FY 96 CO	FY 1998 FY 97 CO	FY 98 NOA	FY 1999 Est.	FY 2000 Request	Remarks
110-0003 Environmental Policy & Technology											
ENR	Admin	Project Managers 7 PSCs					271 500		393 312	395 714	
ENR	Admin	Nat. Resources Spec. 2 RSSAs					50 000		132 500	140 450	
ENR	Admin	PSC Travel & Misc Expenses					88 011	26 332	125 000	125 000	
ENR	Admin	Public Awareness (DevTech)	1998	213 989			213 989		400 000	400 000	
ENR		ISAR					100 000				
Partnership Program											
ENR		Environmental Partnership Program	1998					1 500 000	3 550 000	3 250 000	
ENR		Info System GTN	1998					100 000	170 000	200 000	
ENR		Best Practices WEB	1998					120 000	150 000	150 000	
ENR		Department of Commerce	1998					0	125 000	200 000	
ENR		Caspian Sea	1998					500 000	0	0	
ENR		CH2M Hill DO#15	1993					280 000	0	0	
PD&S											
ENR	Admin	Arhus Initiative Activity							75 000	75 000	
ENR		Activity Dev /Evaluatons							100 000	100 000	
ENR		Environmental Policy Activity	1999						1 500 000	750 000	New
ENR		Greenhouse Gas Emmissions Activity	1999						1 500 000	1 500 000	New
TOTAL							723,500	2,526,332	8,220,812	7,286,164	

SP

ENI OBJECTIVE 2.1:

**Increased, Better-informed Citizens' Participation in
Political and Economic Decision-making**

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Results Framework. ENI Regional Programs, SO 2 1
Part II Performance Data Table

Result level and number	Result statement	Performance indicator	Indicator definition and unit of measurement	Baseline data		Targets and actual results						
				Year	Value	1998		1999		2000		
						target	actual	target	actual	target	actual	
SSO 2 1 1	Sustainable civil society organizations effectively promote citizen interests	1997 DGSR NGO sustainability index, sustainability examined through five "lenses" legal framework, capacity, financial viability, advocacy, and public image	Number of CEE countries in which NGO sector rates an average of 2 or better on 1 7 scale 7= unchanged since Soviet period. See attachment 1 for further detail	1997	2	5		8				
		NGOs across CEE contribute to public policy dialogue	Number of CEE NGOs reporting regular interaction with government, business, and media, per NFF survey	1997		TBD		TBD		TBD		

**SO 2 1 Increased, Better-Informed Citizen
Participation in Political and Economic Decision-Making**

**SSO 2 1 1 Sustainable civil
society organizations
effectively promote citizen
interests Partners USAID
(media, NGO, political party,
trade union activities),
private foundations, Soros,
EU, host country CSOs**

**IR 2 1 1 1 Legal
environment supports the
formation and operation of
NGOs
Partners ICNL, Soros, EU
Phare, host country
organizations, governments,
and attorneys**

**IR 2 1 1 2 Cross-border
information and linkages
strengthen NGO institutional
development
Partners NFF, ICNL, Soros
EU/Phare, private
foundations, CEE NGOs**

**IR 2 1 1 3 Fund and revenue
raising activities from local
and international sources
increase NGOs' financial
viability Partners.Soros, host
country CSOs**

Results Framework ENI Regional Programs, SO 2 1
Part II Performance Data Table

IR 2 1 1 1	The legal environment effectively supports the formation and operation of NGOs	Ratings according to 1997 NGO sustainability index, further defined by ICNL (see appendix)	Stages 1 3, stage 3 represents most supportive NGO legal environment Unit is % of CEE countries in each stage See attachment 2 for definitions and explanation	1994 Note Bosnia, Croatia, and Serbia baseline conducted in 1997	Original Demnet 1=73% 2 = 27% 3 = 0% Bosnia Croatia Serbia 1=100% 2 = 0% 3 = 0%	Original Demnet 1=15% 2=54% 3=31% Bosnia Croatia Serbia 1= 100% 2= 0% 3= 0%	Original Demnet 1= 0% 2= 64% 3= 36% Bosnia Croatia Serbia 1= 100% 2= 0% 3= 0%	Original Demnet 1=0% 2=64% 3=36% Bosnia Croatia Serbia 1 33% 2=67% 3=0%	Original Demnet 1=0% 2=64% 3 36% Bosnia, Croatia, Serbia 1=0% 2 100% 3=0%
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Result level and number	Result statement	Performance indicator	Indicator definition and unit of measurement	Baseline data		Targets and actual results					
				Year	Value	1998		1999		2000	
						target	actual	target	actual	target	actual
IR 2 1 1 2	Cross border information and linkages strengthen NGO institutional development	Cross border cooperative relationships established by NGOs	Percentage increase in number of cooperative relationships, per DemNet/NFF survey	TBD		N/A		TBD		TBD	
		Cross border relationships and information sources enhance skills and organizational capacity	Percentage of NGOs rating these relationships as "important" or "very important" per DemNet/NFF survey	1997		N/A		TBD		TBD	

Results Framework ENI Regional Programs, SO 2 1
Part II Performance Data Table

		Percentage of NGOs rating regional information sources as "important" or "very important" per DemNet NFF survey	1997		N/A		TBD		TBD	
	Sharing of lessons learned on NGO legal issues through in person consultations or exchanges of information	Number of such linkages across CEE, per year, per ICNL data	1997	N/A	8	14	10		10	

Result level and number	Result statement	Performance indicator	Indicator definition and unit of measurement	Baseline data		Targets and actual results					
				Year	Value	1998		1999		2000	
						target	actual	target	actual	target	actual
IR 2 1 1 3	Fund and revenue raising activities from local and international sources increase NGOs' financial viability	Increase in volunteerism for NGOs	Percentage increase in number of cooperative relationships, per DemNet/NFF survey								
		Increase in donations to NGOs	Value of income raised through private and public donations to NGOs								

Results Framework ENI Regional Programs, SO 2 1
Part II Performance Data Table

		Increase of revenue earned by NGOs	Value of NGOs income earned through membership dues, fees for service, publications etc								
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Results Framework: ENI Regional Programs, SO 2 1
Part III Narrative

A Transition Hypothesis and Causal Linkages

ENI/DGSR's hypothesis is that across CEE, the development of sustainable civil society organizations is crucial to achieving increased, better-informed citizen participation in political and economic decision-making. Broadly defined, civil society organizations are intermediary bodies between government and the governed -- media, political parties, trade unions, and non-profit or non-governmental organizations (NGOs) fulfill this role. DGSR supports the development of these intermediary groups across Central and Eastern Europe primarily on an individual country basis.

In the case of NGOs, we have identified two key areas for improvement across the region that regional funds should support in the immediate term: NGO legal environment strengthening and cross-border skills and experience transfer. Currently two providers, the International Center for Not-for-Profit Law (ICNL) and Freedom House (FH), are implementing programs which address problems in these areas. In addition, we have identified a third area: increased financial viability of NGOs. It is expected that focus on this area will begin in limited countries in FY 99, with more countries added to the regional program in subsequent years.

USAID and private sector donors together are developing mechanisms for continuing these activities in post-presence countries. In the Baltics, this will be the Baltic-American Partnership Fund (BAPF) and across CEE this will be the Trust for Civil Society in Central and Eastern Europe (the Trust). The BAPF and the Trust are designed to enhance the sustainability of the institutions of civil society which are crucial to a healthy democracy and market oriented economy. The BAPF and the Trust will continue to support the two IRs for SSO 2 1 1, as well as a new IR, "Fund and revenue raising activities from local and international sources increase NGOs' financial viability."

The purpose of the Trust is to enhance the sustainability of civil society institutions which are crucial to a healthy democracy and market-oriented economy. The Trust will seek to support civic initiatives undertaken by local NGOs, to encourage and promote indigenous philanthropy and public support of local NGOs, to build cross-border and regional links to promote civil society and share lessons across borders, to enhance the legal, policy, and attitudinal environments needed for the development of a strong civic life and public-private partnership, and to contribute to the financial security of a limited number of qualified, indigenous NGOs through seeding endowments. The Trust will support NGOs across several sectors, including democracy, economic reform, and social safety net. See attachment 1 for a Justification for the Trust.

The overall goal of the BAPF is to help stabilize democracy and market orientation in the Baltic Republics. The BAPF will have three types of program activities to support NGO capacity: legal and tax reform, institutional development, and financial assistance. The BAPF will focus on strengthening a limited number of NGOs at a stage where their development is obstructed by inexperience in advocacy, fund-raising, and other emergent aspects of private sector, non-profit activity. It is intended to help these NGOs strengthen their own internal operations and advocate for needed legal and regulatory changes in the countries where they operate. The BAPF may target assistance to NGOs that are active in specific sectors in order to maximize the impact of its assistance upon the NGO sector in general and the issues most critical for society at large. These sector-specific areas may include minority integration, social safety net, small and medium sized business associations/market reform, gender issues and equality, and civic participation/rule of law.

SSO 2.1.1 -- "Sustainable civil society organizations effectively promote citizen interests." DGSR contributes to this SO by providing modest regional-level support to country-based political party, trade union, independent media, and NGO development activities. In addition, the Bureau's Democracy Network Program includes two "truly regional" activities: a NGO legal environment strengthening initiative implemented by the International Center for Not-for-Profit Law (ICNL) and a cross-border networking program implemented by Freedom House (FH), formerly the National Forum Foundation (NFF). These activities complement the Democracy Network's private voluntary organization (PVO)-run NGO strengthening programs in eight countries in Central and Eastern Europe (CEE). The regional programs, like their in-country counterparts, contribute to the achievement of Strategic Objective 2.1 -- increased, better-informed citizen participation in political and economic decision-making. More specifically, both programs are targeted towards achieving the strategic support objective of promoting sustainable civil society organizations capable of contributing meaningfully to the public policy debate across CEE.

In 1997, DGSR, with input from the Missions, the in-country DemNet programs, and others, developed a NGO sustainability index as a guide to sector sustainability across CEE and the NIS. This index is a useful tool in comparing progress across ENI and a valuable indicator in measuring progress towards our achievement of the strategic support objective in Central and Eastern Europe. Each country's NGO sector is viewed through five "lenses" -- legal environment, organizational capacity, financial viability, advocacy, and public image. Like the Freedom House ratings, the sustainability index is based upon a seven point scale. A rating of seven signifies "erosion or no change since the Soviet era," whereas a one is intended to convey that "the local NGO community recognizes which reforms or developments are still needed and has a plan and the ability

to pursue them itself" An updated version for 1998 is currently in its final stages of preparation, although it will not be completed in time for inclusion into this R4

DGSR has included a second indicator designed to track NGO sector progress in contributing to the public policy dialogue across CEE, as we consider this to be a major goal of USAID assistance

IR 2.1.1.1 -- "The legal environment effectively supports the creation and operation of NGOs " Across CEE, the legal component of the Democracy Network Program seeks to instill in NGOs the capacity to understand and work effectively within existing laws and regulations and to improve them when inadequacies or needed improvements are identified This specialized capacity is an essential contributing factor to the sector's ability to survive, flourish, and advocate for citizen interests

Using the 1997 NGO sustainability index, ICNL has developed a specialized 1-7 scale to assess the NGO legal environment in each of the DemNet countries This scale tracks progress towards a supportive legal environment both in terms of laws and regulations necessary for such an environment, and in terms of the NGO sector's capacity to operate within and to improve the legal/regulatory framework. A rating of one signifies that a supportive legal framework is in place, while a seven indicates that such a framework has not been developed or remains largely unchanged since the beginning of the transition Once rated, the legal framework within each country is placed within one of three stages, with stage three representing more fully developed NGO legal environments DGSR's indicators for this IR track movement from stage one to stage three across the region

Both the BAPF and the Trust are expected to deal comprehensively with legal issues involving the NGO sector This work ultimately will be seen as a follow-on to ICNL's work, although the schedule for each country receiving assistance through the BAPF and the Trust will vary It is expected that by FY 2000 only Estonia, Latvia, Lithuania, Hungary, and the Czech Republic will be receiving technical legal assistance from the BAPF and the Trust Other countries will receive assistance from the Trust in the following years

IR 2.1.1.2 -- "Cross-border information and linkages strengthen NGO development " The flow of information and experience across borders contributes to the formation of strong NGOs and NGO networks within Central and Eastern Europe Examples of such linkages may include the transfer of knowledge through a website or newsletter, through a US based internship with a successful private voluntary organization, or through a presentation made by a successful NGO leader in one country to his/her counterparts in another country DGSR's three indicators for this IR capture both quantitative and qualitative progress towards increasing cross-border information flow and experience

transfer

The Trust will continue the work of FH to support cross-border information and linkages to strengthen NGO development. By FY 2000 it is expected that only a few countries, e.g. Hungary and the Czech Republic, will receive funding from the Trust to implement this IR. Other countries will receive assistance from the Trust in the following years.

IR 2 1 1.3 -- "Fund and revenue raising activities from local and international sources increase NGOs' financial viability." Financial viability is critical to NGOs, and currently the economies of most CEE countries are unable to support NGOs. The BAPF and the Trust, once operational, will seek to strengthen the financial viability of NGOs in many sectors by providing seed endowments to intermediary NGOs in each country, as well as promoting philanthropic donations, whether from individuals, private companies, or international donors, in order to support the sector.

B Critical Assumption:

The success of these programs is predicated upon movement towards democratic reform in each of the countries participating in the Democracy Network program. The nature of this movement varies widely across the region -- at one end of the spectrum, representative governments are moving in step with their constituents towards more open political systems, at the other end, civil society organizations are driving this process in the face of resistance by government. The regional programs function effectively in countries all along this spectrum, in general, however, results are most dramatic where democratic development has achieved the greatest momentum.

RESULTS REVIEW· ENI REGIONAL PROGRAMS, SO 2.1

SSO 2.1 1-- "Sustainable civil society organizations effectively promote citizen interests "

Individual country R4s track progress in the achievement of many of the Bureau's civil society activities, including the Professional Media Project, trade union strengthening through the AFL-CIO's Solidarity Center (formerly FTUI), election administration through the International Foundation for Election Systems (IFES), and political party development through the International Republican Institute (IRI) and the National Democratic Institute (NDI) DGSR's two regional Democracy Network activities contribute specifically to the development of the NGO sector within this larger mix of civil society organizations DGSR's 1997 Sustainability Index examined the NGO sector across CEE and the NIS through five "lenses" -- legal environment, organizational capacity, financial viability, advocacy, and public image We based our targets upon the NGO sector in each country attaining a rating of two or better on the Index's seven point scale, signifying that "the environment is enabling and the local NGO community demonstrates a commitment to pursuing needed reforms and to developing its professionalism (Foreign assistance continues to accelerate or facilitate these developments)" A rating of one describes an NGO sector which recognizes "which reforms or developments are still needed and has a plan and the ability to pursue them itself "

Results to Date *(Unable to determine measurable results until sustainability index is completed in mid-June)*

POT Performance Rating and Expected Results Through 2000: As we do not have 1998 Sustainability Index data at present, it is difficult to measure the overall progress of this SSO However, on a more micro level, progress has been made on the related IRs, which indicates that we have met our expectations overall

The BAPF and the Trust, once operational, will contribute to this SSO We expect that all Northern Tier countries in CEE, with the possible exception of Slovakia, will attain a rating of 2 or higher by the Year 2000 In addition, we expect that all countries in the Southern Tier will have a ranking of at least 4 on the sustainability index.

IR 2.1.1.1 -- "The legal environment effectively supports the creation and operation of NGOs "

Results to Date. At the inception of USAID's assistance in this area through the Democracy Network Regional agreement with ICNL, the legal framework for NGOs in all DemNet countries was at Stage I, indicating little progress in the development of a

supportive legal environment in 77% of the DemNet countries, while 23% of the countries were at Stage Two¹. At present, and beyond our expectations, none of the original 11 countries remain in Stage I, 64% have progressed to Stage II, and 36% have progressed to Stage III -- the highest level of development. It should be noted that in late 1997 and early 1998, ICNL initiated work in Bosnia, Croatia, and Serbia, all of which are in Stage One. In order to maintain a consistent method of judging IR progress, these countries will be tracked separately, so as not to downwardly skew the percentages.

An illustrative example of the impact of ICNL's work is in Hungary, where ICNL provided intense technical assistance on the recently-enacted Law on Public Service Organizations. The process used in Hungary has become a model for the region: concerned citizens took responsibility for an issue (NGO law), forged consensus through "town meetings," and worked with government officials and business leaders to build coalitions. ICNL's efforts resulted not only in the drafting of progressive NGO legislation in Hungary, but also increased local capacity to engage in democratic action on issues of public consequences. Similarly, in Macedonia, ICNL provided technical assistance and promoted widespread participation on a draft NGO law. The law is the most progressive NGO law in the former Yugoslavia, and, on April 25, 1998, the government announced its intent to enact the law during the close of the current Parliamentary session. The Deputy Minister of Justice also commented that the level of public participation and NGO/government cooperation in the drafting process made it a model of "democratic law making" that he hoped to replicate in subsequent legislative initiatives.

Another continuing success story is Albania. As a result of ICNL's efforts, the restrictive initiative proposed by the Berisha regime is dead. In its place, an inter-ministerial/NGO working group has formed and is firmly committed to participatory processes and the enactment of appropriate NGO legislation. In fact, the first-ever public hearing on a draft law was held on the draft NGO law. In Lithuania, in cooperation with Open Society Fund-Lithuania and the NGO Information and Support Center (and the active support of the USAID mission), ICNL assisted in preventing government and parliamentary consideration of an unsuitable draft Law on Charities. If enacted, this law would have further complicated the already over-burdened legal framework for the NGO sector in Lithuania. Finally, ICNL has actively promoted NGO law reform initiatives in Latvia, Poland, Romania, Bosnia, Croatia, and Yugoslavia, among other countries in the region.

POT Performance Rating and Expected Progress through 2000: USAID's contribution to

¹The original DemNet countries are Albania, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and Slovakia.

this IR through ICNL has exceeded expectations to date, both in country progress and in overall programmatic results. This assessment is bolstered by an independent evaluation conducted in early 1998, which found that "ICNL activities have successfully raised the issue of legal development for the not-for-profit sector to a higher level in countries throughout the CEE region, and have been effective in providing timely and appropriate comparative legal assistance to legislative drafting processes in Northern, and increasingly, Southern tier CEE countries " (MSI evaluation, pg v)

Under a new cooperative agreement, ICNL will continue to improve the NGO legal environment across CEE by providing technical assistance to NGOs, government officials, and lawyers involved in legislative drafting, ensuring that laws are properly administered through implementation projects, and developing in-country capacity on NGO legal issues. ICNL will be focusing on status laws, tax laws, and laws governing NGO-local government relationships, among others. As the Southern Tier is generally less well developed than the Northern tier, it will be ICNL's primary geographic focus. Please see the Resource Request Explanatory Notes for more information regarding ICNL's new agreement. In the Northern Tier, the BAPF and the Trust by 2000 will start to contribute to improving the legal environment.

We expect continued gradual progress under this IR through FY 1999 and FY 2000. We anticipate that by 1999, of the 11 original DemNet countries, 3 of 7 will move forward within Stage II (Albania, Macedonia, and Romania), and the Stage III countries will remain stable (Czech Republic, Estonia, Hungary, and Poland). For this group, we do not expect to see shifts from one Stage to another until FY 2001. However, for the recent additions to ICNL's portfolio, we expect more rapid progress. Bosnia and Serbia to move from Stage I to Stage II by FY 1999, and for Croatia to move into Stage II by FY 2000.

IR 2 1.1.2 -- "Cross-border information and linkages strengthen NGO development "
DGSR contributes to the achievement of this IR largely through the regional Democracy Network activities implemented by Freedom House

Results to date: In the cross-border activities noted in the Performance Indicators, i e , "cooperative relationships and information sources enhance skills and organizational capacity," FH has successfully implemented activities in all areas identified in its workplan As cited in a recent independent evaluation of FH and ICNL's Democracy Network programs, "Freedom House programs have successfully contributed to leadership development and civil society organizational innovation at the country level, to the development of cross border and regional communication networks, and the beginning stage of increased regional cooperation and mutual support among civil society organizations in CEE "

FH's primary focus to date has been to provide regional NGO information, communications and coordination support to the 11 individual country programs implemented by 8 US NGOs under the larger Democracy Network Project This FH support includes over 60 U S internships for NGO managers identified by the DemNet partners, the placement of over 45 US NGO volunteer professionals with DemNet implementing partners and indigenous NGOs, in the design and implementation of over 13 regional workshops on subjects ranging from NGO sustainability and think tanks to community foundations and volunteerism, over 78 regional exchanges allowing NGO activists the opportunity to work with and learn from their counterparts from another CEE country, and over 25 regional grants totalling over \$240,000 for public-policy oriented projects involving NGOs in two or more DemNet countries

Information support to date includes the establishment of an NGO website (accessed by nearly 7,000 visitors to date), publication of two full directories (on think tanks and indigenous CEE trainers), eight issues of a quarterly newsletter, NGONews, which is published in English and translated into five CEE languages (Polish, Albanian, Hungarian, Bulgarian, and Romanian), the organization of five conferences for DemNet program directors and USAID staff, and the organization of regular US DemNet coordinators' meetings

FH has also executed two macro-initiatives over the life of the project The Regional Think Tank Initiative (RTTI) and, at the behest of USAID, the Corporate Support Regional Initiative (CSRI) Both involved bundling different existing FH programs (such as regional grants and US internships)

toward a specific organizational type or theme

POT Performance Rating and Expected Progress While FH's baseline survey has been delayed, the external performance evaluation and quarterly reporting mechanisms have provided sufficient data to determine that FH's performance has met expectations

Consideration of additional funding of this cooperative agreement after its current end date on June 1, 1998 was contingent upon FH demonstrating a strong contribution towards achieving IR 2.1.1.2. As reported in the MSI independent evaluation, positive impacts include

- High quality AVID volunteers have served as valuable resources to host organizations, and their abilities have significantly supplemented the resources available to DemNet
- Successful regional exchange programs have benefitted both the individual and host organization, and have produced organizational linkages and networks
- Grant funds have been skillfully programmed, leveraging limited resources. However, the demand for regionally-focused grants far exceeded FH's limited supply. See below for additional discussion of this issue
- US based internships for NGO managers have been viewed, nearly unanimously as highly valuable experiences, with interns having benefitted both personally and professionally, bringing back valuable insights and new competencies to their home organizations
- The Think Tank Initiative has advanced and elaborated the concept of the public policy institute and has underscored the importance of policy analysis in the conduct of public affairs and the formulation of legislation
- Conferences and workshops have been shown to be highly relevant and important to regional collaboration. The workshops have reached a significant number of NGO leaders, funds have been carefully targeted to leverage contributions from other donors, and the linkage to DemNet themes has been broadly supported. In particular, there is broad agreement that the DemNet country director meetings have been exceedingly useful in sharing common experience, enriching program content and establishing a shared sense of purpose and direction
- NGO News is a substantial achievement of DemNet and Freedom House. There is no other regional newsletter quite like it, and it effectively fills an important

niche

(MSI, 10-17)

The independent evaluation supports ENI/DGSR's conclusion that indeed FH has been successful in contributing to IR 2 1 1 2 but notes that "while the individual program instruments (interns, volunteers, etc) have had utility and impact with respect to their individual purposes, there needs to be a more concerted integration and concentration of effort around strategic themes than is now the case," (MSI Eval 23) This issue will be addressed in Freedom House's follow-on activity

Based upon recommendations in the MSI evaluation, FH has proposed the following a more narrow agenda and strategy, a substantially increased regional grant program, as "the (current) annual average program level is insufficient to command the attention of prospective target groups or provide sufficient leverage to make a significant programmatic or institutional difference," (MSI Eval, 24), and expanded regional exchanges, a program which "has multiple benefits and deserves high priority by DemNet country programs and Freedom House," (MSI Eval 24)

All of these activities are considered critical elements of the ENI/DGSR NGO sustainability strategy post DemNet and post USAID in the CEE, and in particular in the Northern Tier, where NGO support activities such as DemNet will end by 2000 In the Northern Tier, the Trust will continue with many of FH's initiatives related to cross-border exchanges

IR 2 1 1.3 -- "Fund and revenue raising activities from local and international sources increase NGOs' financial viability"

Expected Progress: Currently many country-specific R4s address the issue of financial viability of NGOs, and when missions close out we expect issues of financial viability to be picked up by the BAPF and the Trust We expect to see a continued progression of fewer NGOs which rely solely on international donors for funding, but rather diversify their income through revenue raising activities and indigenous donors

2 1 Increased, better informed citizens participation in political and economic decision-making

			Initial FY	Cumulative	Pipeline	FY 1998	FY 1999	FY 2000	Remarks	
			of Funding	Obligations	Sept 97	FY 95 CO	FY 97 CO	Est	Request	
SAA 2 Democratic Reform										
110-0007 Democratic Reform										
DGSR	TA/Training	Political Organizations	95	975	0	0	390	300	300	IFES only
DGSR	TA/Training	Free Trade Union Institute	95	22	0	0	0	100	100	
DGSR	NGO Support	Transregional NGO programs					37	50	50	
DGSR	Admin	PSC Political Process Specialist				0	0	0		
DGSR	Admin	PSC Senior NGO Specialist				0	0	0		
DGSR	Admin	PSC Senior Media Advisor				0	0	0		
DGSR	Admin	PSC Media Specialist				0	0	0		
DGSR	Admin	PSC NGO & Media Project Assistant				0	0	0		
DGSR	Admin	(PSC TRAVEL & MISC)	-			0	0	0		
DGSR	Admin	PD&S				0	0	0	0	0
DGSR	Admin	Admin Total				145	172	170	175	
Subtotal POF 2.1			190	997	0	0	535	600	620	625
180-0021 Political Process										
DGSR	TA/Training	Political Organizations	0	0	0	0	200	320	320	
DGSR	TA/Training	Free Trade Union Institute	0	0	0	0	0	150	150	
DGSR	Admin	PSC Political Process Specialist	-	-		0	0	0	0	
DGSR	Admin	(PSC TRAVEL & MISC EXPENSES)	-			0	0	0	0	
DGSR	Admin	PD&S				0	0	0	0	
DGSR	Admin	Admin Total				154	58	60	63	
180-0022 Independent Media										
DGSR	TA/Training	ProMedia	95	732	130	0	0	250	250	Pipeline as of Feb 28 1998
DGSR	Admin	PSC Senior Media Advisor	-			0	0	0	0	
DGSR	Admin	PSC Media Specialist	-			0	0	0	0	
DGSR	Admin	(PSC TRAVEL & MISC EXPENSES)				0	0	0	0	
DGSR	Admin	Admin Total				66	68	128	136	
110-0032 NGO Initiatives										
DGSR	TA/Advisory	Regional NGO Networking (FH)	95	3 100		0	74	815	1 050	1 050 New CA to begin June 1 1998
DGSR	TA/Advisory	Regional NGO Law Assistance (ICNL)	94	2 382	0	0	0	700	800	800 Operating under new CA as of 5/1/98
DGSR		Baltic American Partnership Fund				0	4 000	3 500	2 900	0
DGSR		CEE Trust (partly funded w/95 c/o)				0	0	0	12 500	12 500
DGSR	Admin	PSC Senior NGO Specialist				0	0	0	0	0
DGSR	Admin	PSC NGO & Media Project Assistant				0	0	0	0	0
DGSR	Admin	(PSC TRAVEL & MISC EXPENSES)				0	0	0	0	0
DGSR	Admin	Admin Total				85	105	103	110	
Subtotal CEE 2.1			284	5,214	130	0	4,579	5,218	15,263	15,379
TOTAL R4 Request for POT 2.1			474	7,211	130	0	5,114	6,525	18,883	16,004

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RESOURCE REQUEST: Explanatory Notes

Regional programs

DGSR's regional funds for SO 2 1 support two distinct categories of activities. The first category includes DGSR's "truly regional" activities in connection with the Democracy Network Program -- NGO networking and legal environment assistance. These activities are funded almost entirely by DGSR (versus by Mission-budgeted funds), and are managed primarily by DGSR. The second category includes regional support to political party, trade union, and independent media programs. Support for these initiatives comes primarily from individual Mission budgets, with a modest amount of regional funding from DGSR. In the case of political party activities (see additional explanation below), DGSR reserves a small amount of regional funding for unanticipated elections. Once regional funds are obligated for election activities in a particular country, the Mission assumes responsibility for reporting against these funds. In the case of all category two activities, individual Missions take the lead in results reporting within their individual R4s. DGSR's review of the country R4s indicates that there is adequate coverage of these activities (including the Solidarity Center, ProMedia, IFES, NDI, and IRI) ²

Category One -- "Truly Regional" Activities. The recent independent evaluation of FH and ICNL concluded that there is "strong rationale for the design and implementation of a significant, continuing regional program of NGO sector collaboration in CEE," (MSI, 28). Prospective benefits include

- Maturation of the NGO communities in CEE now permits and encourages a deeper and more meaningful framework of partnership relations than had hitherto been the case
- There are emergent and important opportunities for northern tier NGOs to work with and make a meaningful contribution to NGOs in southern tier countries
- The closing of some DemNet country programs terminates a US link with a number of important and influential organizations, and may, in some instances, create a funding hiatus that could put these organizations at risk. Maintenance of a well-funded regional program could sustain linkages and may in some cases provide bridge funding
- An important agenda of common, and in some instance, joint public policy issues has emerged in CEE, and a regional program could help to structure an integrated and coordinated approach to these problems. A program organized through an US PVO would provide potential continuing access to the vast US experience in formulating effective solutions to social, economic, and

²Although individual missions are budgeting for and taking the lead in reporting results for category two activities, it should be noted that there are substantial regional linkages made in several of these programs. These linkages include cross-border information sharing, technical assistance, and training

environmental issues

- A visible but relatively modest US funded regional program is a signal of continued US attention, involvement and commitment to consolidation and sustainability of civil society and democracy in CEE

(MSI, 28)

Budgets for 1999 and 2000 for regional NGO networking and legal assistance reflect follow-on funding for extensions of ICNL and FH's activities under the DemNet. As noted above, the decision to continue working with both ICNL and FH was largely based upon substantially positive findings of the independent evaluation, which found that "ICNL and Freedom House have substantially met the objectives of their Cooperative Agreements with USAID. Both organizations have benefitted from this relationship, and are better situated to transfer responsibility for civil society support and development to CEE institutions than would have been possible in 1994," (MSI, v)

Freedom House's proposal for continuation of regional networking activities is currently under negotiations. However, an increase in funding is requested, which will enable FH to 1) target its assistance program to enhance the capacity of the region's third sector to conduct public policy research, education, and advocacy on regional issues, 2) expand the FH program into Bosnia, Croatia, and Serbia, to establish collaborative links between NGO leaders from public policy institutes and citizens organizations with counterparts in CEE, 3) to increase substantially the regional grant program, which will improve FH's capacity to meet the significant need and growing demand for collaborative regional activity on common or joint issues, and 4) to initiate a pilot program for transregional programs between CEE and the NIS. Accordingly, for Freedom House's regional networking activities, we project a total expense in 1999 of \$1,100,000 and are requesting \$1,100,000 for FY 2000. As part of these totals, we will be requesting \$50,000 in FY 99 and FY 00 in FSA funds to support the transregional initiatives, although we expect that NIS missions will provide bilateral support as well.

As of May 1, 1998, ICNL has been functioning under a new Cooperative Agreement, two-thirds of which is funded by ENI/DGSR/CS, with the remaining one-third funded through Mission contributions based upon country need and resource availability. The ENI/DGSR monies fund regional-oriented programs and assistance, and cover all personnel and facilities. The Mission contributions cover solely country-specific projects and assistance expenses. In order to ensure that ICNL is able to provide services at the same level as in previous years, funding for 1999 - 2000 is projected at only a slightly reduced level as current spending. This is largely due to the needs of the newly added Balkan countries -- Bosnia, Croatia, and Serbia -- where the needs are great, and outweigh any possible cost savings derived from lessened activity in the Northern Tier.

This funding level also ensures that ICNL will be able to assist Missions that are unable to contribute to the new Cooperative Agreement, based upon their close-out plans or budgetary constraints. We believe additional funding for ICNL to the requested level is fully warranted, as performance to date has been exemplary, and the need for ICNL's assistance across CEE remains great. Accordingly, we estimate an expense of \$800,000 in FY 1999, and are requesting \$800,000 in FY 2000.

Finally, it should be noted that both ICNL and Freedom House do include closed-out countries in their regional activities, but closely abide by country closeout plans. In the case of ICNL, close-out country citizens are still eligible to participate in regionally-funded exchanges and training. FH will continue to employ regional exchanges and grants to non-closeout NGOs to allow them to benefit from information exchanges and projects with organizations no longer eligible for direct USAID assistance. However, Freedom House will exclude NGOs in closed out countries from direct assistance, i.e. grants, US internships, and AVID volunteers.

The BAPF will be fully funded by FY 99, and the Trust will be fully funded by FY 02. However, activities under the BAPF will not begin until FY 99, and activities under the Trust will not be initiated until FY 00, and then only in a limited number of countries. Therefore, while we are requesting regional funding to support the BAPF and the Trust in FYs 99 and 00, we need to maintain the levels of support for ICNL and FH through FY 00 to ensure programmatic continuation.

Category Two - Country-based Activities. Political organizations activities include the work of IFES, IRI, and NDI. Regional funding is reserved for emergency situations when country budgets cannot support activities that are necessary because of unscheduled elections. For example, the unrest in Albania in early 1997 led to unexpected parliamentary elections in June 1997. Because regional funding was available, IFES was able to provide much needed technical assistance to the CEC with regional funding. The activities made possible by allocations of regional funds are tracked within individual Mission R4s.

Both the AFL-CIO's Solidarity Center (which incorporated FTUI) and the ProMedia have regional line items in their cooperative agreements. These funds are reserved for a variety of purposes, including sector assessments, evaluations, and cross-border workshops in which trade unionists or members of the media are brought together to discuss common issues. Participating missions track these activities within individual country R4s. Our request for funds to support labor union initiatives will accommodate the growing emphasis on regional approaches to labor development for Belarus and Kazakstan, two NIS countries that do not have USAID-funded labor programs. These

moneys will be used to bring primarily Belarussian and Kazak trade union activists to Moscow for training at the Solidarity Center's labor institute in Moscow. Based on political events in Belarus and Kazakstan, the need for such genuinely regional programs may increase in FY 99 and FY 00.

Staffing levels

SO 2.1 currently funds five Washington-based PSCs who manage programs in this SO. Since many country R4s have designated SO 2.1 as one of their top priorities, we anticipate that SO 2.1 will need to maintain current staffing levels of PSCs through FY 2000 to meet management requirements.

Justification: the Trust for Civil Society in Central and Eastern Europe

Background

Since the fall of the Berlin Wall in 1989, the United States Government (USG) and US foundation have taken significant strides in developing and nurturing civil society organizations in the Central and Eastern Europe (CEE) region. Their aim was to provide a counter-balance to state governments, encourage and facilitate independent civic action, and provide cost-effective partners to governments for the delivery of social services and public goods. These institutional development efforts have been successful, particularly in some of the northern-tier countries, and have led to the emergence of multiple, high-impact, low cost projects and initiatives meeting social needs. As a result, the USG and some foundations are reducing their traditional non-governmental organization (NGO) support activities in these countries. In southern-tier countries, however, development of civil societies has evolved at a far slower pace and still requires traditional forms of assistance.

In effect, as each CEE country progresses to the point where structural reforms are essentially complete, it needs a new phase of foreign assistance to help consolidate its transition. The first phase should establish indigenous capacity in the public, commercial and voluntary sectors to administer the remaining transition. Further American assistance will rely more heavily on implementation by organizations created by the citizens of CEE rather than on implementation by the conventional mechanisms of foreign assistance. The Trust for Civil Society in Central and Eastern Europe is designed to utilize existing indigenous NGOs to implement its programs in countries where USAID staff have completed the objectives of conventional foreign assistance.

Thus, the Trust is being created so that the United States may go on helping citizens in these countries develop the more subtle but no less critical elements of their democracies even after traditional foreign aid diminishes. In essence, the Trust is envisioned to help sustain, encourage and train those whose organizations - when taken in the aggregate - will generate democratic activism, strengthen open market orientation, deepen democratic impulses and, most significantly, act as guardians against a return to command economies.

As referenced above, the Trust is designed specifically as a post-presence activity that will service those USAID close-out countries in the CEE region. As such, in order to be justified as a post-presence activity, the Trust should meet the criteria listed in the "Guidance for Consideration of USAID Activities in Post-Presence, ENI Countries." Those criteria follow:

Post-Presence Criteria

● **Relevance** The Strategic Support Objective (SSO) of SO 2 1 is that "sustainable civil society organizations effectively promote citizen interests " To judge whether this SSO has been achieved, three Intermediate Results are proposed

- IR 2 1 1 1 - Legal environment supports the formation and operation of NGOs
- IR 2 1 1 2 - Cross-border information and linkages strengthen NGO institutional development
- IR 2 1 1 3 - Fund and revenue raising activities from local and international sources increase NGOs' financial viability

The purposes of the Trust, as stated in the Trust draft RFA document, align with these IRs The proposed Trust purposes include

- To enhance the legal, policy and attitudinal environments needed for the development of a strong, civil life complementary to, but beyond the control of governments (See IR 2 1 1 1 above)
- To build cross-border and regional links to promote civil society and ensure that lessons learned in one country continue to be shared with organizations in other countries (See IR 2 1 1 2 above)
- to contribute to the financial sustainability of a few qualified, indigenous organizations by seeding endowments (See IR 2 1 1 3 above)
- to encourage and promote financial viability through indigenous philanthropy, public support for NGOs and revenue generating activities of NGOs (Also see IR 2 1 1 3 above)

As reflected in the above discussion, the special relevance of the Trust is that it directly relates to all three of the IRs associated with S O 2 1

In addition to S O 2 1, the Trust purposes exhibit a relationship to most of the other ENI Special Objectives For instance, in "enhancing the legal, policy and attitudinal environments " the Trust demonstrates its association with S O 2 2, "legal systems that

better support democratic processes and market reforms " The same can be said for S O 23, "more effective, responsive and accountable local government," as the Trust intends in part to support civil initiatives undertaken by civil advocacy NGOs

Further, because the Trust intends to support such organizations as consumer protection and consumer rights groups, professional associations, chambers of commerce and associations of small and medium sized businesses, at least some portion of its activities could be justified under SOs 11 through 15 Local social service organizations such as human rights advocacy groups and womens' organizations are also included as potential subgrantees of Trust funds This broadens the SO umbrella to SOs 31, 32 and 33, under which the Trust at least in part could be justified.

● **Results** The Trust is an endowment and per Policy Determination-21, "endowments are created in order to provide the organization with a stable source of income, (and hence) the primary purpose for which the funds are to be used is accomplished at the time the endowment is funded " (Section V-C of PD-21) Within this context, in a limited, technical sense, the results of the Trust are achieved when the cooperative agreement is signed with then winning applicant

In addition, the Trust sets of "exit criteria" which are measurable results that indicate that the purposes of the Trust have been met in individual CEE countries These criteria include principally that the NGO sector in a given country (a) has adequate financial support from sources other than the Trust assistance, and (b) functions effectively in support of the transition goal of the Trust of consolidating democracy and advancing the development of market-oriented economies in the 15 CEE countries

Specific indicators to measure the financial viability of the NGO sector - as noted in the draft RFA - include the flow to NGOs from alternative sources of income such as membership dues, domestic philanthropy, domestic government support, revenue-generating activities, investment earnings and in-kind income such as volunteers

Specific indicators to measure how well the NGO sector will serve the Trust's goal after Trust assistance ends include the administrative skills of NGO staff, a stable and acceptable legal and regulatory environment, a minimum size for the sector, and a composition that embraces the essential roles for NGOs for transition

Each of these indicators is quantifiable and specific targets will be recommended by those U S NGOs submitting applications in response to the Trust RFA. As the Trust's resources (up to \$100 million) are intended for all 15 CEE countries, it is anticipated that there will be a rolling entry and exit from these countries when the respective entry and exit criteria are met

● **Capacity** In the context of these criteria for justifying post-presence activities, "capacity" is intended to address the implementor's capability to implement. For the CEE Trust, the implementor will be a U.S. NGO selected through a competitive process that ensures both a timely establishment of the Trust and the ability to create an independent structure for proper management and disposition of Trust proceeds. The selection of a U.S. NGO with sufficient capacity to implement the Trust program is assured through the use of two levels of criteria in the above-referenced competitive selection process. Level one includes certain minimum standards that are required of any applicant in order to be eligible to submit an application in response to the RFA. Level two are those criteria that are used by the Selection Committee in evaluating and ranking the applications.

● **Accountability** USAID oversight for endowments is specifically spelled out in PD-21 which, in Section V-F states that the "use of (USAID) funds should be monitored for a minimum of five years and a maximum of ten." Further, USAID management oversight, as a member of the Trust's Donor Oversight Committee, is referenced in the draft RFA under Section I B 4(a), "substantial involvement of donors." This USAID substantial involvement for Trust activities includes

- Review and approval, in writing, of the first two annual financial and program plans submitted by the USNGO for each country
- Approval, in writing, of any changes to the asset management agreement, the selection of a new or replacement asset manager, and any change in the structure of the finance committee of the recipient
- Approval of the format of all standard subgrant agreements involving the USNGO and its relationship to the host country NGOs

● **Cost-effectiveness** One of the unique aspects of this commitment of \$50 million USAID funds is that it leverages monies at all levels. First, the Trust represents a cooperative programmatic and funding relationship involving USAID and four foundation partners, the Ford Foundation, the Mott Foundation, the Open Society Institute and the Rockefeller Brothers Fund. It is expected that these partners will also contribute up to \$50 million over the life of the endowment. Secondly, and more important in terms of the purposes of the Trust, the beneficiary institutions, i.e., the in-country NGOs, will be expected to make some kind of "match" contributions for the subgrants and subendowments that they receive, all of which, eventually, will demonstrate a level of financial viability by the in-country NGOs.

● **Foreign Policy** As the Trust is an innovative, public-private partnership between the

USG and a group of private American foundations, the U S is afforded an opportunity to remain a vibrant presence in the region while remaining faithful to the original purpose of the Support for Eastern European Democracy (SEED) Act of 1989, to provide short-term advisory capacity during the early transition years

● **End Point** Specifically, the draft cover letter for the RFA notes that "it is anticipated that this cooperative agreement (awarding a grant to a USNGO) will be for 15 years " Further, this same letter notes that the USNGO which wins the RFA competition "will concentrate its assistance efforts on establishing the endowment Trust and creating the structure to implement this program in up to 15 countries over the next 15 years " Also, the Program Background portion of Section I of the RFA says "It is expected that the current donors' contributions to the Trust will be drawn down over a 15-year period " Finally, Para F of Section II, "Project Duration of the Standard Grant Application Instructions," states "As this is an endowment the Cooperative Agreement may be funded for up to fifteen years "

● **Funding Gap** As USG and foundation support diminishes in certain CEE countries, it is apparent that neither domestic philanthropy (individual and corporate) nor CEE governments have developed sufficient capacity to support an active NGO sector This funding gap is likely to jeopardize the sustainability of civil society in the region The reasons for this funding gap are several First, the economies of the region have not developed sufficiently to generate the discretionary income necessary to enable individuals or corporations to adequately support civil society Coupled with economic problems, there continues to exist an attitudinal problem, particularly in the southern tier, where traditions of voluntarism and charitable giving have not developed In addition, despite tremendous strides made in improving the legal framework surrounding NGOs in the region, there are still serious regulatory and tax code enforcement issues

Therefore, the Trust represents an opportunity for the USG, U S foundations and corporations and potentially other public and private funders to consolidate and target to funding gap countries the investments that have been made in the development of civic initiative in the region On a local, in-country level, it is anticipated that the criteria for awarding both sub-grants and sub-endowments will include a demonstration of need - that a funding gap exists - by the recipient NGO

● **Sustainability** As referenced under the "relevance" criterion above, the Trust is expected to generate all three of the IRs which demonstrate the achievement of the Strategic Support Objective of having "sustainable civic society organizations effectively promote citizen interests " More specifically this concept of sustainability is associated with the exit criteria which when achieved, are intended to indicate that the purposes of the Trust have been met and that Trust funding is no longer required in a certain CEE

ENI OBJECTIVE 2.2:

**Legal Systems That Better Support Democratic Processes
and Market Reforms**

**POT 2.2: Legal Systems that Better Support
Democratic Processes and Market Reforms
Resource Request and Results Review
Regional Programming**

A Background

Rule of Law: The strategic objective (SO) for *Legal Systems that Better Support Democratic Processes and Market Reforms* is a central element of the Bureau's efforts to support the democratic transition in the ENI region. It is, as well, fundamental to the realization of the Bureau's objectives for economic reform and the transition to private markets. The two strategic areas intersect in a new focus the Bureau is developing for initiatives in anti-corruption. The achievement of societies that are governed by *Rule of Law* (ROL), as the SO is more commonly known, is essential to the full realization of the transition to democratic societies that are marked by economic growth and opportunity, to which these countries aspire.

The Program Objective Team (POT) provides support to the field missions by coordinating the dissemination of information and experiences among the field missions and by managing regional activities. As part of its coordinating role, the POT has focused on the substantive goals of the program. It has drafted and is now reviewing with missions a set of attributes that define a *Rule-of-Law Society*. In brief, the five attributes, each of which is further defined by a set of detailed characteristics, are

- Effective legal structures are in place
- Judiciary is autonomous
- Citizens have fair access to legal process
- Viable legal profession exists
- Effective anti-corruption and security safeguards exist

These attributes comprise the set of characteristics against which we can measure our programmatic success. They form the structure for missions' Intermediate Results, indicators and targets. In some countries, they might constitute graduation criteria, but in most of the countries in which missions are pursuing a *Rule of Law* SO, graduation is not imminent.

Country Programs: The *Rule of Law* SO is an explicit component of the Results Frameworks of four NIS countries (Ukraine, Russia, Georgia, Armenia) and two in CEE (Albania and Bulgaria). In these countries USAID is supporting the reform of fundamental institutions in the legal systems. In most of them, new constitutions have been written recently or are being written. New civil and criminal codes and codes of procedure are being adopted. New laws are being drafted. USAID helped with many of these, and is now helping to institute in-service judicial training, continuing legal education, increased access of judges to the laws, improvements in legal education, and increased access of citizens to legal defense and advocacy, so that these laws can be

implemented and enforced. Without strong legal institutions, new laws are irrelevant, and as long as new laws are irrelevant, any transition taking place in these countries will be shallow and unsustainable, as it will be based on the predilections of the people who happen to be in power at the time.

Other country strategies address legal reform to varying degrees in the absence of a strategic objective. Many programs support parliamentary development, commercial law reform, or judicial reform programs. Where there is not an explicit SO 2.2, however, the programs are not comprehensive enough to lead USAID to expect to have a broad impact on legal reform. These efforts are undertaken by a variety of implementors including ABA/CEELI, Carana, IRIS, and formerly HIID, to name a few.

In practical terms, the convergence of the Bureau's democratic and economic transition objectives occur in commercial law reform (SO 1.3). Activities to advance an intermediate result, usually stated as *legal, regulatory and political environment conducive to sustainable enterprise growth*, will encompass everything from drafting collateral law and bankruptcy law to assisting countries to meet the requirements of accession to the World Trade Organization. Increasingly, basic commercial laws have been drafted and adopted, and the need now is to train judges and other legal professionals to understand and apply them. Under SO 2.2, we are strengthening the basic institutions that provide legal education and training in the region, such as law schools, bar associations, judicial training institutes, and NGO's. One challenge is to make sure that training in commercial law is conducted to the extent possible through these institutions. Activities under SO 2.2 tend to focus on the independence and competency of judges. Activities under SO 1.3 tend to focus on commercial laws, which judges must eventually uphold. Thus, judges are the linchpin of legal reform, and ultimately of investment and growth as well as of democratization. Together, the assistance USAID provides under SOs 1.3 and 2.2, respectively, should cover the full range of drafting, training and enforcement of commercial law. The whole sequence is necessary if we are to have an impact on the investment climate.

Prospects for progress in the next two fiscal years are excellent. In the NIS, countries are accelerating the pace of reform of their judiciaries. Russia has created a Judicial Department to administer the courts and provide judicial training. Georgia is testing all of its judges and will only keep on the bench those who demonstrate an adequate knowledge of Georgian law. Constitutional courts throughout the region have made important rulings challenging the power of the executive and upholding the region's new constitutions. Apart from a few countries like Belarus and Uzbekistan, the political will exists to give more power to the judiciary and to build a more competent judiciary, which coupled with extensive donor programs should lead to significant impact by the end of FY 2000.

One caveat to the generally good prospects for program performance emerged recently.

in Ukraine Because of the Secretary of State's recent decision to withhold U S assistance to activities that strengthen the government of Ukraine, and the consequent determination by S/NISC that the judiciary is part of the government for the purposes of this exercise, SO 2 2 activities supporting the courts and the parliament will be suspended

B. Regional Programs

Our country-specific programs focus on institution building, and a regional program can supplement and reinforce the effort in a number of ways One important way is through training and educational programs for judges who grew up in a non-market environment Citizens of the West often take for granted the understanding and assumptions that we have received about basic economic processes from our culture We probably also underestimate the extent to which communist propaganda still holds sway over societal attitudes toward such issues as capital formation, pricing of goods, and land ownership Exploring these issues with this group of key decision makers could have a large impact Because the issues are common across the region, it is an especially appropriate set of topics for international training fora, which would stimulate wide-ranging discussion

A second regional program objective is to support the accession of the countries of the region to regional and international bodies and treaties While our country-specific programs focus on national institution building, encouraging regional collaboration would support one of our key foreign policy objectives Clearly, there will not be real regional collaboration of these countries until they can uphold the external obligations made by their governments

Results Review

Apart from funds for PSC's, no FY 97 regional funds were managed by POT 2 2 POT 2 2 has been allocated \$100,000 in regional funds from the SEED account for FY 98 specifically to support regional activities of the ABA/CEELI program These funds will be obligated under the CEELI work program for FY 98-99 once we receive and review their proposal

New Program Description

POT 2 2 is proposing a regional program for judges that will provide training in the linkages of economic principles and commercial law, with a particular focus on international treaties and accession requirements to international organizations These topics, which lie at the democratic governance and economic growth interface, are common to all the countries of the region, and training in them would benefit from the ability of judges to interact with their counterparts from other countries The substantive

basis for the program and its implementation are described below

One of the key impediments in the commercial law framework of the countries of the region is the lack of understanding of many judges regarding the simple economic precepts that are part of the commercial laws under which they are asked to adjudicate cases. This is one of the problems leading to lack of adequate enforcement. Laws cannot be enforced if judges, who do not understand them, either refuse to hear certain cases or make bad decisions.

An often related issue in the region is a proliferation of new regional treaties designed to address a host of problems from pollution of the Black Sea to customs administration, coupled with accession of many of the countries to the various international treaties, like GATT, the United Nations Convention on Commercial Goods, the Kyoto Convention (Customs), the Bern Convention (trademarks), the European Free Trade Association, and the European Convention on Human Rights. Treaties often supersede national law and so the judges of the region must know about them and how to adjudicate cases under them. This topic, however, is not a high priority for each country program, because the countries are focused on making sure that their judges understand their new constitutions, civil and criminal codes. A country focus on treaties probably would not be cost-effective but training some judges on this topic on a regional basis would

These subjects are very suitable for regional training because they do not differ from country to country based on unique national legislation. Training judges regionally will allow for an exchange of experience. To the extent possible, economists and judges from close-out countries (Czech Republic, Poland, Hungary, or Estonia) would serve as trainers in order to enable them to share their expertise in adapting to a post-communist economy and legal system.

We will contract for several training programs for judges in the region, to be "team taught" by lawyers and economists. A select group of judges will receive training in economics, on civil law issues that are also common to any civil code country, in how to uphold provisions of select treaties, and in training of trainers. This latter component will allow the judges to return to their countries and train others. To ensure sustainability of the effort, we will examine options for networking among the judges through various information channels, including the internet. We will consider options for sustaining the training impact through partnerships with US organizations that can assist in the continued legal education in the areas of economics and law as well as in the information flow.

The anticipated time-frame of the training program is two years. Support for the networking component would continue longer depending on the experience during the first two years. The participating judges will be nominated by the AIDREP or Mission and selected in part based on their interest in becoming trainers in their own countries.

The training would be developed in conjunction with international bodies that also may be providing training and technical assistance in these areas, such as the Council of Europe, the GATT Secretariat in Geneva, the World Customs Organization in Brussels, and the World Intellectual Property Association

Performance Measures Each of the 7 target countries has at least 20 judges who are training at least 20 of their colleagues per year in the linkages between legal proceedings such as bankruptcy, mortgages, collateral, anti-trust, and anti-monopoly and the basic principles of economics An increased number of complex commercial law and treaty cases are adjudicated

Selected results and indicators We anticipate the following outcomes

140 judges in the region handle an increased caseload of advanced commercial law cases (year one)

3000 judges in the region report handling an increased caseload of advanced commercial law cases (year two)

Select treaties ~~are~~ enforced in target countries (yes/no)

Decrease in the number of complex commercial law cases that are rejected or take more than one year to adjudicate in target countries (baseline tbd)

Request for Resources for Evaluations

POT 2.2 is about to undertake an evaluation of the ABA/CEELI programs in CEE and NIS Funding for this effort has already been approved, and the evaluation will begin in FY 98 The POT will request an additional \$100,000 under project 110-0007 to evaluate the ARD/Checchi consortium which has implemented rule of law activities in Russia, Ukraine, Georgia, Armenia, Kazakhstan and Kyrgyzstan ARD/Checchi has been the recipient of three contracts issued by the Bureau which until recently constituted the bulk of our funding in support of SO 2.2 It is important that we evaluate these activities, as many of them have just ended or are about to end, and there is no systemic assessment of their impact This evaluation will complement that of the CEELI program It would not only tell USAID what it has achieved with its funding, but would also inform planning for follow-on activities in these countries If FY 97 carryover or FY 98 NOA is not available, then we will request FY 99 NOA for this purpose

SO 2 2 Legal systems better support democratic processes and market reforms

	Initial FY of Funding	Cumulative Obligations	Pipeline Sept 97	FY 95 CO	FY 1998 FY 97 CO	FY 98 NOA	FY 1999 Est	FY 2000 Request	Remarks
10-0007 DEMOCRATIC INITIATIVES			0	0	0	0	0	0	
DGSR/ TA/Training Regional training program	0	0	0	0	0	0	225 000	225 000	Request for new activity
DGSR TA/Training ABA/CEELI						100 000	0	0	
DGSR Admin PSC s and travel				0	103 500	50 000	140 500	148 000	
Sub-Total NIS				0	103 500	150 000	365 500	373 000	
0-0020 Rule of Law									
DGSR/ TA/Training Regional training program	1998	0	0	0	0	0	225 000	225 000	Request for new activity
DGSR TA/Advisory Partners for Democratic Change	1996	TBD	TBD	0	0	147 000	0	0	Extension via unsolicited prop
DGSR TA/ADVISOR ABA/SECI	1998	0	0	0	115 000		0	0	From \$2m allocation for SECI
PER Admin (PSC TRAVEL &MISC EXPENSES)					149 000	120 000	140 500	148 000	
DGSR TA/ADVISOR ABA/CEELI	1992	0	0	0	0	100 000			
DGSR TA DOJ/ABA					1 000 000	1 250 000			632 (b) in process
Sub-Total CEE					1 264 000	1 617 000	365 500	373 000	0

ENI OBJECTIVE 2.3:

**More Effective, Responsive, and Accountable
Local Government**

RESULTS REVIEW AND RESOURCE REQUEST

FY 1999 - 2000

Local Government in ENI Transition Countries: Regional Networking

BUREAU STRATEGIC OBJECTIVE and SUPPORTING STRATEGIC OBJECTIVE

This regional activity supports the ENI Bureau's Strategic Objective 2.3 **More effective, responsive and accountable local government** and is managed by the Program Objective Team (POT) in Washington with collaboration from field missions. The Supporting Strategic Objective is the creation of a regional network which provides experience-based information for local government officials, municipal association members, and relevant national officials who seek to solve municipal problems, strengthen local government and improve responsiveness to citizen needs. The activity was approved for funding in the 1998-1999 R4 cycle with a termination date of April 2002.

Project Background and Description: USAID has been providing technical assistance and training in democratic governance, public administration and urban development in the ENI Region since 1991. Decentralization to local authorities and democratic local governance have become increasingly important as a focus of our assistance efforts to promote private markets and democratic institutions. These efforts have aimed at decentralizing authority and fiscal responsibility, strengthening the capacity of local government and promoting accountability, transparency, effectiveness and citizen participation. Reform minded officials have come to appreciate that decentralization is essential to economic and political transformations in their countries.

A majority of USAID missions in the region now have a strategic objective in Local Government. These program priorities are in recognition that the active participation of an informed citizenry and the accountability of public officials to their constituents happens most effectively where government functions in immediate proximity to the people it serves. Recognizing the benefits of sharing reform experiences and best practices among officials and community leaders, ENI began the process of promoting regional and international information exchange and networking to promote professionalism in local government affairs.

Project Purpose: Regional cooperation will help to create a basis for sustained excellence in local government and will serve as an important building block for democracy and private markets in transition countries. Our strategy seeks to consolidate the gains already made in the region and to provide a foundation from which local governments can become more open, participatory and better

able to serve the needs of their citizens. The strategy relies on ties with other transition countries and with Western institutions, which will provide sustainability after USG assistance is gone. The activity will foster networking across the region to encourage the exchange of ideas and experiences among those institutions and individuals who are committed to improving the performance and accessibility of local government.

Progress to Date.

Building on the success of the first regional conferences and workshops that were undertaken in 1996 on the topic of "Local Government in Transition Countries", the POT has continued to encourage networking among officials, community leaders and experts through **conferences, workshops and meetings** on targeted technical subjects. A **Local Government Website** provides a vehicle for **information dissemination** of technical reports and studies, and facilitates exchange of **best practices** in municipal management and democratic governance. The POT is providing support in conjunction with selected bilateral programs to build capacity for national and international networking through institutions that support local governments, such as municipal associations and other NGOs. We have established a **donor coordinating group** with the Council of Europe, the Open Society Institute, and the World Bank for the purpose of establishing networks on local government issues and to co-ordinate our common activities and objectives.

Following the first ENI regional counterpart conference which highlighted the importance of local government in the transition process, a survey of the participants showed that job creation and economic development in distressed communities was their paramount concern. As a result, the POT has begun preparations for the next major counterpart conference which will address **"Mobilizing Community Resources for Economic Development"**. A steering committee to organize the next conference has been established comprising our donor partners, key counterparts and field mission staff.

As part of the effort, the Council on Urban Economic Development (CUED) has been commissioned to undertake original research and prepare a series of reports on key topics in local economic development and to develop regional case studies. In January, 1998, the POT sponsored a "brainstorming session" in Washington, D C with leading U S practitioners and academicians to exchange information with our domestic counterparts on the latest domestic approaches to economic and community development which may be relevant to the ENI region. The panelists included the new city manager of Washington, D C and representatives from leading United States policy and academic institutes.

The findings and discussions of the "brainstorming session",

along with some of the CUED work were presented at a steering committee meeting which came together in Budapest, Hungary to frame the key issues on local economic development and to help in the planning of the next major regional conference. The steering committee represents unique coordination among donors and counterparts to sponsor and implement a major conference on local economic development.

Two more regional workshops are being organized and will take place in the current fiscal year. The first will bring together municipal association leadership from CEE southern tier countries to consider questions of common interest. The second will give professionals and practitioners in the field of municipal finance an opportunity to meet to discuss cross-cutting issues in training, curricula, training delivery mechanisms and institutionalization.

The POT has established closer working relationships with our donor partners. We are actively participating as a full member of the steering committee on the Fiscal Decentralization Initiative of the World Bank, providing advice on program and policy direction. (Our support to this project came from pre-POT regional funds.) We are coordinating our efforts on institutionalization of information dissemination with the Open Society Institute and are participating in Council of Europe events related to regional and local authorities.

FY 1998 funds (\$400,000) were approved in the last R4 cycle to support the municipal finance program in the Czech Republic. Because these additional resources were not needed, the funds have been reprogrammed to support our regional networking activities, to continue our support to the Fiscal Decentralization Initiative at the World Bank and to provide for the initial obligation of a major new local government contract which will be the primary contract mechanism for our programs in the field.

Results Review:

The first indicator of our Supporting Strategic Objective is the establishment of an on-line Innovative Practices Guide to provide information and references to local governments on creative and successful solutions to problems facing cities and towns in the region. This indicator has been met. The Guide is included in POT 2 3's Local Government Website which provides information on local government issues in the region, training materials, and technical reports from USAID, its consultants and others. It was the first such site on the USAID web page.

The second indicator is the number of municipalities participating in the regional network (attendance in conferences, seminars, contributions to Innovative Practices). A target was never established for this indicator because of the difficulty in measurement and the recognition that the indicator was more

"output" oriented than result oriented. However, we believe that expectations in networking have been met through not only the conferences and workshops that we have directly sponsored (see above) but also through our support to other donor conferences and networks such as the Fiscal Decentralization Initiative of the World Bank, the Local Democracy project of the Council of Europe, and the Local Government and Public Service Reform Initiative of the Open Society Institute.

Prospects for Further Progress and Resource Request:

As the local government networking program enters into its second year of regional funding, we will continue to work with other donors in order to rationalize and consolidate our efforts and achieve greater impact and synergies. Specifically, we will work with the World Bank, the Council of Europe, the Open Society Institute and other bilateral Donors to identify critical information needs of local officials and community leaders and to identify institutions in the region that can serve as clearinghouses for local government issues. In doing so, we will continue to support regional and national capacity building to collect, disseminate and share best practices across borders in conjunction with OSI and others. We will continue to organize regional and subregional conferences, seminars and workshops to bring key individuals in local government together to benefit from the knowledge and experience in the ENI region, our partners in western Europe and the United States.

We will undertake comparative analyses and assessments as part of a cross-border exercise to impart lessons learned in key local government areas such as decentralization, urban service delivery, municipal finance, urban land management and real estate, municipal housing issues, etc. We will provide support to close-out missions where national and sub-regional assessments would benefit other countries in the region.

We request regional funds to continue USAID's support to the World Bank's "Fiscal Decentralization Initiative". The Initiative seeks to promote the process of decentralization, to support debate and consensus building among central and local governments and other stakeholder, to assist local governments to improve their management, expenditure and revenue generating capacity, and to strengthen civil society and its capacity to participate in the process of policy debate. The program is implemented through a combination of policy research and analysis, and national policy workshops and seminars to build support for local policy reform. Our support to the FDI program will contribute to the development and publishing of information on decentralization. The results will be improved data gathering capabilities on intergovernmental finance in each country and the provision and analysis of information and cross border comparisons on fiscal decentralization in the region.

In FY 1998, POT 2 3 was allocated an additional \$1 4 million to fund an unsolicited proposal of the Eastern Europe Real Property Foundation (EERPF) to support the CEE regional real estate association known as CERAN and the regional appraisers association known as CEEVAN. The EERPF cooperative agreement will be amended this fiscal year and progress on this activity will be reported in the next R4. An evaluation of the EERPF program will be carried out in FY 1999 which will assess their performance and the impact of their programs in the ENI region. Expected cost is \$50,000 and will be requested from PCS funds for evaluations.

Selected Results/Indicators:

A regional network of local government officials, municipal association members, relevant national officials and others providing greater access to experience based information for solving municipal problems and improves their responsiveness to citizens needs.

Indicator: Local Governments change policies and introduce innovations ~~as~~ a direct result of information gained through regional networking. **Target: 1999 - 10%***; **Target: 2000 - 20%***.

Source: Follow-up survey of local government officials who have had contact with regional networking activities. *Targets are the percentage of those responding to the survey who have recorded policy changes or innovations.

**RESOURCE REQUEST FISCAL YEAR 1999 AND 2000
LOCAL GOVERNMENT REGIONAL NETWORKING
POT 2 3
PROGRAM COSTS**

WLY INDEPENDENT STATES

110-0008 Urban Development
Networking MDM
Analysis and Assessments
New Procurement

Sub Totals

110-0007 Public Administration

Fiscal Decentralization/World Bank

NIS TOTALS

Initial FY of Funding	Cumulative Pipeline Obligations	Sep 97	FY 1998		FY 1998			FY 1999 Est	FY 2000 Request
			Y 95 CO	Y 97 CO	FY 95 CO	FY 97 CO	FY 98 NOA		
1998			0	0			200,000	200,000	200,000
1998			0	0			0	50,000	50,000
1998			0	0			0	0	0
Sub Totals			0	0			200,000	250,000	250,000
1998			0	0			0	50,000	50,000
NIS TOTALS			0	0			200,000	300,000	300,000

CENTRAL AND EASTERN EUROPE

180-0034 Urban Development
Networking MDM
Analysis and Assessments
Post-Presence Support (Czech R)
EERPF
Fiscal Decentralization/World Bank
New Procurement

Sub Totals

Networking JHU

Fiscal Decentralization/World Bank

Sub Totals

CEE TOTALS

Initial FY of Funding	Cumulative Pipeline Obligations	Sep 97	FY 1998		FY 1998			FY 1999 Est	FY 2000 Request	
			Y 95 CO	Y 97 CO	FY 95 CO	FY 97 CO	FY 98 NOA			
1998			0	0			300,000	200,000	200,000	
1998			0	0			0	50,000	50,000	
1998			0	0			0	0	0	
1992	4,700,000		0	0			1,400,000	0	0	
1998							150,000	0	0	
1998			0	0			50,000	0	0	
Sub Totals			4,700,000	0	0		1,900,000	250,000	250,000	
1997	446,000					0	100,000	0	0	
1996	700,000		0	190,000		190,000	0	300,000	300,000	
Sub Totals			1,146,000	0	190,000	0	190,000	100,000	300,000	300,000
CEE TOTALS			5,846,000	0	0	190,000	0	190,000	2,000,000	550,000

TOTAL PROGRAM (NIS AND CEE) FOR POT 2 3 **5,846,000** **0** **0** **190,000** **0** **190,000** **2,200,000** **850,000** **850,000**

**RESOURCE REQUEST FISCAL YEAR 1999 AND 2000
LOCAL GOVERNMENT IN REGIONAL PROGRAMMING
'POT 2 3**

ADMINISTRATIVE COSTS (PSCs and TRAVEL)

	Initial FY of Funding	Cumulative Obligations	Pipeline Sep 97	FY			FY 1999 Est	FY 2000 Request
				FY 95 CO	FY 1998 FY 97 CO	FY 98 NOA		
NEWLY INDEPENDENT STATES								
110-0008 Urban Development PSC/Travel	-	0	0	0	227,305	299,195	385,000	400,000
110-0007 Public Administration PSC/Travel	-	0	0	0	70,000	6,500	122,000	130,000
Sub Totals		0	0	0	297,305	305,695	507,000	530,000
CENTRAL AND EASTERN EUROPE								
180-0034 Urban Development PSC/Travel	-	0	0	0	301,645	548,000	325,000	350,000
180-0019 Public Administration PSC/Travel	-	0	0	0	86,000	150,000	122,000	130,000
Sub Totals		0	0	0	387,645	698,000	447,000	480,000
TOTALS FOR NIS AND CEE		0	0	0	684,950	1,003,695	954,000	1,010,000

ENI OBJECTIVE 3.1:

**Improved Capacity to Respond to and Manage
Humanitarian Crises**

3 1 Reduced Human Suffering and Crisis Impact

	Initial FY of Funding	Cummulative Obligations	Pipeline Sept 97	FY 95 CO	FY 1998 FY 97 CO	FY 98 NOA	FY 1999 Est	FY 2000 Request	Remarks
				0	113,315	261,000	334,000	285,000	
110-0001 Special Initiatives									
DGSR/HRHA Admin		Logistics Specialist (CEE/NIS)							
DGSR/HRHA Admin		Humanitarian Advisor (CEE/NIS)							
DGSR/HRHA Admin		Humanitarian Advisor (NIS)							
DGSR/HRHA Admin		Humanitarian Advisor (NIS/CEE)							
DGSR/HRHA Admin		(PSC TRAVEL &MISC EXPENSES)							
Subtotal NIS 3.1					113,315	261,000	334,000	285,000	
180-0016 Trauma Social Welfare & Humanitarian Assistance									
DGSR/HRHA Admin		Humanitarian Advisor (CEE/NIS)			39,759	120,000	82,000	30,000	
DGSR/HRHA Admin		Humanitarian Advisor (NIS/CEE)							
DGSR/HRHA Admin		(PSC TRAVEL &MISC EXPENSES)							
180-0054 Bosnia Emergency Rehabilitation									
DGSR/HRHA Admin		Logistics Specialist (CEE/NIS)			91,000	71,000	130,000	110,000	
DGSR/HRHA Admin		(PSC TRAVEL &MISC EXPENSES)							
180-0249 Audit, Evaluation & Project Support									
DGSR/HRHA Admin		Logistics Specialist (CEE/NIS)			84,000	20,000	20,000	20,000	
Subtotal CEE 3.1					344,759	302,000	362,000	290,000	
TOTAL R4 Request for POT 3.1					501,074	563,000	716,000	575,000	

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ENI OBJECTIVE 3.2:

**Improved Sustainability of Health and
Social Benefits and Services**

May 29, 1998

**RESULTS REVIEW AND RESOURCE REQUEST
FY 1999 - 2000****HEALTH SECTOR SUSTAINABILITY IN ENI COUNTRIES****SO 3.2.1****MOVEMENT OF SOCIAL SECTOR REFORM TO THE FOREFRONT OF THE
REFORM AGENDA**

In a presentation on their recently published book, *Transforming Post-Communist Political Economies*, members of the task force on Economies in Transition of the National Academies of Sciences Research Council reached the conclusion that social sector reform, deferred and pushed to the margins of the reform agenda during most of the decade, has now come to the forefront. Of the areas encompassing the social sector, health reform may be the most challenging because of the cost burden of the poorly performing public health infrastructure as evidenced by the declining health status.

As ENI considers the readiness of countries for graduation, sustainability of the health sector should be weighed equally with other transformation issues. The regional program outlined in the pages that follow will provide, on one hand, an approach to measurement of progress toward the goal of health sector sustainability and, on the other, programs to expedite that process.

The desire by some ENI missions for a more explicit strategic objective related to health reform is an additional manifestation of this delayed but now more emphatic recognition of the size and importance of the problem.

BACKGROUND ON POT 3.2 REGIONAL HEALTH ACTIVITIES

For several years, funding for regional health-sector activities has been included in the obligations to several implementers of ENI/DGSR/HRHA programs. These funds are used to make ENI's investments in the health sector more cost effective by sharing information across borders related to seminal issues in health sector performance improvement. The issues are generally problems which have become obstacles to efficient and effective system performance in the area targeted by that implementer, e.g., infectious disease management, cost effective provision of health care services, quality of clinical services, women's reproductive health, etc.

Results to date have exceeded expectations and are described in

Attachment 2 Implementers have targeted issues in their regional programs which are at the cutting edge of health sector transformation in the region By so doing, they have

- 1 Garnered support and financial commitments from other donors and Ministries of Health, further spurring the momentum for national change
- 2 Expanded the number of pilot sites for innovative programs, thereby increasing the number of people benefiting from the new programs at the local level
- 3 Initiated programs to raise the international standard of performance in critical areas of health sector operations
- 4 Increased independent networking among counterparts across the region on matters of mutual interest

Future "regional" funding for mechanisms which operate across the region will continue to educate counterparts on important development issues and to disseminate lessons learned and technical materials from the bilateral activities Results will be measured against the four indicators described above

ENI/DGSR/HRHA requests new regional funds to undertake two new activities which will enhance 1) health reform efforts across the region and 2) ENI's management of the health sector sustainability SO In addition, the proposed activities will enable the development community to more effectively track the progress of countries in their efforts to improve sector performance so that we can more accurately assess the need for donor involvement

BUREAU STRATEGIC OBJECTIVE SO 3 2

This regional activity supports the ENI Bureau's **Strategic Objective 3.2, Improved Sustainability of Health and Social Benefits and Services**. This Bureau objective contributes directly to the **Agency's Goal #3: "World population stabilized and human health protected in a sustainable fashion."** In all ENI countries with health programs, efforts concentrate on addressing the second dimension of this goal "human health protected in a sustainable fashion," however, there is a need to address fertility issues in some parts of the region and programs exist to do this as well

Since last year's R4 review, the word "health" has been inserted into the SO This revision is a result of 1) efforts to more clearly demonstrate the connection between ENI health programs and Agency goals and 2) discussions with the Missions and PCS regarding the Congressional earmarks for health programs and the

desire to integrate the earmarked and discretionary activities into one ENI health reform-oriented program. Integration is occurring by adoption of a "results framework" for the ENI health reform program, modifying the structure of cooperative agreements to enable the Mission to have "substantial involvement" in determining the program focus and by requiring contractors and CAs to undertake joint initiatives to achieve Mission objectives. Use of SO 4 1 for health earmarked activities in Mission R4s should become unnecessary by the explicit inclusion of the word "health" in SO 3 2, and by the use of one integrated "results framework "

For purposes of preparing the Regional R4, the POT divided this SO into two parts. The first part, SO 3.2.1, addresses **"sustainability of health benefits and services"** and the second part, SO 3.2.2, addresses **"sustainability of social benefits and services."** The SO 3 2 1 is managed by the Health Reform and Humanitarian Assistance Division and the POT 3 2 in collaboration with the field missions. The SO 3 2 2 is managed by the Human Resources Development and Social Reform Division and the POT 3 2 in collaboration with the field missions.

In evaluating the POT 3 2 existing regional program, ENI/PCS commented that it would be useful to discuss the connection between the various activities. In fact, the regional activities are all vitally important to achieving the SO 3 2 1 "sustainability of health benefits and services," but the POT recognized that an overarching results framework for this SO would make it easier to understand the logic behind the regional program. Thus, a draft "results framework," for SO 3 2 1 "Sustainable health benefits and services" was developed to provide a reference point for discussions about what constitutes sustainable performance of the health sector. It lists the component parts of the health sector and indicators which can be used to determine whether performance within that component is contributing to or impeding achievement of a sustainable health sector that will protect human health in the country. The component parts are equivalent to the intermediate results (IRs) of the ENI health reform activities because in the aggregate they must be present to achieve sustainability. Included in the framework are indicators which cross-cut to SO 1 and SO 2 because success in achieving SO 3 2 1 is correlated with progress in both economic restructuring and democratic reform.

A helpful analogy for the results framework would be to think of a car and the many component parts which make it function usefully. The results framework for "sustainable health benefits and services" essentially describes the "car" (or a sustainable health sector) as a finished product and shows that a motor, wheels, windshield, steering mechanism and so forth (or financing, management, clinical care, etc.) are needed to create the finished product. Within the framework, therefore, one finds all

bilateral and regional health programs (and all funded mechanisms) in the ENI portfolio. Some components are not now covered by ENI programs and these must be addressed by other donors or by the countries themselves. The results framework is included as Attachment 1.

STRATEGIC SUPPORT OBJECTIVE

Regional funding is requested to support, enhance and accelerate the achievement of the results framework for the health sector. Through the proposed regional activities, bilateral programs will be better informed about what strategies and technologies are most effective, and ENI will be better able to measure its progress toward achievement of this SO across the region.

SSO 3.2 1 1, Adoption of Policies and Strategies for Increased Sustainability across the ENI Region There is one Strategic Support Objective with three IRs. The SSO will advance the Bureau's efforts to implement the "Lessons in Transition" initiative and to achieve sustainable health benefits and services across the region. It will facilitate, complement, and enhance the region's bilateral programs, strengthen the technical capacity of host country nationals and USAID staff, improve the policy environment for health reform in ENI countries and strengthen information networks across the region, assuring that CEE and NIS can benefit from each other's reform experiences.

The first IR for SSO 3.2 1 1 is cross-border information sharing and linkages. This IR reflects the importance of continuing to develop and promote cross-border exchanges of information related to components of the results framework for SO 3 2 1. These exchanges will increase knowledge and understanding of key aspects of health reform and health sector sustainability. Under this IR, regional activities will focus on national policy change, increased donor commitment to health reform, counterpart network development, increased ability to meet international standards and increased access of local citizens to the benefits of health reform. This will be accomplished through cross-border exchanges of information, development of manuals and CD-ROMs to disseminate the "body of knowledge" that has emerged from 7 years of health reform programs in ENI and educational conferences on lessons learned regarding health sector transformation issues.

Most ENI health sector mechanisms have regional components because all projects support cross-border information sharing. Thus, all projects shown on the budget justification have been and will be utilized to provide cross-cutting regional programs in the technical areas targeted by the project. In the regional R4 request, there is only one NIS project so the program emphasis areas for shown to clarify the budget request. In the request related to CEE, each project is shown separately.

The second IR for SSO 3.2.1.1 is new, beginning 98-99. The POT team 3 2 proposes the creation of a Center for Health Sector Performance Improvement which will 1) work with ENI to establish an index of health reform, building on the IRs included in the SO 3 2 1 results framework, 2) develop a data base and collection function to measure progress in health reform across the region in relation to the indices, 3) conduct or jointly sponsor educational programs about lessons learned from health reform in the ENI region, comparing and contrasting the impact of reform measures, and 4) widely disseminate information about health reform using state-of-the-art technology. The clearinghouse function, which will be undertaken by the Center to consolidate the regional experience in sectoral transition, will be known as **Health Net**. This IR is a derivative of the R4 exercise in ENI because it became clear that measures of progress in the health sector assistance programs had not been identified and would be useful in the development of results assessments for USAID program and more generally for monitoring of health sector transformation across the region.

ENI has achieved remarkable successes with its innovative programming of health sector activities, and significant reforms have been undertaken at the country level as a result of USAID's assistance. Many of the programs have been replicated within the region and have become international models which are now supported by other donors, in particular the World Bank and the Soros Foundation. Yet, because ENI has lacked a USAID measurement tool, these successes have gone largely unrecognized by the Congress and within the Agency.

The Center will support the ENI health sector sustainability objective by not only tracking the region's progress and the success of USAID programs, but also will be able to assess trends that reveal shifting priorities and serious reemerging problems in the large agenda that still remain to be accomplished.

The third IR of SSO 3.2.1.1 is new in 98-99. Under this IR the POT proposes to develop a cross-SO index which connects the IRs under SOs 1 and 2 with the IRs in SO 3. ENI has long asserted that social sector transformation is an integral part of the economic growth and political stabilization process in the ENI countries. This IR will enable ENI to track the changes in the health sector which impact economic restructuring and democratic reform and advance progress in the related ENI SOs and vice versa.

RESULTS FRAMEWORK

STRATEGIC OBJECTIVE 3.2: IMPROVED SUSTAINABILITY OF HEALTH AND SOCIAL BENEFITS AND SERVICES

SO 3.2.1 Improved sustainability of health care benefits and services

IR 3.2.1 1 Redefined Public Sector Role in Health Care

Indicators

- 1 Transparent process for making regulations is adopted
 - o Establishment of consultative process with all levels of governments and private sector in development of national policy
- 2 Government as purchaser of health care services for defined population
 - o Percentage of government payments based on outputs increased
 - o Public and private services are reimbursable by health care financing agents
- 3 Government as policy maker and regulator of health service financing and provision
 - o Percentage of health care assets divested by national government (by category)
 - o Roles of relevant national and local ministries of health, welfare, and finance impacting health sector performance are realigned for maximum efficiency and coordination
- 4 Private ownership of health care practices, facilities and ancillary services
 - o Community participation in governance of health care institutions
 - o Passage of laws legalizing private ownership of

health care practices, facilities and ancillary services

- o Health care institutions have access to capital
- o Number of private enterprises in the health sector (by category)

5 Provider competition based on cost and quality (market-like incentives for performance)

6 Local government budgets/plans for health care services adjusted to increase efficiency and appropriate utilization of services

- o Health care budgets based on per capita cost estimated on the basis of international norms of health care consumption

7 Local health care professionals with modern management skills are in place to carry out reform Professionals are trained in such areas as information-based decision-making, team management, strategic planning, business planning, effective communications, fundraising/development

IR 3 2 1 2 Health financing system which supports universal entitlement to a minimum benefit package is fiscally sound

Indicators

1 Wage tax rates and co-insurance/co-payments are calibrated to reduce the size of the informal sector

- o Increase in private health expenditures subject to taxation

2 Tax collection mechanisms established with adequate compliance monitoring provisions

- o Percentage of working-age beneficiaries included in the tax base

3 Government contributions for covered population determined through a transparent process and reported annually

4 Explicit definition of health care benefits

5 Costing of health benefits based on actuarially sound methods and in correspondence with burden of

disease

IR 3.2.1.3 Utilization of management systems in health care financing and delivery institutions to promote increased efficiency and effectiveness of resource use

Indicators

- 1 Adoption of budgeting, cost accounting and management accounting in health care facilities
- 2 Performance-based payment systems for health care services
- 3 Development of nationally-mandated uniform financial, clinical and administrative data sets
- 4 Conversion of all health care facilities to independent business units
 - o Health care facilities maintain records of income and expenses
- 5 Use of contracts to establish performance requirements between payor and provider
- 6 Financing, procurement, inventory and distribution procedures for vaccines, commodities and pharmaceuticals are transparent, competitive and cost effective

IR 3.2 1 4 Introduction of Western clinical practices in the management of conditions related to highest levels of mortality and morbidity and reflecting health promotion and prevention needs

Indicators

- 1 Redefinition of roles and responsibilities of health care professionals
 - o Curricula for education of primary care physicians, nurses and other ancillary personnel introduced to offer expanded options for clinical training
 - o Current providers are reoriented towards primary care teams in model sites
 - o Physicians and other providers incorporate health promotion and prevention as well as family

planning counselling and provision of services into clinical visits

- o Ratios of physicians and other health professionals meet West European norms

2 National government implements modern methods of surveillance, prevention and control of infectious diseases

3 Modern methods to improve women's reproductive health available and accessible to all women of reproductive age

4 Improved pre-hospital emergency medical services skills in partner areas lead to improved survival rates

5 Introduction of continuous quality improvement techniques in all health facilities

- Health facilities adopt modern infection control policies and procedures

6 Adoption of evidence-based protocols at facility level and in national clinical guidelines

7 Restructured organization of health care services to provide capability (facilities and personnel) to treat conditions at the lowest level of care, emphasizing less expensive outpatient/ambulatory services over in-patient services

8 Introduction of drug utilization, management and information systems to promote cost effective use of pharmaceuticals

- Improved skills and capacity in facility laboratories lead to more rational use of antibiotics and other pharmaceuticals

IR 3 2.1.5 Increase citizen awareness of good health practices and advocacy for increasing the responsiveness of the health care system to the needs of the population

1 Primary care strengthened to increase access to disease prevention and early diagnosis and treatment of disease

- Percent of individuals with access to and choice of primary care provider

- 2 Lower absenteeism/sick pay expenditures and disability of workers
- 3 Reported utilization of self-care manuals in pilot sites
- 4 Number of health-related NGO/PVO organizations
- 5 Local governments use participatory process to address local health problems in collaboration with citizens, private sector and community groups
- 5 Preventive services/health education are included in mandated benefits
- 6 Citizens offered informed choice of health care provider
- 7 Patient satisfaction increased
- 8- Mass media coverage of issues related to health sector and personal health improvement

Attachment 2**RESULTS TO DATE****S S O 3.2 1 1 Adoption of Policies and Strategies for Increased Sustainability of Health Sector Across the ENI Region**

Significant cross-fertilization activities have occurred across the region through regional funding of specific programs

1. AIHA Health Partnerships Program: Regional Initiatives**(1) NIS and CEE Task Forces**

NIS and CEE Task Forces enable partnerships to work jointly in such clinical areas as nursing reform, infection control, women's health, emergency medical services, and neonatal resuscitation. Task forces have developed uniform training courses, basic manuals and curricula and have disseminated knowledge across the region. In Russia, Ukraine and Kazakstan, these initiatives have been supported by the Ministries of Health as "models" for national policy. Under the diabetes initiative, a patient education program leading to decreased emergency hospitalizations, improved patient outcomes, and increased cost-effectiveness, has been replicated to five additional sites.

(2) Conferences

Conferences for NIS and CEE partnerships and smaller technically-focussed meetings and training are held throughout the year. The purpose is to disseminate partnership results, discuss lessons learned and sustainability plans, and develop professional relationships and networks among partners throughout the region. Partners are consulting with each other outside of formal meetings and discussing the possibility of joint or regional standards and objectives.

The program is beginning to "cross-fertilize" successes from the CEE program to the NIS program and vice versa. For example, a group of Romanian partners visited the Moldovan women's wellness center prior to creating a center of their own. CEE partners have shared their infection control and MCH activities at NIS conferences.

(3) Information Technology Initiative

The partnerships program improves NIS and CEE access to and use of modern clinical and management information. All partners have access to email, Internet and modern medical literature. Partnerships have created the new position of "Information

Coordinator," who is responsible for performing medical lit searches and disseminating information throughout the hospital Coordinators throughout the NIS region are routinely consulting with each other via email. Medical providers are using email and the Internet for clinical consultations and telemedicine. The IT initiative is creating a growing awareness of the need for evidence-based medical practice, among formerly resistant NIS physicians and academics.

The partnerships program has also created a number of specialty training and learning centers for nurses, for emergency "first responders" personnel and for neonatal resuscitation. Training centers and "trained NIS trainers" are rolling out clinical skills improvement to additional hospitals, cities, and regions.

Through the information technology initiative, Health Management Education partners in CEE are establishing a health reform network via internet to collect and disseminate data on the impact of CEE financing and delivery reforms.

(4) **Videoconferencing**

In CEE, a mobile videoconferencing van shuttles between partnerships in Slovakia, Czech Republic and Hungary. Graduated partners in the Czech republic have used the videoconferencing to (1) maintain relations with U S partners beyond USAID funding and (2) add new Czech partner institutions to on-going health management education activities, effectively establishing a "network" of management education partners. Since their "graduation" in 1997, over 17 videoconferencing sessions have been held.

2 **Health Sector Restructuring in the NIS**

Regional conferences and Study Tours. Attendance of NIS health reformers at CEE conferences and study tours with cross national participation concentrated on special areas of health sector transformation.

Cross Regional Studies. Publication of comparative case studies on new models of primary care and provider payment systems.

Publication of cost accounting manual in Russian and Ukrainian for use in health care facilities across the NIS, to promote adoption of international standards of accounting.

Compilation, translation and production of Russian language CD-ROM of 1500 manuals, analytical papers, reports on various aspects of health sector transformation in the NIS.

Coordination with Soros Foundation on publication and dissemination of a Russian language self-care manual to promote more personal responsibility for one's health and the health of the family

3. DHHS Inter-Agency Agreement for CEE Health Reform

Accomplishments

During the past year the CEE Regional Health Program through the U S Department of Health and Human Services promoted the development of networks, exchange of lessons learned, and cross-country technical assistance and information sharing in the following ways

- Convened a 10 nation international conference on health reform focussing on accountable payments systems, primary care development, and accreditation. In the following year, a primary care improvement project has been started in four districts in Romania, Ukraine has adopted a complete accreditation program for its hospitals, the Czech Republic has decreed a new method for paying its hospitals, and several NIS countries have requested study tours to CEE so that they can see models for health reform that provide an alternative to the Russian example
- Sponsored ten participants from four CEE countries to participate in an International HMO Summit where they met with U S executives interested in investing in the development of HMOs in CEE. Managed care pilots are underway in Poland, Czech Republic, and Hungary
- Sponsored participants from five CEE countries to attend the International Society for Quality Assurance in Chicago. This year's meeting will be held in Budapest and presenters from Hungary and Poland will be featured on the program
- Convened a meeting of representative from five CEE countries to present and discuss the status of their development of case-based (output related) payments for hospitals. All five countries are now implementing or refining new payment systems to motivate and document more cost effective use of expensive inpatient services
- Through both DHHS-sponsored conferences and AIHA partnership exchanges, there is a continuing demand for ongoing communications. To be more effective and to save resources as SEED funding diminishes, there is a clear need for a regional clearinghouse to compile, monitor, and disseminate information throughout ENI
- Production of a Manual on "Concepts and Tools for Managing

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the Cost of Health Insurance," and region-wide dissemination. Based on training conducted in the Czech Republic, this manual provides actuarial tools and techniques used in the U S for management of health insurance systems. (The countries in the CEE and NIS have almost uniformly decided to adopt national health insurance systems, but this manual will be useful for managing the cost of any health care financing system.)

NEW REGIONAL ACTIVITIES GOING FORWARD

1 Reproductive Health

COMPARATIVE REPORT

The Centers for Disease Control and Prevention (CDC), MACRO International and PRB (Population Reference Bureau) will work together to develop a comparative report for seven countries (Czech Republic, Kazakstan, Uzbekistan, Romania, Russia, Moldova and Kyrgystan) in Eastern Europe and the New Independent States (NIS) for which individual data are currently available. This comparative report, covering all of the countries of Eastern Europe and the NIS that have carried out reproductive health surveys or demographic and health surveys in recent years, will provide a considerable amount of valuable information not available in the individual reports for those countries.

MATERIALS DISTRIBUTION

Throughout the ENI Region, there is a great need for high quality, language-appropriate reproductive health materials to be translated and/or disseminated. Although the USAID reproductive health program has already produced and disseminated many excellent materials worldwide, health care professionals in many countries of the ENI are still in need of them. Although in some countries medical professionals working within certain project areas have received the materials, there still remains a great need for producing, translating and distributing them more widely.

A regional effort to provide technical assistance in designing and carrying out surveys tailored to each setting, in collaboration with local organizations will be mounted. Surveys can address a variety of audiences (reproductive age women and men, young adult males and females) and can evaluate the effects of programs in addition to collecting health and fertility data. CDC places a high priority on training local counterparts in survey skills.

2 Vaccine Procurement Manual Letter Grant to UNICEF

At the present time NIS countries do not use good business practices in the purchase of vaccines, resulting in overpayments and poor quality control as well as continued dependence on donations from UNICEF. A vaccine procurement manual that can be used in training programs across the region is an important component of a strategy to build capacity for rational vaccine procurement and ensuring sustainable vaccine supplies.

3. Task Force on Sexually Transmitted Diseases (STD)

The overall goal of the STD Task Force (STDTF) is to reduce the burden of sexually transmitted diseases and contribute to slowing the spread of HIV in Eastern Europe and Central Asia. Its mission is threefold: to ensure that external support to the region is both timely and well-coordinated, that international and national resources are mobilized, and that the local capacity to respond to the STD epidemics is enhanced.

The STDTF will provide urgent reinforcement to efforts of UNAIDS in the region. Thus, the task force will try to integrate STD care and prevention into existing services and programs and interface with other components of the UNAIDS strategy.

4 Health Sector Restructuring in NIS

Self-Care Handbook - A Russian language version of a U.S. self-care/self-help manual to promote citizen responsibility for personal health care and promote timely and appropriate self-referral for professional care. Co-funding from Soros Foundation for dissemination to ENI primary care pilot sites, libraries across the NIS and commercial bookstores.

Regional Conferences - A series of conferences on seminal issues related to health reform which will demonstrate the lessons learned from the different strategies (i.e., variations on a theme) tested in pilot sites across the NIS.

CD-ROM on Health Reform - Dissemination of CD-ROM on Health Reform which is described above.

5 Partnerships

Future regional activities for partnerships will deepen reforms to date, broaden exposure of successes to new sites and to the national level and will expand inter- and intra-regional collaboration.

Specific activities may include

- (1) region-wide management information system to track partnership progress and programs
- (2) cross-cutting inter-partnership and intra-partnership activities in specific clinical and management areas
- (3) collecting and disseminating technical information throughout the partnerships
- (4) developing pilot programs which do not fit within country-specific priorities but which will have an important and broad regional applicability
- (5) support for replication and policy reform, in correspondence with the Lessons In Transition initiative, partnership experience will be "rolled-out" to additional institutions, regions, and nationally
- (6) information/technology USAID may support videoconferencing, telemedicine initiatives to promote partnership relationships post-graduation
- (7) conferences to share partnership experiences and information

6 DHHS Inter-Agency Agreement for CEE Health Reform

Under this IAA, the regional program will continue the types of activities that are described above. Cross-regional exchanges and study tours will build on the substantive areas of technical assistance and training which are provided through the DHHS IAA to the governments of the countries of the region. DHHS is a vehicle for linking the partners and the Center (described below) with the policy makers in the Ministries of countries with active programs as well as those that have graduated. These regional programs will focus on policies and practices which have been developed in the West and have proven validity as tools for increasing the efficient and effective performance of the health sectors. Manuals and reports from individual countries programs and from regional workgroups will be selected for region-wide dissemination.

7 Center for Health Sector Performance Improvement

The Center will create an index by which progress in health reform can be tracked across the region. This will entail conceptualizing the index (using the results framework shown in Attachment 1 as a guide), identifying stable and reliable sources of data to underpin the maintenance of the index, and collecting and reporting the data widely to governments within the region and other donors. In addition, the Center will prepare

descriptive and analytical information about the lessons in transition which will provide more depth of understanding of the performance issues reflected in the index. Conferences and educational programs will be organized by the Center to generate dialogue about the findings and to identify tools and technologies that could advance health reform throughout the region.

The Center will be able to broaden the audience for lessons learned from USAID programs and other reform initiatives because currently there are not programs which cross-fertilize the rich experience of several implementers working in different parts of the sector. Regional workgroups and other opportunities for networking will be formed to encourage development of durable regional associations. The clearinghouse function of the Center will be known as **HealthNet**.

PART II: PROGRESS TOWARD OBJECTIVES

Objective Name	Rating	Evaluation Findings
SO 3 2 1 Improved Sustainability of Health Benefits and Services		
SO 3 2 1 1 Adoption of Policies and Strategies for Increased Sustainability* across the ENI Region	Exceeded Expected Results	AIHA EVALUATION
IR "Lessons in Transition" Cross-border information and linkages strengthen capacity of countries to implement policies and strategies to increase sustainability of health sector		
NEW IR Operationalize Health Net, a system for tracking regional progress in health sector sustainability across the region		
NEW IR Cross-programming of country and regional funds to enhance ENI performance in all three SOs		

IR 1 (A)

Strategic Support Objective 3 2 1 1 Adoption of Policies and Strategies for Increased Sustainability of Health Benefits and Services across the ENI Region			
APPROVED		COUNTRY/ORGANIZATION POT 3 2 Regional	
RESULT NAME IR 1 Cross Border Information and Linkages			
INDICATOR - Public support and financial commitments from other donors and Ministries of Health on topics introduced at regional programs resulting in national level policy and program changes			
UNIT OF MEASURE National policy and program changes	YEAR	PLANNED	ACTUAL
SOURCE Center for Health Sector Performance Improvement DHHS/IAA for CEE other implementers in region	1995(B)		
	1996		
INDICATOR DESCRIPTION Using the results framework for SO 3 2 or other index developed by the Center, on-going monitoring through country-based organizations will be reported to the Center	1997	5	10
	1998	10	
	1999	20	
COMMENTS The Center will develop a network of cooperating institutions which will report important developments related to new national policies and programs	2000(T)	30	

IR 1 (B)

Strategic Support Objective 3 2 1 1 Adoption of Policies and Strategies for Increased Sustainability of Health Benefits and Services across the ENI Region			
APPROVED		COUNTRY/ORGANIZATION POT 3 2 Regional	
RESULT NAME IR 1 Cross Border Information and Linkages			
INDICATOR Number of new pilot sites for innovative programs which were originated in other countries of the region			
UNIT OF MEASURE New pilot sites SOURCE Center for Health Sector Performance Improvement, survey (conducted by implementers) of participants in regional programs INDICATOR DESCRIPTION The implementers of USAID programs as well as the World Bank and other donors will be surveyed each year by the Center to determine what new pilots have been undertaken and the elements that are being tested from other country programs The programs for regional conferences sponsored by different implementers will be catalogued to facilitate tracking of idea dissemination COMMENTS	YEAR	PLANNED	ACTUAL
	1995(B)		
	1996		
	1997	10	15
	1998	15	
	1999	25	
	2000(T)	40	

IR 1 (C)

Strategic Support Objective 3 2 1 1 Adoption of Policies and Strategies for Increased Sustainability of Health Benefits and Services across the ENI Region			
APPROVED		COUNTRY/ORGANIZATION POT 3 2 Regional	
RESULT NAME IR 1 Cross Border Information and Linkages			
INDICATOR Programs to raise the international standard of performance in critical areas of health sector operators			
UNIT OF MEASURE Initiatives targeting attainment of international standard	YEAR	PLANNED	ACTUAL
SOURCE Implementers and Ministries	1995(B)		
INDICATOR DESCRIPTION International standards have been accepted in special areas of operations, such as quality improvement, financial accounting, and in clinical medicine, such as immunization policy, treatment of certain infectious and chronic diseases The countries of the former Soviet Bloc cannot build sustainable health sectors until these standards have been implemented in a representative number of oblasts/ local units, which could serve as the references for other parts of the country	1996		
	1997	4	8
	1998	10	
	1999	20	
	2000(T)	40	
COMMENTS The Center will work with the countries and implementers to determine the definition of a "representative number" for each of the types of reforms that are related to 'international standards "			

IR 1 (D)

Strategic Support Objective 3 2 1 1 Adoption of Policies and Strategies for Increased Sustainability of Health Benefits and Services across the ENI Region			
APPROVED		COUNTRY/ORGANIZATION POT 3 2 Regional	
RESULT NAME IR 1 Cross Border Information and Linkages			
INDICATOR Independent networking among counterparts across the region on matters of mutual interest			
UNIT OF MEASURE Number of participants in regional programs that report post-event contact with counterparts from other CEE and NIS countries SOURCE Survey of participants in regional programs conducted by implementer INDICATOR DESCRIPTION Independent networking may occur through e-mail connections, personal conversations, exchanges of materials and referrals of contacts to others who have a special interest in a topic COMMENTS	YEAR	PLANNED	ACTUAL
	1995(B)		
	1996		
	1997	20	30
	1998	40	
	1999	100	
	2000(T)	200	

IR 2

Strategic Support Objective 3 2 1 1 Adoption of Policies and Strategies for Increased Sustainability of Health Benefits and Services across the ENI Region			
APPROVED		COUNTRY/ORGANIZATION POT 3 2 Regional	
RESULT NAME IR 2 Operationalize HealthNet, a system for tracking regional progress in health sector sustainability across the region			
INDICATOR Creation of a fully operational Center for Health Sector Performance Improvement			
<p>UNIT OF MEASURE Formation of the Center and design and implementation of an action plan for operationalizing HealthNet The number of functions performed by the Center should be equal to or greater than 4</p> <p>SOURCE Project Officer monitoring of Center workplan</p> <hr/> <p>INDICATOR DESCRIPTION The indicator will be modified after the first year to track actual results of the Center's operations</p> <hr/> <p>COMMENTS By creating an objective scale of measures this Center will provide much needed information to governments and donors that will advance the efforts to create sustainable health sectors across the region</p>	YEAR	PLANNED	ACTUAL
	1995(B)		
	1996		
	1997		
	1998	N/A	
	1999	3	
	2000(T)	6	

IR 3

Strategic Support Objective 3 2 1 1 Adoption of Policies and Strategies for Increased Sustainability of Health Benefits and Services across the ENI Region			
APPROVED Regional		COUNTRY/ORGANIZATION POT 3 2	
RESULT NAME IR 3 Cross-programming of country and regional funds to enhance ENI performance in all SOs			
INDICATOR Content of the R4s			
UNIT OF MEASURE Number of IRs and indicators that can cross-walk between the SOs SOURCE. Independent study INDICATOR DESCRIPTION. Study to be conducted by independent organization which will look at all ENIs and identify the actual and potential linkages that exist between program areas COMMENTS This study will enhance the work of all POTs	YEAR	PLANNED	ACTUAL
	1995(B)		
	1996		
	1997		
	1998	6	
	1999	9	
	2000(T)	12	

RESOURCE REQUEST FISCAL YEAR 1999 AND 2000							budwp1 wk3			
SOCIAL SECTOR SUSTAINABILITY										
							POT 3 2			
							PROGRAM COSTS			
							Initial			
							FY 1998			
NEWLY INDE	PENDENT STATES	FY of	Cumulative	Pipeline	FY 95	FY 97	FY 98 NOA	FY 1999	FY 2000	
110-0004	HEALTH CARE IMPROVEMENT	Funding	Obligations	Sep 97	CO	CO		Est	Request	
	MEDICAL PARTNERSHIPS					507	1700	2500	2500	
	INFECTIOUS DISEASE					36	215	250	250	
	SOCIAL SECTOR REFORM					45	375	400	400	
	WOMEN'S REPRODUCTIVE HEALTH					515	320	550	550	
	HEALTH CARE FINANCING					0	200	200	200	
	SOCIAL SECTOR RESTRUCTURING					0	250	300	350	
	CENTER FOR HEALTH SECTOR PERF IMPROVEMENT EVALUATION					0	500	750	750	
	PSCs/Fellows including travel					332	315	525	525	
	NIS Totals					1,435	4,175	5,775	5,825	
CENTRAL AND EASTERN EUROPE	SOCIAL SECTOR RESTRUCTURING	FY of	Cumulative	Pipeline	FY 95	FY 97	FY 98 NOA	FY 1999	FY 2000	
180-0002	SOCIAL SECTOR RESTRUCT	Funding <td>Obligations <td>Sep 97 <td>CO <td>CO <td></td> <td>Est</td> <td>Request</td> </td></td></td></td>	Obligations <td>Sep 97 <td>CO <td>CO <td></td> <td>Est</td> <td>Request</td> </td></td></td>	Sep 97 <td>CO <td>CO <td></td> <td>Est</td> <td>Request</td> </td></td>	CO <td>CO <td></td> <td>Est</td> <td>Request</td> </td>	CO <td></td> <td>Est</td> <td>Request</td>		Est	Request	
						200	250	300	350	
	Sub Totals					200	250	300	350	
180-0033	LABOR MARKET TRANSITION									
	LABOR MARKET TRANSITION					800	800	600	500	
	Sub Totals					800	800	600	500	
180-0037	HEALTH PARTNERSHIPS					59	100	150	150	
	PSC, CEE part					25	97	125	150	
	Sub Totals					84	197	275	300	
180-0038	HEALTH MARKETS/HEALTH REFORM						140	40	250	
	CENTER FOR HEALTH SECTOR PERF IMPROVEMENT							500	500	
	PSC, CEE part					16	110	125	150	
	Sub-Totals					156	650	725	900	
180-0249	WOMEN'S REPRODUCTIVE HEALTH						85	100	150	
	PSC, CEE part					10	47	60	75	
	Sub Totals					10	132	160	225	
180-0249	PROGRAM SUPPORT									
	PSCs including travel						80	100	125	
	Sub Totals					0	80	100	125	
	CEE TOTALS					1 250	2 109	2 160	2 400	
	TOTAL PROGRAM (NIS AND CEE) for POT 3 2					2 685	6 284	7 935	8 225	

ENI ASSISTANCE AREA 4.2:

Cross-Cutting Strategic Programs

ASSISTANCE AREA 4 2 Cross-cutting Programs

A TRAINING (Office: DGSR)

The ENI Bureau contracts with Aguirre International for Monitoring and Evaluation services based on established incremental funding amounts. Aguirre International provides full time in-house staff to manage the Global Training for Development contracts on both the CEE side with World Learning (WL), and the NIS side with the Academy for Educational Development (AED). Management of these contracts includes daily monitoring of training issues as well as site visits to training programs, regular evaluations of the implementing contractors, and field support to the Missions. Aguirre also provides intermittent US-based and field-based consultants to assist with country training plans (including the design and development of Web-based software for the sharing of training plans throughout the region), and to develop (in conjunction with AED and WL) and implement a long term evaluation plan for returned participant trainees.

The Aguirre contract is considered cross-cutting and regional because its activities involve all Missions in the region (with the exception of Russia) and support all Strategic Objectives targeted by those Missions.

Participant training in the ENI seeks to develop the human resource capacities identified by Missions as critical to the achievement of strategic objective targets. The implementing contractors for CEE (World Learning) and the NIS (the Academy for Educational Development) work with their Missions to design and implement training programs in support of those objectives. The training takes place either in the US, in-country or in a third country. There has been a recent emphasis on third country training as a hands-on, practical way to show lessons learned. It can also be a cost-efficient way to effectively train larger numbers of participants. Requests for training programs are written in the field and forwarded to the prime contractor in Washington for implementation.

The ENI Participant Training Project is considered cross-cutting because the programs can often support more than one strategic objective. It is regional in that the prime contractors together work with the region as a whole. Often in the case of third country training and US based training, countries work together to administer an effective program -- more than one country will send participants on a particular program or the host country and the sending country will work together to plan and implement a program.

DATEX is budgeted based on established incremental funding amounts in accordance with their contract.

IMPACT EVALUATIONS budgeted on estimated need.

B TECHNICAL SERVICES (Office OIM)

SETA and Technical Service Contract these two contracts provide additional staff support for both managing computer services for the ENI Bureau (SETA) and provide additional PDO support to missions when our regular ENI/OIM staff are not available to serve the OAR/Mission needs.

C PDS REQUIREMENTS

The PSCs are under cross-cutting because the services provided under each of these activities covers all sectors, democracy, governance, privatization, environment, energy, etc
 Budget figures are based on anticipated needs for new PSCs and incremental funding for existing PSCs. Estimated budgets were prepared for all PSCs.
 DGSR

As with current practice, cost of PSCs is split funded (50/50) between NIS and CEE. Amounts requested in FY 99 and FY 00 are based on staffing of two PSCs in DGSR being funded under SO 4.2 (the second PSC, a WID specialist, is due to come on board beginning in FY 98). The levels are based on current salary costs and assume annual increases consistent with increases for direct hire staff. Travel costs assume two trips per year per region for each PSC at an average cost of \$6,000/trip

	FY98	FY99	FY00
ENI Legacy Website	0	500,000	500,000

Free and full access to information is still a relatively recently-won right in most of Eastern Europe and the former Soviet Union. In recent years, there has been a virtual explosion of information from all sources in this region, including resources which document the dramatic reforms which have taken place. This region is characterized by a relatively sophisticated information technology infrastructure and a strong interest in capitalizing on web-based information technology. USAID should take advantage of these conditions to create a more permanent legacy of its programs.

POT 4 2 proposes to develop a sustainable "legacy" internet website in partnership with a private or public organization to promote a deepening of the economic and democratic transition in the ENI region. The result of this activity will be the improved accessibility and availability to a broader audience of critical information resources consistent with USAID-sponsored reforms. Likely indicators include improved information technologies, improved quality of information, and expanded access to information. The type of information which will be available through the website will depend upon the partner, but will include research, reports, evaluations, etc generated through USAID programs in commercial, legal, health/education, and environmental sectors thus helping to sustain the lessons-learned through USAID programs and ensuring their accessibility throughout the region. This "Legacy" website is expected to benefit current as well as graduated USAID recipient countries, and should be sustained beyond USAID assistance through either commercial or nongovernment support.

Funds requested under this activity will be used to identify a partner organization with mutual interests for implementation and long-term sustainability. This is anticipated to be a two-year activity with USAID funding at an estimated level of \$1,000,000. USAID will select a partner through that has a financial or in-kind interest as a means of increasing the cost-effectiveness and sustainability of the activity. In the absence of USAID funding, it is unlikely that the wealth of experience obtained through our programs would be captured and marketed in a deliberate manner. POT 4 2 will be responsible for development and monitoring of this activity. Lead design and management will be through the Information Division within OIM.

ENI/OIM is developing a more detailed concept paper which describes the expected users, how this legacy will support USAID objectives in current and

closeout countries, the linkage between commercial and public interests, etc

Y2K/World Bank	0	1,000,000	1,000,000
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Y2K is an issue of global proportions and extends beyond the immediate USAID programs POT 4 2, through the Information Division of OIM, is spearheading the Bureau effort to address Y2K problems for program-funded activities. As part of the Agency contribution to address Y2K problems in the ENI region, POT 4 2 requests a level of \$1,000,000 for FYs 99 and 00 to cooperate with a multilateral donor (the World Bank is tentatively accepting this role) working with host governments. It is premature to determine how this assistance will be provided, but it is clear that Y2K problems, left unaddressed, potentially threaten the economic and social gains achieved through SEED and FSA-funded programs.

POT 4 2, led by ENI/OIM/ID, will participate on Agency Y2K Working Groups to ensure that ENI countries are included in USG efforts to identify priority information technology systems for targeted assistance, and to ensure that critical USAID-funded information technology systems are certified Y2K compliant by 6/30/99.

Y2K/ENI	0	200,000	100,000
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The Agency will meet the Y2K requirements in ENI/W for OE-funded employees and OE-funded IT systems. Funds requested under this activity will be used to address Y2K issues in ENI/W program-funded systems, and to address ENI/W Personal Services Contractor requirements (hardware/software). Estimated funding for Y2K is impossible to gauge at this stage. More importantly, it is critical to begin anticipating the need for program funds to address problems which will be identified during the awareness and identification phases of the Agency Y2K process. ENI/OIM/ID will manage this activity in cooperation with IRM.

ENI will rely on IRM for technical assistance in identifying the specific systems to be addressed such that all ENI/W program-funded systems are certified Y2K compliant not later than 6/30/99 and verified after January 1, 2000.

PCS

Best Practices Dissemination: Funds activities designed to foster dissemination and replication of significant achievements towards democratic and economic reform among the countries of the ENI region.

CDIE Technical Assistance: Funds technical assistance to ENI missions and ENI/W offices for strategic and performance planning, and evaluation. Services are provided through a CDIE/PME IQC.

Cross-Cutting Evaluations: Provides funding for an AID/W managed IQC to perform multiple-country impact evaluations of a particular ENI program objective to be initiated and managed by the respective Program Objective Team (POT), and multiple-country evaluations of the combined impacts of two or more program objectives, to be initiated and managed jointly by the respective POTs.

or by PCS

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**4 2 Cross Cutting Programs
CEE**

180-0045 Participant Training
 TA/Training Support Institutional Contractor
 Impact Evaluations Institutional Contractor

180-0029 Management Trng and Econ Educ
 Monitoring and Eval Institutional Contractor

POT-Wide PD&S

Management Fund

Other Support

OIM Y2K World Bank
 Y2K ENI
 ENI Legacy Website

OIM

USDA RSSA
 Equipment
 Cpmputer/PDO Support -SETA
 Technical Svs Contract
 System Analyst (contractor)

PCS-PD&S

CDIE Dev Info Svs
 Cross Cutting Eval
 Admin(Travel Equip etc)
 Best Practices Dissemination
 CDIE Technical Assistance

OTHER PD&S

Personal Services Contracts

DGSR Dem
 DGSR Trng
 DGSR HRHA
 EEUD
 OIM
 PCS
 ECA

Total

Initial FY of Funding	Cumulative Obligations	Pipeline Sept 97	FY 95 CO	FY 1998 FY 97 CO	FY 98 NOA	FY 1999 Est	FY 2000 Request	Remarks
9/29/95	\$797 526	\$245 923		\$540 000	\$550 000	\$577 500	\$606 375	Yr 2000 levels at steady state with
					\$250 000	\$262 500	\$275 625	inflation
					\$300 000	\$100 000		
					\$1 000 000	\$800 000	\$800 000	includes PSCs for DGSR
					\$0	\$500 000	\$500 000	
					\$0	\$100 000	\$50 000	
					\$0	\$250 000	\$250 000	
				\$100 000	\$100 000	\$110 000	\$118 000	
					\$6 000	\$6 000	\$6 000	
					\$125 000	\$0	\$0	
					\$250 000	\$0	\$250 000	
					\$0	\$87 500	\$100 000	
					\$128 000	\$128 000	\$130 000	
				\$900 000	\$1 000 000	\$1 000 000	\$1 100 000	
				\$36 000	\$0	\$40 000	\$45 000	
					\$260 000	\$265 000	\$270 000	
						\$391 250	\$195 625	Y2001 Estimate \$195 625
				\$620 000	\$730 000	\$300 000	\$0	
				\$112 000	\$131 000	\$138 000		
					\$235 000	\$250 000		
				\$50 000				
				\$579 000				
				\$850 000	\$340 000	\$488 000	\$607 500	
				\$381 185	\$69 500	\$247 741	\$364 835	
				\$294 000	\$273 000	\$285 000		
				\$0				
				\$4 462 185	\$5 747 500	\$6 326 491	\$5 668 960	

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2 Cross Cutting Programs
IIS

Initial FY	Cummulative	Pipeline		FY 1998		FY 1999	FY 2000			
of Funding	Obligations	Sept 97	FY 95 CO	FY 97 CO	FY 98 NOA	Est	Request	Remarks		
10-0012 Participant Training										
TA/Training Support	Institutional Contractor	2/13/95	\$2 560 373	\$1 350 659	\$0	\$0	\$550 000	\$577 500	\$606 375	Yr 2000 levels at steady state with inflation
OT-Wide PD&S					\$1 000 000	\$0	\$800 000	\$800 000		
Management Fund			\$707 000	\$5 218 000	\$1 214 000	\$0	\$0			
Other Support										
OIM	Y2K World Bank					\$0	\$500 000	\$500 000		
	Y2K ENI					\$0	\$100 000	\$50 000		
	ENI Legacy Website					\$0	\$250 000	\$250 000		
	USDA RSSA					\$0	\$110 000	\$118 000		
	Computer/PDO Support -SETA					\$125 000	\$0	\$0		
	Technical Svs Contract					\$250 000	\$0	\$250 000		
	System Analyst					\$0	\$87 500	\$100 000		
PCS-PD&S										
	CDIE Dev Info Svs					\$128 000	\$128 000	\$130 000		
	Cross Cutting Eval				\$150 000	\$700 000	\$1 000 000	\$1 100 000		
	Admin (Travel Equip etc)				\$33 000	\$14 000	\$50 000	\$55 000		
	Best Practices Dissemination					\$260 000	\$265 000	\$270 000		
	CDIE Technical Assistance					\$391 250	\$195 625	\$195 625	Y2001 Estimate \$195 625	
Personal Services Contracts										
	DGSR 0001				\$0	\$121 000	\$131 000	\$0		
	DGSR 0007				\$70 000	\$71 000	\$142 000	\$148 000		
	OIM				\$329 000	\$11 000	\$488 000	\$607 500		
	PCS				\$467 408	\$69 500	\$247 741	\$364 835		
	NCA				\$0	\$0	\$150 000	\$0		
	DGSR/HRDSR 0002					\$150 000	\$150 000			
Recoveries			\$88 000							
			\$0							
Total			\$795 000	\$7 267 408	\$3 513 500	\$5 567 991	\$5 695 335			