

USAID ASSISTANCE STRATEGY

FOR

BELARUS

1999-2002

April 1999

USAID Assistance Strategy for Belarus, 1999 – 2002

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USAID ASSISTANCE STRATEGY FOR BELARUS 1999 - 2002

I. EXECUTIVE SUMMARY

Introduction

Located at a crossroads between Russia and Europe, and between the Baltics and the Black Sea, Belarus can have a significant impact on the entire region. The United States has a strong national interest in Belarus's development as an independent, democratic, market-oriented country. A recalcitrant Belarus could re-create dividing lines in Europe and damage European integration by fostering the emergence of hostile coalitions and attempting to re-establish the Soviet Union. The potential impact on its neighbors and the region and potential future relations with rogue states could undermine U.S. security.

Belarus's history of invasion and occupation continues to weigh heavily upon the country today, as it struggles to forge a national identity. This is compounded by political repression and an unreformed state-controlled economy, which prevent the country's re-birth despite its independence. The failure of Belarus to thrive is largely the fault of President Alexander Lukashenko, who is leading the country in the wrong direction, dismantling democratic institutions, resisting political and economic reforms, trying to reintegrate with Russia, cooperating with pariah states, and re-creating the authoritarian style of the former Soviet Union. Under his leadership, independent media, political opposition and NGOs are severely constrained, and human rights are regularly curtailed. The opposition has been fractured, and is plagued by a dearth of leadership. With few indigenous resources, stagnating production, a strong dependence upon Russian markets for its goods and services, significant under- and unemployment and increasing inflation, Belarus' economy is deteriorating and its future looks bleak.

The President's illegal 1996 referendum changed the Constitution and gave him broad powers. He extended his term in office by two years until 2001 and dissolved the elected Parliament. The U.S. responded with a new policy of "Selective Engagement", limiting contact with the Government, curtailing new U.S. investments and credit guarantees, and with a few exceptions, focusing U.S. assistance on non-government organizations.¹ U.S. relations with Belarus worsened in June 1998 when the Government evicted the U.S. and several other ambassadors from their residences in violation of the Vienna Convention. The U.S. withdrew the Ambassador, who will not return until compensation and other issues can be resolved.

In 1999, the people of Belarus are divided into three broad camps as they seek a road to the future: *Conservatives*, constituting roughly 35% of the population, look to Russia, to a return to the past, to a command and control economy, and to an authoritarian political

¹ Under the policy of Selective Engagement, the only exceptions allowing work with the Government are in the areas of health, education and humanitarian needs.

system. *Neutralists*, including nearly half of the population, seek to keep their heads down by avoiding challenges to the Government and active participation in the private sector. *Reformers*, representing about 20% of the population, are seized by the ideas of democracy, free markets, and political pluralism. USAID proposes to work with the reformers in reaching out to neutrals and conservatives to build a constituency for reform by increasing their experience with Western-style participatory democracy, as well as their understanding of the benefits that reform holds for them.

USAID Program

This assistance strategy addresses the following problem: **The citizens of Belarus are not equipped to support reforms needed to establish a democratic society and a free market economy. The legacy of Soviet authoritarian political control and centralized management of the society has removed the will and ability of the citizenry to participate in an open democratic society.**

USAID's hypothesis is that the motivation for democratic participation will first emerge at the community level. Involving people in community-level efforts to solve problems of importance to them and helping them to own and operate small and medium-sized enterprises (SMEs) will give them the experience and impetus to support democratic and economic reforms as they come to understand that it is in their interest.

USAID/Belarus's² proposed strategic objective for the Belarus assistance program is **"Increased, better informed citizen participation in civic and economic activity"**.³ Given the current political, economic and social environment, this is the area where USAID is most likely to have an impact in promoting democratic and economic development. Toward this end, USAID/B will focus on achieving two principal intermediate results (IRs): **"Awareness of and trust in civil society institutions as an alternative to government is increased"** and **"Potential of private enterprise as an alternative to centralized economic authority is demonstrated"**.

Both of these IRs involve **building a constituency for change**, which is the major theme of this strategy. This entails bringing people together to solve problems that are important in their daily lives. This will involve evolutionary changes in the ongoing program, including a pilot effort in one oblast, which will bring together USAID's principal implementing partners in Belarus to formulate, design, and implement well-coordinated, mutually reinforcing community-based programs in conjunction with local organizations. Results from this pilot will be used to improve USAID activities in other regions of the

² In formal USAID terminology, there is no such thing as "USAID/Belarus", but the term has been used in this document to define the management team including USAID/Kiev and the Representative Management staff resident in Minsk who together manage the Belarus program, henceforth shortened to USAID/B.

³ This strategic objective has been narrowed from the USAID/ENI Bureau Strategic Objective 2.1, "Increased, better-informed citizen participation in political and economic decision making" to indicate more modest expectations in the current and projected environment in Belarus.

country and feed into work at the national level, making all the work which USAID and its partners carry out more practical and better grounded in field realities. At the same time, USAID will continue to support ongoing efforts at the national level and in other oblasts with independent media, legal rights, health partnerships and small-scale privatization.

To achieve the first IR, USAID/B intends to improve the effectiveness of civil society organizations and media and expand their reach throughout Belarus. This will entail assisting people to organize themselves to solve local problems of importance to the community. Health and environment will be increasingly emphasized in the program, as they are of overriding concern to the Belarusian people and are areas where USAID has a comparative advantage, particularly working through NGOs.

The second IR will involve increasing the number and sustainability of privatized and new SMEs, thus increasing the number of Belarusians who derive income from private enterprise. The idea is to demonstrate an alternative to state-controlled economic authority and to generate an economic foundation for democracy by allowing individuals to secure ownership over productive assets. Over the life of this strategy, this part of the program will begin extending technical assistance and support to newly privatized SMEs, coupled with a pilot micro-credit program in one oblast, if determined to be feasible.

Finally, USAID/B will have a separate **special initiative in health**.

For this strategy to succeed, USAID/B needs to strengthen its own and its partners capabilities to plan and manage field-oriented programs. This will involve more frequent and structured coordination meetings involving partners, as well as other donors, together with the development of suitable planning and management systems.

Expected Results

At the end of four years, the USAID program is expected to have achieved the following results in Belarus:

- USAID-supported programs will touch people directly, responding to important concerns about the welfare of their families and their communities;
- Programs will have an extended geographic outreach into smaller communities and rural areas;
- A larger number of people will be involved in non-government initiatives throughout the country;
- People will show increased ability to solve their problems themselves within their communities;

- The NGO community in Belarus will become more integrated, with stronger coordination and planning capacities;
- Coordination among donors will be improved, particularly to safeguard the roles of private organizations in Belarusian society;
- A larger number of small businesses and small entrepreneurs will exist, demonstrating the opportunities for private initiative;
- A larger number of diverse independent sources of information throughout the country will exist, with more factual reporting;
- Citizens will show an increased awareness of their rights; and
- Based on all of these actions, people will become better informed and better equipped through practical experience to participate in civic and economic activities affecting their communities and their country.

Forecast

In preparing this four-year assistance strategy for Belarus, USAID/B assumes that the political and economic situation in Belarus will remain essentially the same over that period, perhaps worsening. USAID/B expects to continue to operate under the United States Government's policy of "Selective Engagement," and it expects that the conditions under which it implements its programs will grow worse before they get better.

On the political side, the Mission expects that the Lukashenko regime will continue its efforts to consolidate its control over the political life of the country. The level of harassment, repression, and suppression for the communities and organizations with which USAID works is increasing, including the press, the NGOs, and the political opposition. The Lukashenko Government's decree requiring re-registration of all NGOs by July 1999 is a serious potential threat to the existence of NGOs. Further, there are reasons to expect periods of overt hostility directed at the Western democracies and the groups and organizations that USAID works with in Belarus. The NGO community, political opposition, the press, and to some extent the business community will resist these efforts, provided they receive necessary support from the international donor community to enable them to continue their struggle.

On the economic side, serious storm clouds are looming, caused in part by various macro-economic decisions made by the regime, but closely linked to the long shadow that Russia's economic crisis casts over Belarus. Over the next three to four years, for the life of this strategy, it appears that progress towards significant privatization and structural economic reforms will be seriously limited, and that inflation – currently running about 17% per month – may increase substantially. The regime's monetary policy will remain recklessly expansionist, and the increase in the money supply will virtually eliminate the

pricing mechanism as a tool for rationalizing economic decision-making. Rationing of basic goods is a strong possibility, along with increasing levels of unemployment. Lines are beginning to be seen once again in the streets around Minsk.

These political and economic trends raise both problems and opportunities for USAID/B. According to World Bank studies, the poor will be among the hardest hit from any spillover from the Russian crisis, while the middle class will also be at risk. Business opportunities, such as they are in Belarus, may decline dramatically as economic growth slows. Savings will be eroded as inflation increases. What happens to the regime's standing in the eyes of the people of Belarus is hard to predict. In this situation, the most effective role for USAID/B is to promote the development of democracy by increasing both civil society and economic participation. Taken together, these activities promote a broader awareness that there are viable alternatives to government control and help communities begin to understand their potential role in political and economic decision making.

II. USAID ASSISTANCE STRATEGY FOR BELARUS

A. Background

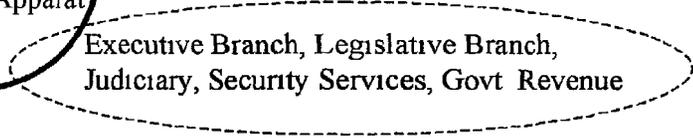
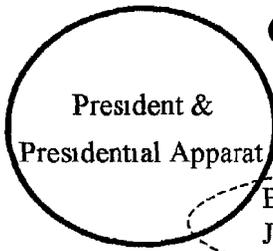
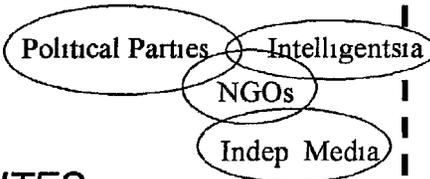
1. History: Belarus has experienced a long and frequently painful history, including colonization at different times by the Poles in the 17th and 18th centuries and subsequently by the Russians initially during the time of the Tsars, and then again during the Soviet era. In addition, the country was invaded and occupied during the 2nd World War by German troops. During this time, the country now known as Belarus periodically gained and lost territory, as borders were drawn and re-drawn, and cities and entire oblasts were added or subtracted from the emerging Belarusian polity. In addition, first Poland and then subsequently Russia periodically changed the dominant language which people were expected to speak from Belarusian to Polish, to Russian, to Belarusan, and finally most recently again back to Russian.⁴ Through a process of Russification, the people of Belarus have largely lost the power to speak their own native language, so now for many Belarusians, their mother tongue is Russian. Finally, the people of Belarus have been subjected to a kaleidoscopic manipulation of their history, typically to serve the political purposes of one or another colonial power. Through this process of manipulation, important facts relating to the history of the people of Belarus have been suppressed, denied, or distorted. Further, the country suffered through a period of Soviet-sponsored genocide just prior to the start of the 2nd World War, which may have resulted in more than two million people being killed, followed by the loss of a further 2.2 million citizens during the War. It is said that one out of every four Belarusians was killed during the War, a higher loss than that sustained by any other country in the world. “*Taught throughout their history by suffering and sacrifice,*” as one Belarusan historian recently expressed it, the people of Belarus today suffer from something resembling a national identity crisis as they try to find their proper place in the world.

2. Current Political Situation: In 1999, the people of Belarus are divided into three broad camps as they seek a road to the future. *Conservatives*, constituting roughly 30% of the population, look to Russia, to a return to the past, to a command and control economy, and to an authoritarian political system. *Neutralists*, including nearly half of the population, seek to keep their heads down by avoiding challenges to the Government and active participation in the private sector. *Reformers*, representing about 20% of the population, are seized by the ideas of democracy, free markets, and political pluralism. Among these various groups, at least two conflicting visions compete to define the future of Belarus. In stark terms, the conservative vision is an authoritarian one; the reformers' vision is a democratic one. The schematic model on the next page shows the balance of forces in the Belarussian body politic in 1999.

⁴ Under Polish occupation during the 17th and 18th centuries, Polish was the dominant language, and at that time the population was often compelled to switch to speaking Polish. Under the Tsars and Soviets, Russian became the dominant language, with intermittent periods when it was permissible to speak and use Belarusan. Following the collapse of the Soviet Union, there was a short window while Belarusan again was used. The use of the Belarusan language has again been limited starting about 1994 or 1995.

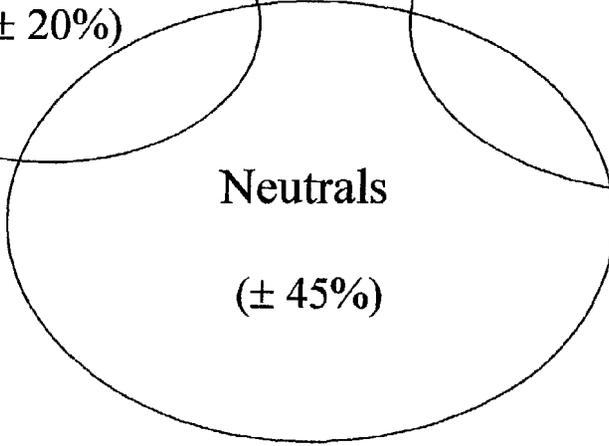
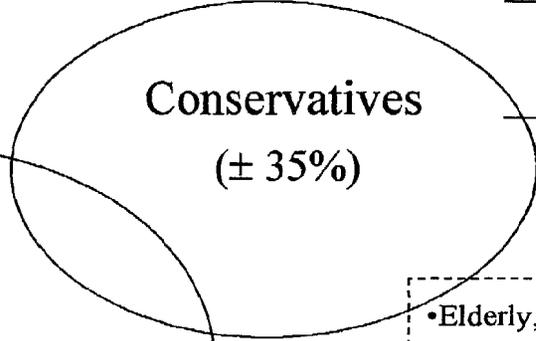
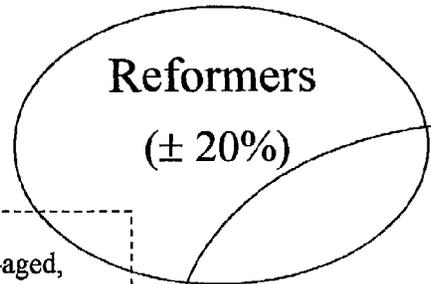
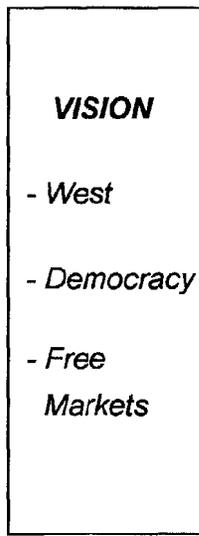
OPPOSITION

GOVERNMENT



ELITES

MASSES



- Young & middle-aged,
- Urban,
- Educated,
- Western regions

- Elderly, pensioners,
- State employees,
- Rank & file security personnel,
- Farmers/peasants,
- Parts of Orthodox community,
- Eastern regions

Demographically, the Reformers consist of the young and the middle-aged urban dwellers, living in the Western oblasts, favoring either a market or mixed economy. The Neutralist half of the population are the “swing votes”, representing the middle of the political continuum. They include a cross-section of the whole society, as well as many trade unionists, who are a potentially powerful constituency. The Conservatives include the nomenklatura, many bureaucrats, employees of the security services, pensioners, those over the age of 60, many farmers on collective or state farms, peasants, about 60% of the women voters, parts of the orthodox religious community, and most rural dwellers living in the Eastern oblasts. In one way or another almost all of the people in the Conservative block currently view the past with some nostalgia, support a return to a planned economy, and favor an “authoritarian” leader.⁵

It is the conservative voters, often clustered in the rural areas and the eastern provinces, who support Aleksandr Lukashenko. It is these voters, along with others, who helped elect him as the first President of Belarus in 1994 with an overwhelming 80% of the vote. This election was generally judged to be free and fair by international monitors.

C. 3. The Lukashenko Years: Since he was first elected in 1994, President Lukashenko

D. has consolidated his rule by dissolving the elected parliament, governing by decree, and undermining opposition parties. Some observers have characterized the political system as a “titular democracy” with near-autocratic powers vested in the Presidency. The organization Freedom House classifies Belarus as “a consolidated autocracy.” Some interlocutors with whom the strategy team worked during the course of preparing this paper characterized the current political system as a “soft dictatorship.” The American Embassy characterizes Belarus as “authoritarian.”

Located at a crossroads between Russia and Europe, and between the Baltics and the Black Sea, Belarus can have a significant impact on the development of the entire region. On a small scale Belarus embodies the broader challenges of solidifying the gains to the world community that followed the collapse of the USSR. Under President Alexander Lukashenko, however, Belarus is moving in the wrong direction. It is dismantling democratic institutions, resisting political and economic reforms, cooperating with pariah

⁵ Some recent survey data showed 20% of the population generally favoring the idea of reform, while approximately 30% indicated they were nostalgic for the past. Nearly 25% of the population (2.6 mil. people) are classified as pensioners, providing a large potential bloc of support for the Conservative perspective. In addition, 1997 polling data suggested that 60% of the women in the electorate supported Lukashenko, as did 60% of those over the age of 50, while 66% of the residents of villages and small towns supported him. Conversely, 66% of the residents of Minsk, regional centers, and big cities supported other candidates, as did nearly half of the voters younger than 30. There seems to be a trend moving in the direction of the Reformers’ end of the political continuum. In part this may come from demographic changes, because the older members of the society are dying. But it also seems to reflect a growing recognition by many people within the culture that they simply have to learn to do things for themselves, and the state won’t or can’t do it for them.

states, and re-creating the authoritarian style of the former Soviet Union. Suppression of dissent and control over information are being preserved and seem to be increasing. The Government exercises state control over the economy. Lukashenko is also playing to nationalists and communists in Russia, Ukraine and Belarus, pointing to the alleged threat of NATO expansion. He is also promoting closer integration with Russia and calling for Slavic unity in the face of Western influence and playing on nostalgia for the Soviet past. This policy could have tragic consequences for Belarus and the region.

The United States has a strong national interest in promoting the development of a democratic, market-oriented, independent Belarus. While Belarus itself does not directly threaten U.S. national security, the potential impact of its behavior on its neighbors and the region, and its potential future relations with rogue states could undermine U.S. security. A recalcitrant Belarus could re-create dividing lines in Europe and damage European integration by fostering the emergence of hostile coalitions and attempting to re-establish the Soviet Union or part thereof.

Since first being elected President, Mr Lukashenko has held two referenda, one in May 1995 and a second in November 1996. These referenda amended or modified the constitution to give the President broad powers, including authority to dissolve the elected Parliament, appoint the judiciary and extend his term of office until 2001. Despite how he may be viewed in the West, however, Mr Lukashenko remains the country's most popular political figure, especially in rural areas, although his popularity is reportedly declining. The President's populist policies, charismatic style, pro-Russian stance, and confrontational stance towards the West, plus his control over most of the media and the personality cult that it promotes have earned him substantial popular support, particularly from his natural conservative constituency.⁶ He communicates well to the masses, particularly outside of the larger cities. Opinion polls in 1998 showed his approval rating standing at 45% across the country, although he seems to be significantly less popular in Minsk. The President's original term expires on July 20th, 1999, but although the opposition plans to hold an election on May 16th, there is little reason to believe that it will make a difference.

In addition to Mr Lukashenko's own role, there are several additional important variables which define the current political scene in Belarus. Some of these include:

- **A Parliament**, which functions as little more than a rubber stamp and is appointed by the President;
- **The judiciary**, which is essentially under the thumb of the Lukashenko administration, where judges often are not able to rule fairly or impartially;

⁶ For many years there has been a tradition of people being dependent upon the state, and many conservatives are comfortable with this relationship. Lukashenko plays to these fears when he indicates to people that he will fight to continue to support them.

- **Business:** While Lukashenko seems to long for the controlled economy days of the Soviet regime, he has indicated limited support of small business development, although both he and his inner circle are inconsistent on these issues;
- **Human rights:** In 1997, Lukashenko issued decrees that severely curtailed the right of assembly and freedom of speech, and he has established a pattern of intimidation, arrests and imprisonment of leaders who oppose his regime;
- **The opposition:** The Government continues to harass and suppress the opposition, and scores of opposition party leaders and members have been arrested and detained.⁷ Some key leaders of the opposition have been forced to seek asylum in the west. The political opposition currently suffers from weak organization, and lack of experience;
- **National broadcast Media:** which is wholly under the control of the Government and never shows the opposition's or Western positions, or their reactions to Government decisions;
- **Ideology.** This is based on the President's desire to return to socialist economic policies and many Communist-era control features, including Agitprop, the prevalent security structure, an old-style KGB, democratic centralism, control of the media, and lack of respect for opposition political views.

While the President and the Presidential apparatus seem to be strongly anti-Western and heavily Russified, taken as a whole, the Government is far from monolithic, and in private conversations, far-reaching differences of perspective and opinion are found. This being said, however, it is important to note that real power is concentrated in a handful of individuals who are strongly loyal to Lukashenko, or seriously afraid of him. At the same time, a few positive features help define the political landscape. Belarus is ethnically homogeneous,⁸ for example, which eventually may make it easier for the people of the country to subscribe to a common national vision, or forge a common national identity. Further,

- **An opposition** or “shadow government” exists, together with a shadow cabinet. Although largely defined by its opposition to the President's regime, the opposition contains many dedicated committed individuals. Like many opposition groups

⁷ During the course of preparing this strategy document, former Prime Minister Chigir was arrested on what appear to have been contrived charges. The State Department has protested this arrest.

⁸ Belarusians constitute nearly 80% of the population. Russians represent a further 12–13 % of the population. The balance is composed of Poles (4%), Ukrainians (3%), and small communities of Jews and Muslim Tartars.

competing against consolidated autocratic states, it has been fractured. However, some indications suggest it may be coming together around a few key individuals;⁹

- **Trade unions:** A small but active and potentially important free trade union movement of approximately 25,000 workers exists, and may be growing;¹⁰
- **Local municipal governments** generally raise revenues autonomously through local taxation or municipal ownership of industries or businesses, and have control over their own local budgets, giving them some measure of autonomy from the national administration;
- **Crime** is relatively low, and at the present time there is relatively little Mafia influence, although **corruption** is frequently reported at the highest levels of government;
- **The press.** The role of the press in Belarus remains complex. Since his election, Lukashenko has engaged in a concerted campaign to intimidate or eliminate the opposition press, and the country's media are now the most extensively controlled in the region. The Government owns (or is chief financial backer of) most of the major print publications, including six of the eight national daily papers, and it controls all national level television and radio broadcasting inside the country. Through its dominance over these media, the State has constructed a personality cult built around the person of the President, while fostering a siege mentality among large parts of the population through its coverage of national and international news. It is impossible to place pro-Western political stories in broadcast media, for example.

Opposing the state-controlled media are approximately 30 private newspapers, which currently operate around the country. These independent newspapers, and other smaller publications around the country, have been severely harassed and restricted by censorship, intimidation of journalists and arbitrary fines and taxation. At the same time, these thirty newspapers represent one of the most important voices for democracy in the country, because most of the independent newspapers that still function oppose the policies of the Government. The seven largest and most important “opposition” newspapers have a total paid circulation of approximately 500,000 copies per week. Based on survey data, on average each copy of these independent newspapers is read by approximately seven people, because most independent papers get passed from hand to hand, unlike

⁹ While the opposition is slowly becoming better organized and more united, it still doesn't have a coherent or effective political strategy, or well developed leadership. More time will be needed for these groups to mature and become effective.

¹⁰ The trade union movement may constitute a potentially important 'swing vote' in the Belarusian body politic. At the present time, the free trade union movement is a very small percent of the total union movement, because most of the unions in Belarus are largely directed and controlled by government-appointed managers and bureaucrats. However if the union movement were to combine with the political opposition, it could become a formidable coalition, in part because it is hard for a regime with Marxist-Leninist roots to be too overtly hostile to a trade union movement.

government-supported publications. Surveys suggest that nearly a million people each day are reading independent newspapers. In a population of 10 million people, this represents a powerful voice.

In addition to the private sector press, Belarus also has 18 small independent television stations around the country, many of which use cable to broadcast in a 30 or 40 km radius. These stations also represent an important source of alternative information – particularly for small towns – since they are independent from the national government. In addition to the various publications and media that operate within Belarus, some competitive broadcasting also comes in from nearby neighbor states, including Russia and the Baltics. The Russian media has a significant impact in Belarus, particularly in and around Minsk.

4. Economic Structure: Following the 2nd World War, Belarus changed from being a predominantly agricultural country, and became an industrial powerhouse, occupying a privileged niche in the Soviet Union. It had a highly trained manpower base and some of the best educational institutions in the USSR. By the late 1980s, Belarus was the world's third-largest truck manufacturer (after the U.S. and Japan). Many of the products it manufactured were produced for the Soviet military and space programs. At the same time, other than its well-trained workforce, Belarus has relatively few indigenous resources, apart from wood (mostly conifers) and some limited petroleum and natural gas deposits which are difficult to access. More than 90% of the country's oil supplies and 100% of its coal supplies are imported, and the industrialization occurred without reference to the cost of imports or the cost of energy. It was also dependent upon guaranteed Soviet markets for its products. Following the collapse of the Soviet Union, it became clear that the Belarusian economy had developed an over-dependence on imported raw materials and component parts for the country's machine building industry, and that it also suffered from an under-development of its food processing capabilities.

By 1996, the structure of the Belarusian economy (based on GDP components) was approximately as follows:

	Percent of GDP
Agriculture and forestry	16
Industry	35
Construction	5
Housing and public utilities	4
Services	<u>40</u>
Total	100

Several key indicators help to paint a picture of the economy of Belarus today:

- **Production:** Despite Government reports of annual increases of GDP, the London School of Economics reports stagnant and now declining production in the major industrial sectors, and dramatic declines in agricultural production, down at least 30%

from levels in the mid-1980s.¹¹

- **Unemployment:** Officially, slightly more than 100,000 people out of a current workforce of about 4.3 million are said to be unemployed. Unofficially, however, the unemployment (which seems to mean the “essentially unemployed” or perhaps the “significantly under-employed”) is estimated at approximately 30%, or more than a million people.
- **Inflation:** after independence, inflation rocketed. From 1993 to 1997, the annualized average inflation rate was nearly 471%. Inflation began to moderate in 1996, but then began to accelerate again in 1997. For 1998, official government agencies have reported inflation at 180%. According to the Ministry of Statistics and Analysis, in 1998 Belarus had the highest rise in consumer prices among the CIS member states.¹² Preliminary indications suggest that this accelerating trend may be continuing. In January, 1999, consumer prices in Belarus rose by a further 16.6%. If annualized, this suggests an inflation rate of about 200% per year for 1999. Further, the end of the spring planting season may see a serious liquidity crisis and a further spike in inflation.
- **Incomes:** During 1998, per capita income officially remained at approximately \$1,100, but according to the State Department’s Human Rights report, “in reality was probably much lower.” In 1998, the average monthly salary was reduced, (largely through inflation) from approximately \$90 to about \$30 per month. This suggests an average yearly (cash) income of about \$360.
- **Imports:** Belarus has to import a number of key commodities, including 90% of its oil requirements, 100% of its coal, and most of the raw materials from which it manufactures finished products.
- **Exports:** Over 60% of Belarus's exports now go to Russia, which is facing its own serious economic crisis. Because of the low world price for oil, Russia has significantly fewer resources with which to pay for imports.¹³ Exports to Russia for January 1999 were reduced more than 50% from the same period in January 1998. At the same time, the European Union's significance as an export market for Belarus has also declined over the past few years as Belarusian goods are proving themselves less and less competitive on world markets.

¹¹ Private agricultural plots account for about 16% of cultivated land today, but provide nearly 50% of the country’s total agricultural output. State farms with control over approximately 84% of the agricultural land provide slightly more than half the country’s agricultural outputs.

¹² Last year in Russia, by contrast, inflation was 80%; in Ukraine it was 20%.

¹³ While the Baltics have decreased their share of exports to Russia from about 26% in 1994 to 14% in 1997, Belarus has increased its export share over this same time period to more than 60%.

- **Foreign Trade** has been dropping substantially. The January 1999 foreign trade indicators were down more than 31% compared with January 1998.
- **Recession:** According to official figures, Belarus moved out of recession in 1996, and GDP grew by an impressive 10% in 1997. Others discount these figures, and there are predictions of a new and much deeper recession looming on the horizon.
- **Privatization** has been extremely slow by regional standards, and is largely confined to housing and small business.

In terms of privatization, the Belarus economy is one of the least privatized in the whole of the Former Soviet Union. It is estimated, for example, that only 10 to 20% of all enterprises across the country have been privatized.¹⁴ Privatization is most advanced in housing and the service sector. By early 1997, more than 60% of the country's housing units had been privatized, and this number is thought to have gone up significantly since then. The service sector – particularly trade, public restaurants and eating establishments, retail shops, and other small-sized enterprises -- has been significantly privatized. In the industrial sector, however, (which seems to constitute somewhere between 35 to more than 50 % of the economy,) approximately 85% remains in the public sector. (Some recent statements from the President's office suggest that he plans to increase the level of state intervention in key industries further.) Agriculture, which accounts for about 14% of GDP, and which may employ about 19% of the workforce, is even less privatized than the industrial sector. Approximately 90% of the country's agricultural land remains in state hands.

The overall economic situation. In terms of the overall economic situation, the issue of Belarus's increasingly close linkages with the Russian economy appears to be critical. World oil prices fell by thirty percent in 1998 and are at the lowest level they have been since the mid-1970s.¹⁵ For Belarus, the direct effect of this fall in energy prices appears to be slightly positive, since the country is required to import most of its petroleum. But because of Belarus's close linkage with the Russian economy, the indirect effect can be profoundly negative, because of the Russian economy's dependence on revenues from oil and gas. The Russian crisis has meant falling demand for Belarus's exports to Russia, for example, because Russia has reduced purchasing capacity. (Also, in some cases there may be increased competitiveness from Russian producers.) Further, since Belarus may be part of a growing regional recession, it is also finding less demand for its exports to Ukraine and Moldova, because these countries also export less to Russia than formerly. Further, remittances being sent back to Belarus have fallen, either because jobs in Russia have disappeared, and/or because the income sent back home is worth less due to a devalued ruble. (See Annex 2 for more information on the structure and current state of the economy.)

¹⁴ One composite figure commonly cited is 18%. (The comparable number in Russia is 55%.)

¹⁵ The IMF forecasts only a slight increase in oil prices in 1999 of around 7 percent.

B. Belarus's Problems: Underlying Causes

The underlying causes of Belarus's current situation in some cases go back centuries, and involve the country's geo-strategic location at the crossroads of Europe. They also include certain aspects of the national psychology, as well as its recent political and sociological experience. Key aspects of these are discussed below.

Geographic and Historical. Geo-politically, Belarus is awkwardly positioned at a crossroads of Europe, with no natural geographic protection against invading forces. It has no oceans to hide behind, or impenetrable mountains or vast distances to retreat into. This lack of geographic protection is a major factor in the country's painful history of invasion, occupation, or colonization. The colonial experience has been traumatic in many ways. The national language has been suppressed at various times, and its absence impedes the growth of a shared national identity. Further, the true history of Belarus has been shrouded in mystery by various colonizing powers, which have manipulated it to serve their own purposes. The limited access to books that clearly describe Belarus's history – which continues to this day – causes Belarusians to be confused about who they are and where they come from. Finally, the devastation of Soviet genocide in the 1930s, and then the tragic consequences of World War II means that much of the natural leadership for the country was lost or in some cases systematically annihilated.

Psychological. Given the frequently tragic history of the people of Belarus in the 20th century, it is no surprise that many people suffer from what might be characterized as “Post Colonial Traumatic Stress Syndrome.” Under the totalitarian systems that existed for many years in Belarus – and that exists again today, albeit in diminished form -- people were required to “organize their minds” to help them exist in a crazy world. In this world, things were not what they appeared to be, and people were not free to openly discuss what was actually happening around them. Many people are still afraid to speak their minds openly today. While many events have contributed to this condition, such psychological mechanisms have become deeply imbedded into the minds of the people of Belarus. A related psychological mechanism is the “command and control” mentality, which continues to permeate the culture in pervasive ways. It will take a long time for a people who have been so traumatized to come to terms with this past, and learn to live constructively in the present.

Political and Sociological. Under the current political system, the people of Belarus have no common understanding about the past, no shared national vision for the future, and no current consensus about legitimate political mechanisms for running the country. There are no mechanisms in place to allow people to reach political decisions that have a broad base of support across the polity. The President and the Presidential apparatus control almost all institutions of government, which they utilize to harass and intimidate the population or those parts which seek to resist authoritarian control. Further, a gap exists between the elites in the major urban centers (particularly Minsk) and the rest of society, with only partial communication across these class divisions. No substantial middle class exists to serve as a pressure group pushing for middle of the road compromises, working

within the system. No organized credible opposition exists with a coherent agenda that can routinely speak out against government policies in legitimate forums. When the opposition does have an agenda, it fails to communicate it effectively to their audience. Instead polarization is found across the political landscape.

C. Major Events Influencing the U.S. Position

Four events influence the U.S. position in Belarus. Three of these happened in the past. One still looms in the future. These are discussed in turn, below.

The Referendum: The November 1996 referendum amended or modified the constitution to give the President broad powers, including authority to dissolve the elected Parliament, appoint the judiciary, and extend his term of office until 2001.

Selective Engagement: In February 1997, the United States initiated a policy of "Selective Engagement" with Belarus in response to the 1996 referendum, the subsequent dissolution of Parliament, and deterioration of democracy and human rights within Belarus. This policy, which guides the overall American approach to Belarus, puts limits on political and economic contact with the Government, curtails new U.S. investments and credit guarantees, restricts military contacts and general exchange programs involving the government sector, and focuses U.S. efforts instead on non-governmental ties. The American Mission has also closely examined its assistance programs to minimize activities that engage the Government, with the exception of humanitarian aid, health and education.

Drozdy: In June 1998, the Government of Belarus took the unprecedented step of evicting the U.S. and several other ambassadors from their residences in violation of the Vienna Convention. As a result, the U.S. withdrew the Ambassador, and announced on July 14, 1998 the decision to restrict government officials at the rank of Deputy Minister and above from travel to the United States and to suspend all military training and liaison activities with the Government, as well as financial support for Partnership for Peace activities.¹⁶

The Presidential elections of 2001. The referendum of 1996 extended the President's term until 2001. In the current situation, however, the President seems to have an option of scheduling an election any time in the future that he deems most propitious, so he might move up the date. This could give him substantial advantage over the opposition, which would have little time to prepare itself to go to the voters. Thus, for USAID, the issue of scheduling could become important. How should the United States respond to these looming elections? What does it suggest for USAID's assistance? These issues need to be resolved.

D. Possible Scenarios for Future Developments in Belarus

To understand the possible future environment in which USAID/B may find itself operating, the strategy design team has assessed three possible scenarios for Belarus, including:

¹⁶ The restrictions imposed on July 14 could be lifted if the Government and the United States were able to resolve the dispute of the Ambassador's residence and if the U.S. is properly compensated. Negotiations on these issues have begun.

Scenario A: Stalemate, with more of the same. Under this scenario, the Lukashenko regime will continue to play a cat and mouse game with the Reformers in Belarus, with the NGOs, the IMF, the American Embassy, USAID, and other western donors. Things may seesaw back and forth on a day-to-day basis, but on balance, matters essentially will remain the same, with an authoritarian regime controlling most of the levers of power, but an opposition that exists and is able to operate within certain parameters.

Scenario B: Things get worse. This implies further consolidation of an authoritarian regime, crackdown on the opposition, more suppression of most dissidents most of the time, and a further deterioration of the human rights situation. Trade declines dramatically while inflation goes up. The current standard of living goes down. Support from Russia may dwindle as their economic and political situation deteriorates. Perhaps popular discontent begins to grow, when the Government no longer can see that everyone is fed. This scenario generally represents a more difficult environment within which USAID would operate.

Scenario C: Things get better. The regime moderates. This could come about for several possible reasons, including pressures building for accommodations from various constituencies across the culture, or from a dramatic decline in the economic situation, which forces the regime to change course, revising economic policies, and perhaps improving the political climate.

The strategy team initially concluded that Scenario A ("Stalemate") was the most likely scenario, but during the course of preparing this strategy, some indications began to suggest that the situation was moving towards Scenario B. Of course it is impossible to tell conclusively what will happen in the medium term. For this reason, the USAID/B strategy has been designed around a response to both Scenarios A and B, with the caveat that sufficient flexibility has been built into the strategy to allow for some selective repositioning as necessary assuming relatively modest changes in the overall operating environment. Major changes in the operating environment, however, would call for a major redesign, as the United States Government determines what responses are appropriate.

III. USAID PROGRAM

A. Framework for an Assistance Strategy

1. Strategic Objective of the Program

Problem: This strategy addresses the following problem: *The citizens of Belarus are not equipped to support reforms needed to establish a democratic society and a free market economy. The legacy of Soviet authoritarian political control and centralized management of the society has removed the will and ability of the citizenry to participate in an open democratic society.*

Program Hypothesis: Based on the problem statement given above, USAID/B's hypothesis is that: *The motivation for democratic participation must first emerge at the community level. Involving people in community level efforts and helping them to own and operate small and medium enterprises will give them the experience to support reform.*

Purpose: USAID's proposed strategic direction for the Belarus program is *to stimulate increased better-informed citizen participation in civic and economic activities*¹⁷.

Given the current political, economic and social environment in Belarus, this is the area where USAID is most likely to have an impact in promoting economic and democratic development. Therefore, to promote democratic pluralism, USAID will focus on two intermediate results: On the democratic side, the program aims at *increasing the awareness of and trust in civic society institutions as an alternative to government.* On the economic side, the program is directed at *demonstrating the potential of private enterprise as an alternative to centralized economic authority.*

A results framework for this strategic objective is shown on the next page.

In addition to this strategic objective, USAID/B will carry out **a special initiative in health**, focusing on partnerships between U.S. and Belarusian institutions, community outreach and women and children.

2. Approaches: Themes and Strategic Choices

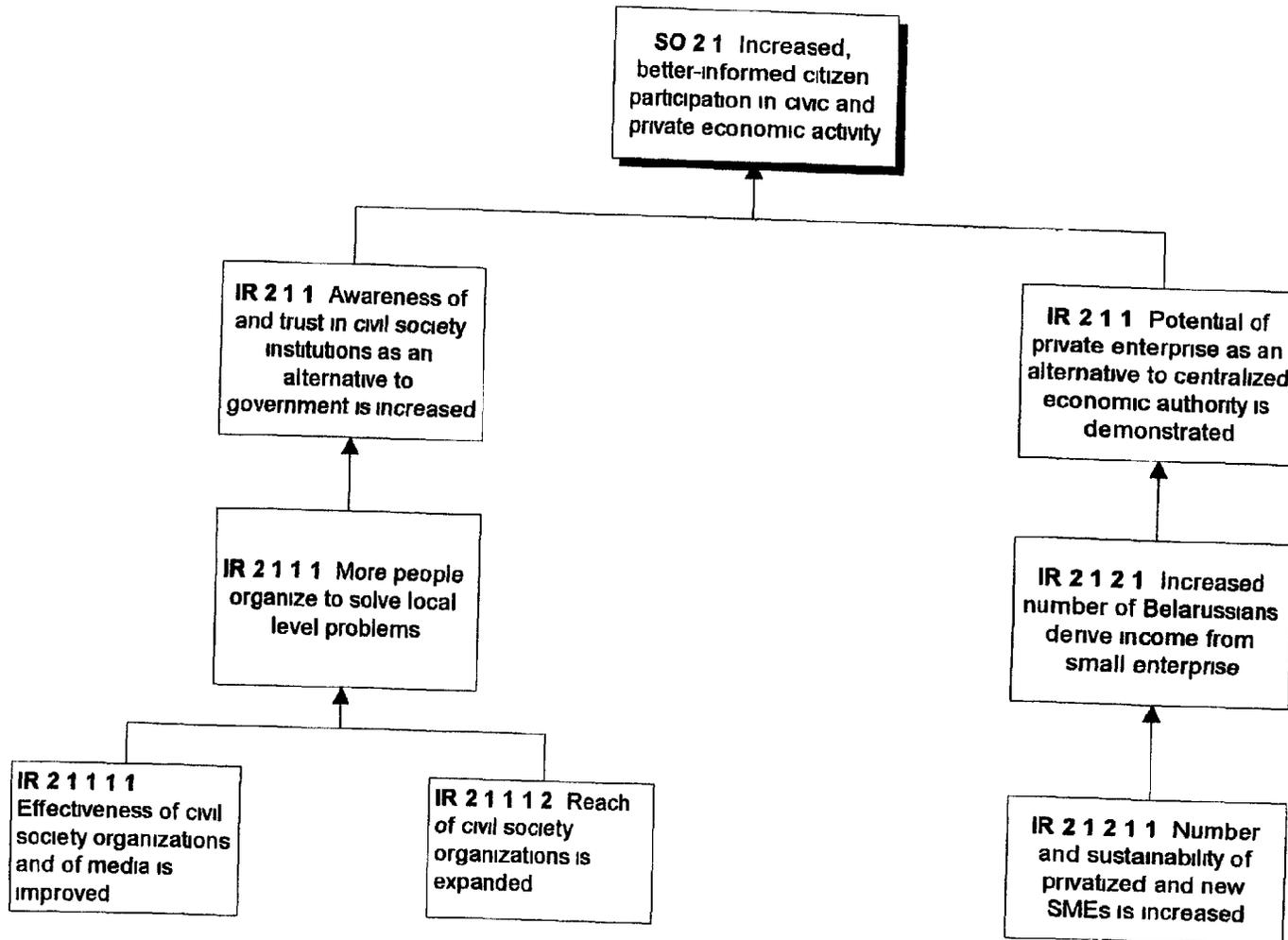
In discussing what approaches U.S. assistance programs should take over the next four years, it is important to consider certain assumptions. First, the political situation with the Lukashenko regime probably will not get better any time soon, and it seems probable that the looming financial crisis caused by the situation in Russia will have an increasingly serious impact upon the economy of Belarus. The working relations between the regime

¹⁷ This strategic objective has been narrowed from the USAID/ENI Bureau Strategic Objective 2.1, "Increased, better-informed citizen participation in political and economic decision making" to indicate more modest expectations in the current and projected environment in Belarus

and the various western donors including the United States will remain rocky at best, and could deteriorate. The situation with regards to human rights

Belarus SO 2 1

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could rapidly get worse, as could the efforts of the NGO community to stand against the encroachments of an increasingly authoritarian regime. Further, unemployment and under-employment could begin to rise dramatically as the Government finds itself unable to sustain its policies of printing money, and subsidizing the economy.

The stark issue which confronts any strategy for a country such as Belarus is which dominates the situation: the Government's political control or the larger economic environment in which Belarus exists? A related question is: if there is change, when will it come? USAID/B can't predict the future, or determine when changes might come, but it can position itself to help resist the slide to authoritarianism and sow the seeds for the development of a pluralistic democracy, linked with a pluralistic economy.

In spite of the overall negative environment – or perhaps because of it -- the U.S. Government advocates an approach that continues to provide support for NGOs, the press, the opposition, and small and medium businesses through a carefully designed program, primarily implemented through NGO partners. At the same time, greater emphasis needs to be placed upon a focused pilot regional development strategy centered around one oblast, which will become one of the cornerstones for the Mission's strategy. Thus, the assistance program will look for ways to preserve an American presence in Belarus over the short and medium term, while helping those groups in the culture who favor democratic values. At the same time, it will increase the effectiveness of the NGOs currently working with USAID, making them better able to reach local people with tangible results.

To accomplish this, USAID/B has developed an informal vision statement for itself which is "*Bringing people together to help them solve problems important to their daily lives.*" This vision will be operationalized through two principal themes. The first theme involves **building a constituency for change**. The second theme is **increasing program efficiencies**. These two themes are both described below.

a. Building a constituency for change. This is the overarching theme of the strategy. Bringing people together can mean many different things. It includes building or strengthening communities by working with them to identify problems that are important to them, and helping them to organize themselves to address these problems. Some examples include:

- Using independent media to inform citizens about the nature of community problems, and reporting on citizen-led initiatives to address the problems;
- Giving citizens an economic stake in private enterprises that serve community needs; or
- Providing citizens with facts about environmental and health risks facing their communities, which can result in demands for government action.

Building these “communities for change” will occur on both sides of the Mission's portfolio, including “Democratic Pluralism” as well as in “Economic Pluralism.” Carrying out this program in Belarus will involve several sets of actions, including:

Extending geographical outreach. USAID needs to expand its target audience moving beyond the urban populations to include a more representative cross-section of the population, including residents of small towns and rural populations. Thus, the new strategy for USAID/B will involve reaching beyond Minsk and the oblast capital cities. It will try to reach people with improved and more tangible programs by instituting appropriate community-level initiatives, working with local people to determine priorities that are important to them. The program will be carried out by those NGOs who are currently Mission grantees, refocusing part of their current programs onto field activities in smaller towns and rural areas.

Increasing Tangibility: At present, the American Mission is investing approximately \$7.5 mil to address a narrowly defined concept of “civil society.” (Annex 1 provides details of USAID/B’s current portfolio.) Until now, the NGO community, serving as the principal service delivery providers for USAID/B, has focused much of its energies on the provision of information. While this has been and will continue to be an important part of USAID/B's work, it often has not resonated strongly with local people. Therefore, while continuing to support the important but somewhat abstract and intangible aspects of civil society involving work with the Rule of Law, and the Media, the new strategy will place more emphasis on helping people to organize themselves to deal with community-level problems. Often these will address problems of health, the disadvantaged, the environment, etc. To broaden the opportunities of the NGOs and mobilize community action, USAID/B will support programs that local people view as tangible.

Increasing visibility. The American presence in Belarus serves an important symbolic as well as a substantive role in Belarus. In the current environment with an increasingly authoritarian government in charge of the levers of state power, it is important for the United States Government and the other western donors to serve as symbols of democracy and Western values for a currently beleaguered population. Working collectively, the donor community needs to challenge the Government's approach to how it deals with the NGO community, the press, small businessmen, etc. If possible, the total number of Western donors working in Belarus should increase. The United States itself needs to serve as a “candle in the window” for the community of people who are struggling to overcome almost a century-long legacy of totalitarian repression as they work to introduce a pluralistic democracy to Belarus. USAID/B provides an umbrella for the NGOs, the press, small businesses, and other groups who are working in Belarus, thereby laying the groundwork for change in the future.

One oblast will be identified as a pilot laboratory to help USAID and its partners develop tools and mechanisms to bring people together. This work will help “ground” USAID/B and its strategic partners in the real needs of local people in a specific oblast. Proposed activities in this oblast will link several of the NGOs who currently work in different

discrete sectoral areas, and re-focus their efforts around common themes involving employment, health, the environment, and efforts supporting community action.

b. Increasing Program Effectiveness: A second component of the strategy is expanding or improving USAID's and its partners' program management effectiveness. This will involve:

Coordination, and planning. Coordination at all levels of the program needs to be improved. Currently, for example, only limited coordination occurs among the international donor community, or within the USAID portfolio among grantees. USAID's NGO grantees and sub-grantees often don't talk to one another, even when their work overlaps. To address this, mechanisms such as monthly coordination meetings will be instituted. Further, at the present time, USAID/B has limited capacity to track and monitor program impact. Information management systems (IMS) are one tool that USAID/B will need to utilize to track impact and help link together parts of the program. Such information management systems, in turn, should be linked to suitable baseline data.¹⁸ USAID and its partners need to work together to develop appropriate baseline data for each sector or sub-sector where USAID is working, to generate a contextual understanding of what is happening, linked to suitable mechanisms to track progress.

Hands-on Technical Assistance: USAID partners need to develop greater capacity to work directly with their customers as the program seeks ways to help them come together to solve their own problems. For this to happen, greater emphasis needs to be placed upon technical assistance delivery strategies at all levels. Most of this expanded emphasis upon TA will involve working with NGO partners to help them improve the effectiveness of programs, with an initial focus on one oblast that will become a laboratory to explore issues relating to implementing these changes.

3. Basic Assumptions

USAID/B has based its strategy on the following key assumptions:

- USAID resources for Belarus will not decrease, and may increase somewhat.
- Basic good will towards U.S. society and culture is strong and will grow, particularly among the young.
- President Lukashenko will remain in power and attempt to avoid democratic reforms while demonstrating no tolerance for dissent, and most bureaucrats will continue to implement the regime's policies. At the same time, however, the Government will take more of the blame for increasing economic hardship, driving some people to become politically active.

¹⁸ While some baseline data currently exists, much will need to be generated. A large part of the confusion within the current USAID portfolio about what various programs are accomplishing comes from the lack of suitable baseline data.

- Some elements of the Government will encourage modest reform efforts in politically safe areas such as education and health.
- Most of the Belarusian populace will remain either apathetic or too frightened of the repercussions to advocate democratic change, and the Government will remain suspicious of and may try to suppress any citizens' initiatives not subject to direct government control. Nevertheless, civic activists will remain engaged and try to strengthen networks within the country and abroad.
- In the short term, President Lukashenko will continue to respond to economic crises with command-economy techniques, and the Government will not adopt significant market-oriented reforms. As a result, the standard of living of Belarusian citizens will continue to decline.
- Negligible economic reform in the short run will lead to continued deterioration of the economy. As the Belarusian economy continues to decline, over time the failure of the Government's existing policies in meeting the basic needs of the Belarusian people will push Belarus towards market reforms.
- In terms of democratic pluralism, programs that promote the principals of *independent civic action* and support the development of communities will help strengthen the constituency for change in Belarus. Similarly, programs that promote principles of *independent economic activity* and support small business development also strengthen the constituency for change.
- A final assumption is that the Belarusian people will continue to experience health and environmental effects caused by the Chernobyl disaster and that the Government will continue to claim that it cannot afford the costs associated with it.

4. Program Priorities

USAID has reviewed the elements that comprise USAID/B's current portfolio, and categorized them by priority. First tier priorities include the small grants to regional NGOs and media, small-scale privatization and support for privatized and new businesses, support to social service NGOs, health partnerships, and support for national independent media. These activities form the core of the program. To some extent the NGO's activities already address much of the new program's emphasis, and they can be further focused to enhance their effectiveness, particularly with regard to community-level operations. They are complemented by the centrally-funded programs of ACIDI/VOCA and World Vision, which also play an important role in achieving USAID's strategic objectives.

Second tier priorities include training and women's economic empowerment, which, if adequate resources are available, could complement the core program. Because the latter

activity has not yet been defined, it is impossible to judge its effectiveness at this point, but the entire portfolio of USAID programs must reflect concern for gender issues. (See Annex 3, Strategy for Women in Development.) When there is more experience with this project, USAID will assess its priority in contributing to program objectives.

A third tier of priorities includes legal reform and political process activities as they currently operate, because the design and implementation are not well-suited to the purposes of the projects. Some legal reform activities have had good results, particularly the street law program, but the program as a whole lacks strategic focus and there is considerable overlap among providers and with USIS programs. The ABA/CEELI legal reform program was designed to work with the Ministry of Justice and legislature, but it has not been possible to implement it, so this program relies on the creativity of volunteers to pursue opportunities as they arise. USAID believes that support for legal reform is important, and wants to reassess how to carry out these activities in a way that best serve U.S. objectives. With regard to political process, this aspect of the program should be rethought as part of a larger strategy for the 2001 elections. As currently being implemented, this activity is at a disadvantage because the provider has no in-country presence, which is key in developing effective relationships in Belarus.

Finally, at the fourth tier level, USAID considers that the humanitarian assistance program that assists with the distribution of donated goods has been implemented well, has been well received, and represents important American values. However, it does not directly support achievement of USAID's strategic objective, is supply rather than demand driven, does not represent a sustainable development effort and therefore is not a high priority in this strategy.

E. 5. Resource Requirements for Programs and Management

Annex 4 includes two sets of budgets for USAID/B's program through FY 02. The first set shows a \$6 million annual budget as projected by USAID/W. The second shows an increase of \$2.4 million in the budgets for FYs 2001-02 to demonstrate how a larger allocation would be programmed.

Same budget level in the future: The planning figure for FY 2001 for USAID programs is \$6.0 million. Within this level, it is possible to continue moving toward the program strategy presented in this document by giving more emphasis to community-level problem solving within civil society programs and to add a significant post-privatization component to the existing private enterprise program. Some resources will be used for community-level problem solving in areas such as environment and health, including a pilot effort in one oblast to coordinate programs to produce greater effect. The existing grantees are capable and willing to shift more emphasis to community-level activities. The additional program coordination and management would cost perhaps \$150 to \$200 thousand, including three additional locally hired USAID staff members (one expatriate and two foreign national staff) and a small district office. Without additional funds, however, the shift in emphasis will be slow and modest.

Modest budget increase: With annual increases of about \$2million it will be possible to create a better balance in the overall program with a more intensive community-level focus, including more assistance to existing SMEs, more NGO community-level problem solving along with some well-targeted external technical assistance and a community-oriented program organized at the district level. A budget increase over the next two years would permit one or more U.S. PVOs to come to Belarus to strengthen the community development efforts. More U.S. and Western nation presence from well-established organizations such as CARE or Save the Children would lend moral authority and energy to democracy-building efforts by the Belarusians. U.S. PVOs have very effective community development strategies, which could be introduced through oblast level programs. Because these international PVOs are self-reliant, the demands on USAID management would not be great.

B. Intermediate Result #1: Democratic Pluralism: Awareness of and Trust in Civil Society Institutions as an Alternative to Government is Increased.

Overview

Despite a very inhospitable environment – or perhaps as a result of it – civil society in Belarus is alive and growing slowly, even if it is not yet thriving. A wide range of organizations, also referred to as the Third Sector, has been formed by concerned citizens since the fall of the Soviet Union to address the many needs of people living in this politically repressed, socially under-served and economically deteriorating country. These include advocacy, social sector and humanitarian NGOs, resource centers, umbrella organizations, think tanks, independent media, political parties, trade unions, student and professional legal groups, plus cultural, women’s and human rights groups. They are represented in all regions of the country and are diverse in their approach to serving their constituencies, but they share the common objective of wanting to improve peoples’ lives, understanding that the people themselves must take responsibility for doing so. Approximately 2,000 of these organizations are in operation, many of them very small. Evidence suggests their numbers are increasing, especially outside of the largest cities.

Coordination among these groups, while still imperfect, took a major step forward in 1997 with the creation of the NGO Assembly. This and other umbrella organizations provide assistance in such areas as strategic planning, financial management, conflict resolution, legal advice and registration. They also serve the critical function of bringing people together to solve problems and speak out with less fear of government reprisal than they would have if working alone.

Other Donors

The U.S. is the major source of support for civil society organizations in Belarus, with small programs also funded by the Germans, British, Italians and UNDP.¹⁹ EU/TACIS has not provided new funding for several years, but some earlier projects are ongoing. A number of organizations have grants from private foundations such as Soros, MacArthur and Pew. Soros Foundation, formerly an important presence in Belarus, was forced to discontinue its presence in country, but continues to fund activities from abroad.

Problems

Civil society organizations in Belarus face a number of barriers:

- They are harassed and intimidated by the Government in many ways. For example, taxation and exchange rate policies skim off considerable resources. Also, the July 1 re-registration involves a substantial monetary cost and a pledge to uphold the Lukashenko-imposed illegal constitution.
- Although most groups see value in trying to gain the cooperation of the Government, even in minor ways as part of a strategy to serve their constituents, they fear that this will result in the Government using them to serve their own agenda to the disadvantage of the groups' goals.
- They don't feel they can count on donor support given the difficult political relationship between the Government and their Western partners, a situation that is not conducive to long-range thinking and planning.
- They lack objective information and modern means of communication.
- They lack financial, management, leadership and technical skills and have no sustainable financing mechanisms.

Belarusians don't participate in civil society organizations to a greater extent because:

- They don't understand the concept of civil society organizations as a complement and balance to government.
- They are not well-informed about their communities and government or the political process.
- They don't know and understand their rights under Belarusian law.
- They lack leadership and organization skills.

USAID Assistance

¹⁹ Other development assistance of various kinds is provided inter alia, from Denmark, the Netherlands, Switzerland, Poland, Austria, Finland, the Czech Republic, Japan, and various private and voluntary organizations.

The objective of USAID assistance in Belarus is to strengthen and increase participation in civil society. Because civil society development is at such an early stage with limited understanding of its role, the first priority is to demonstrate the effectiveness of civil society in achieving common goals. As civic action becomes better understood and accepted as an effective alternative to reliance on the Government, it is expected that more people will become involved and/or better informed and will be more likely to support a democratic system of government. Activists believe that only concrete results will change people's mentality, increase their confidence in the possibilities of a democratic system and reverse political, economic and social inertia.

The overall U.S. program of about \$10 million is almost entirely devoted to civil society activities, with 75% channeled to a limited selection of activities involving independent media, rule of law, political process and humanitarian assistance.

Broad geographic coverage has already been achieved through USAID-funded activities of Counterpart and Eurasia Foundation, and through programs funded by USIS, the National Endowment for Democracy, and the Institute for Democracy in Eastern Europe (IDEE) program. These and other assistance activities improve the effectiveness of a wide range of civil society organizations, addressing issues involving improved social services, political leadership development, increased journalistic professionalism and sustainability of independent newspapers, dissemination of more accurate information and more effective advocacy of people's rights under the law. Technical assistance and training are provided in strategic planning, information collection and dissemination, legal advice, professional and management skills, and internet access. As permitted under the selective engagement policy, several activities, such as hospital partnerships and judicial training, involve working with the Government but are closely related to civil society aspirations. For instance, the Women's Wellness Center includes health-related NGOs in their seminars

Proposed Strategic Direction

The Third Sector – including the NGOs as well as the media -- is fundamental to the prospects for developing a pluralistic and democratic society in Belarus, open to the West. The emergence of grass roots organizations in smaller towns long impervious to change is clear evidence of individuals trying to work with their neighbors to improve life for families and communities. This kind of initiative and energy is new in Belarus, and runs counter to Soviet era attitudes, which were either intimidation, on the one hand, or complacency on the other. USAID/B's partners are finding ways to translate individual discontent into community action. The agenda -- focusing on problems long neglected by the Government -- is important to families and communities: health status is deteriorating; food supplies are diminishing; little relief is available from the Government to counter economic and social distress; and environmental problems are not solved.

The organizational structure of the Third Sector, and its potential for mobilizing public action is a significant resource for the nation. Perhaps it is inevitable, but the relatively

clear distinction which exist between NGOs and political parties in America is increasingly blurry in Belarus. Nevertheless, the Western donors are committed to supporting the Third Sector in non-partisan ways. It is important to base Western support on non-partisan principles while communicating clearly and forcefully to the Government the need to promote the efforts of the Belarusian NGOs to improve the society.

The Lukashenko Government's decree requiring re-registration of all NGOs by July 1999 is a serious potential threat to the existence of NGOs. It is likely that most NGOs will be allowed to re-register, but the chilling effect from the denials will be powerful. Because the NGOs are the principal means and the energy for carrying out the U.S. strategy for helping to build a civil society, any government suppression of NGOs is a direct threat to the program for democratic pluralism. The United States and other Western donors should give high priority to urging restraint on the part of the Government and of the Third Sector, to avoid further polarization of the situation and to protect the status of the NGOs.

USAID assistance will continue to comprise small grants, technical assistance and training to strengthen NGOs, independent media, promotion of civil rights and civic action. To some extent, these activities will be re-focused to better support community-level activities. Often these are likely to be health and environment-related. If resources are available, USAID will seek modest technical expertise to help analyze problems, and recommend to the communities Western-style solutions that are effective and affordable.

Adjustments will be made to some of these programs to eliminate overlap and to rethink their focus, particularly with regard to rule of law and political process. For the latter, USAID/B's program direction will be formulated to define an appropriate approach to the 2000 Parliamentary elections and 2001 Presidential elections. USAID proposes to conduct an assessment in cooperation with USIS and the Embassy to better understand the situation and develop program options.

Building a Democratic Constituency through Participation

USAID support for the following activities will broaden the base for community interest groups, expanding citizen participation and influence in democratic processes in Belarus, using existing program activities and the NGO infrastructure already in place:

- Support for small-scale community action groups will extend over the life of this strategy. USAID/B will work closely with the NGOs to expand activities geographically, and make them more visible and tangible. Also USAID will refocus or redirect the outreach activities of their grantees in part to address people who are politically "Neutral," accessing them through the "Reformers."
- NGOs will be used to identify issues of common interest that warrant special attention to develop solutions to common problems, particularly in the area of health and/or the environment;

- USAID will encourage regular exchanges of information between communities about common problems and issues affecting them, and at the same time improve their planning capabilities, and coordination among them. This could include conferences of communities sharing common interests, newsletters, workshops, round table discussions, better access to e-mail and the internet, and perhaps Town Hall Meetings.
- USAID will improve coordination and planning among donors to avoid duplication of programs and conflicts in policy, and mobilize donor interventions with the Government to protect the interests of NGOs. Continued support will be provided to regional newspapers and other media. Finally, much of the above work will be informed by an oblast-level regional development pilot activity that will be initiated in an oblast that remains to be identified.

Enhancing Leadership and Community Building Skills

Resources permitting, USAID will assist Belarusian community organizations to grow by increasing the organizational skills of community leaders. The most critically needed skills are most likely to be leadership for the community, along with financial management and accountability. Some representative activities could include the following:

- Building institutional capacity to complement grant programs, with a modest expansion of the advisory and training activities already being performed by the NGO community, refocusing this effort to address communities located in smaller towns and rural areas. USAID will fund the training of selected teams of trainers to enhance their effectiveness by piggy-backing with projects in Ukraine or Moldova.
- Encouraging participants in the community action programs to conduct outreach activities targeted at the population that has been neutral towards democratic reforms.
- With other donors and the NGO community, assessing and rationalizing the network of Resource and Training Centers which provides services to NGOs, and which seem to be proliferating.
- Helping local NGOs adapt and disseminate basic training materials currently available in the region, borrowing as appropriate from other on-going USAID projects.
- Finally, it will be important that grantees seek ways to develop and support appropriate programs involving young people through a refocusing of their programs.

Building Awareness

USAID will build awareness among influential groups and individuals and seek ways to encourage the growth of community organizations. The following mechanisms could be used:

- Publicizing success stories by feeding them into media-oriented activities in the USAID/B portfolio, together with TA to local media covering community issues;
- Funding modest add-ons to USAID projects in Ukraine, Moldova, or elsewhere in the region to allow selected Belarusian community leaders to participate in key events, including regional and international conferences, observation tours, etc.;
- Facilitating dialogue between progressive local government leaders and community action groups on local policy issues to define constructive roles for private organizations and encourage more accountable, responsive action by local governments;
- Establishing linkages between Belarusian community organizations and their counterparts in other towns around Belarus, as well as in Eastern Europe and the Baltics. Linkages between the border towns of Brest and Grodno with neighboring towns in Poland will be encouraged through visits and conferences dealing with community issues of common interest;
- Implementing the Belarus component of the Women's Economic Empowerment Program (WEEP), to promote the development of activities focused on women, including greater legal literacy, as well as assisting women's groups by contributing to the policy debate on improving the general climate in Belarus for women, and promoting increased opportunities them.

A Coordinated Community Action Program

USAID plans to initiate a pilot program to serve as a laboratory to test various mechanisms for stimulating community action in Belarus. The locale for this pilot will need to be identified, following appropriate reconnaissance work and the development of suitable criteria for selection. The work to be carried out in this oblast will be done by USAID/B's existing portfolio of grantees. The grantees will be encouraged to work together to the fullest extent possible to develop synergies among them. A well-designed pilot program will offer some interesting lessons about what is currently possible in Belarus that can be implemented on a broader scale across the USAID/B portfolio. It is expected that work done at an oblast level will constructively inform USAID's overall work building a pluralistic democratic society at national levels.

Expected Results

The results that are expected to be achieved from the proposed program include the following:

- A larger number of active and viable NGOs throughout the country;
- A larger number of people involved in non-government initiatives, especially in small towns and rural areas;
- Better cooperation and coordination among NGOs and with donors;
- More effective advocacy by NGO associations; Increased NGO transparency and accountability to the public; Increased ability and determination of people to solve their problems themselves within the community;
- A broader understanding and appreciation of the importance of private initiatives among the general public and the Government, especially in the areas of health and environment;
- A larger number of institutionally and financially viable media outlets serving communities throughout the country;
- A larger number of diverse independent sources of information throughout the country and more factual reporting;
- Increased use of new information technologies by media throughout the country;
- Citizens who are better informed and have an increased awareness of their rights.

Other USG Assistance Programs

USIS activities complement those of USAID, and we will continue to work together closely to ensure effective coordination and collaboration, especially with regard to exchanges and training and political process.

The embassy-based Democracy Fund Small Grants Program administered by USIA will continue to award small grants of up to \$24,000 to Belarusian NGOs in the areas of human rights/rule of law, independent media, and civic empowerment. USAID/B is a member of the Democracy Commission, which meets ten times a year to approve grants. It awarded over \$600,000 in grants in FY 1998.

USIA will continue to implement a variety of academic and professional exchange programs focusing on issues related to political and economic reform. (USIA's FY 1999 Belarus budget is approximately \$3.8 million.) USIA's academic exchange programs are targeting Belarusian graduate students, undergraduates and high school students. USIA will also support U.S.-Belarusian university partnerships at the rate of one per year.

USIA's Community Connections Program is providing community-based U.S. internships for clusters of Belarusian entrepreneurs and NGO leaders, and USIA's FREEDOM Support Grant and Professional Training Programs are also creating linkages between Belarusian professionals and their U.S. counterparts. USIA will also continue to support public-access Internet sites throughout Belarus.

The National Endowment for Democracy (NED), which is funded via a USIA pass-through, will continue to provide micro-grants to Belarusian independent media and NGOs working to promote democratic pluralism in Belarus. In 1998, NED provided approximately \$500,000 in micro-grants disbursed mainly through the Warsaw-based Institute for Democracy in Eastern Europe (IDEE). NED is also supporting the activities of the Center for International Private Enterprise (CIPE) in the area of independent television.

Training. At the present time USIS is sending between 150 to 200 people to the United States each year for training, including approximately 6 who are sent for graduate training. In addition, other candidates are sent to various institutions around the region for training. Under this component of its strategy, USAID/B will work closely with USIS to nominate up to three candidates a year for graduate level training in the social sciences, particularly in such fields as economics, public administration, and business administration. These nominees will be mid-career professionals, who can be expected to play a leadership role in Belarusian culture over the next few years. This part of the strategy is explicitly designed to establish a cadre of western educated professionals who are familiar with western management systems.

C. Intermediate Result #2: Economic Pluralism: The Potential of Private Enterprise as an Alternative to Centralized Economic Authority is Demonstrated.

Overview

The authoritarian nature of government in Belarus extends to economic as well as political and civic activity. The three, in fact, are linked. Centralized – and often unpredictable – economic decision-making encourages the continuing dependence of individuals on the state and reinforces authoritarian control over political and civic life. It discourages and prevents people from exercising a right to choose their means of livelihood, as well as the development of associations of interest groups that can advocate and defend independent interests.

If Democratic Pluralism is the right hand for a civic society program, then Economic Pluralism is the left. A growing private sector provides the economic foundations for a democratic system, because people begin to own commercial entities, which need certain kinds of laws to be able to operate.²⁰

²⁰ In Western states, much civil law originated at a time in European history when people began making their own rules that were necessary for businesses to flourish and prosper. These informal rules were later codified by the states, which turned them into 'laws.' These underlying rules or laws had long-term

Several examples of successful advocacy of independent economic interests indicate there is potential to increase this element of pluralism in Belarusian society. For instance, last year Belarusian entrepreneurs organized a strike and established an organization in response to the Government's attempt to introduce new taxation legislation retroactively. As a result, the Government backed down. The group also successfully defeated the Government's attempt to increase rent for commercial premises based on an unfair foreign exchange rate.

The focus of the economic pluralism component of the strategy is small business, which involves more people at the grassroots level in independent choice and decision-making than do larger businesses. Small business is less dependent on state connections or sponsorship of sales and trade. New small businesses have less of a vested interest in products and trade relationships of the past, and a greater interest in a regime of transparent and equal opportunity for the future. Through development of small businesses, USAID is supporting development of the middle class of Belarusians who will promote a free market economy and democratic government to further their own economic interests.

Despite an extremely difficult operating environment, there are more than 21,300 small businesses in Belarus. The potential exists to increase and sustain them. The ability of small businesses to survive despite many constraints is indicated by a survey of 750 privatized small enterprises monitored by IFC since 1993, of which between 85-90% are still operating and have increased employment, on average, by 20%. Freedom of businesses to associate is permitted, albeit within limits. One nationwide association of businesses, the Belarusian Union of Entrepreneurs and Leaseholders, speaks out regularly – and is listened to – arguing for transparency and predictability in legislation, or discussing taxation and business relations with the Government generally. This association is active in promoting the interests of SMEs both through promotion of SMEs in public fora and improving the capacity of SMEs to conduct private business in Belarus. Another association, the Belarusian Union of Consultants, provides support to consultants who work primarily with SMEs.

Within the Lukashenko administration, there are pockets of strong support for private business, especially small business. These are primarily the Ministry of Entrepreneurship and Investment and the Ministry of Privatization. However, knowledge of how best to foster small business growth is weak. The President and his inner circle have had an inconsistent approach to small business issues. While imposing damaging exchange controls against certain classes of non-favored enterprises (including, probably coincidentally, most small and new businesses) and referring to petty traders with derision, President Lukashenko has also stated that small and new businesses are essential to generate employment as large enterprises restructure and shed labor. In 1998, he limited

staying power, because they existed to support the self-interest of businesses and commercial interests. They were not an altruistic endeavor. The same condition pertains in Belarus today. As SMEs are created, they become an important voice for legal stability, coherence, fairness, transparency, etc.

the number of inspections a state agency may conduct at any one business to two. In March 1998, he issued a blanket decree on small-scale privatization that significantly accelerated the privatization process.

Local government leaders are often quite pragmatic and support small business needs. Several have initiated a dialogue with local small businesses on issues of common concern. The vagueness and large gaps in law leave many decisions affecting business to local government discretion. At the local government level, knowledge about how to effectively promote small business is also weak. Ironically, there appears to be little petty government corruption impeding small business in Belarus, at least compared to norms in other countries of the former Soviet Union.

Despite some positive signs, the overall attitude of the Government to small business in Belarus is mixed. At the grassroots level, the ambivalence of the Government is felt most in the insecurity small businesses face when they confront unclear, frequently changing and unpredictable policies. At the moment, for example, the greatest constraint to small business in Belarus by far is the system of currency controls and multiple exchange rates put into place by the Government in 1998. State enterprises appear to have priority over private businesses in accessing foreign currency and/or getting it at favorable rates. Small private businesses that sell imported products or import more than they export simply cannot obtain foreign currency at any sort of market rate and, as a result, are suffering badly. Some find ways to circumvent the problem, but the transaction costs and economic costs appear high. Unless there is greater appreciation in Belarus of the desirability of small business growth, and/or until small business itself is better able to advocate its interests, insecurity in the face of these unpredictable policies will continue.

Finance also appears to be a significant constraint for small businesses. Some firms do receive loans from private and even government banks. Their number, however, appears to be small. While no systematic analysis has been made of the formal and informal sources of small business finance, it is clear these sources are scattered and small.

Market-oriented business skills among small entrepreneurs are limited. Petty traders and many micro-enterprises survive on traditional skills and instincts. Others find that, all else being equal, an ability to play the system of state controls and licenses contributes as much to success as would more conventional management abilities. But business management skills are ultimately needed if the smallest enterprises are to grow and to augment locally learned abilities to navigate the system. There are only a few sources of quality business management training, such as the IFC-supported business centers. A recent Eurasia initiative to develop MBA training has promise, but will affect relatively few individuals and is likely to be beyond the reach of the key small business target group. The private consulting industry available to support businesses of any size in Belarus is much less developed than in neighboring countries.

Other Donors

The U.S. is the major source of support for private-sector restructuring programs in Belarus. In addition, the British Know-How Fund has provided substantial support to the IFC's small-business development activities, including the establishment of several business support centers throughout Belarus.

U.S. Assistance

The only economic reform program funded by USAID in Belarus is the IFC's Small-Scale Privatization Program, which USAID has been funding since 1993. IFC provides a full range of consulting, technical and legal services to cities interested in privatizing their municipally owned enterprises. About 1,500 such businesses have been privatized through direct IFC assistance, with proceeds going to community budgets to support schools, public transportation and health facilities. "Dutch auctions" (in which asset prices usually decline during the bid process) were introduced by the IFC in FY 1998 in order to speed up the privatization process. Despite the lack of progress in structural economic reforms in Belarus, the IFC's efforts have proven to be successful and have encouraged competitive practices among neighboring state-owned enterprises. Local officials and local entrepreneurs have been highly receptive to the IFC program.

In addition, the Eurasia Foundation is supporting the development of Western-style MBA programs at five Belarusian universities.²¹ During the first stage of the program, which is currently under way, grants of \$5000 have been awarded to each of the five universities to help them establish relations with foreign partners. In the second stage of this four-year program, Eurasia will fund two or three proposals for further collaboration between the Belarusian institutions and their foreign partners.

Over the period of this strategy, USAID proposes to continue support for small-scale privatization through 2000 as a first priority, and support for Eurasia Foundation activities will also continue. USAID will also initiate a modest activity to promote business skills and the development of small business advocacy. If resource levels increase, USAID would test a pilot micro-credit activity.

Building a Small-Business Constituency through Participation

The central goal of USAID/B's support for economic pluralism is to create a broad base of small businesses and small-business interest groups, and expand their influence in economic decision-making processes in Belarus. To achieve this goal, USAID/B will implement the following activities:

²¹ These include the Belarus State Economic University in Minsk, the European Humanities University (EHU) in Minsk (in collaboration with the Institute for Privatization and Management), the Institute for Management of Technology of Belarus State University (Minsk), the Belarusian Agricultural Academy (Gorky, Mogilev Region), and Grodno State University.

- Provide continued support for small-scale privatization through 2000, at which time at least 60% of small state-owned enterprises should be privatized. USAID will strongly encourage the implementing organization to identify ways to accelerate and spread this activity more cost-effectively.
- Facilitate dialogue between progressive local government leaders and the small business community on local policy issues (e.g., access to premises, property leasing and purchasing terms, etc.)
- Resources permitting, help promising business associations identify issues of common interest and advocate their positions.²²
- Encourage a regular exchange of information between small-business interest groups about developments and issues affecting small business. This would include a newsletter and a semi-annual conference, among other things.

Enhancing Business Skills

Resources permitting, USAID will assist Belarusian small businesses survive and grow by increasing the management skills of small entrepreneurs, as well as by supporting the development of a private consulting industry in Belarus. The most critically needed skills are most likely to be accounting and marketing. The main emphasis will be placed on developing basic skills for as wide an audience of small entrepreneurs as possible.

Activities will include the following:

- A modest expansion of the advisory and training activities already being performed informally by the IFC's local privatization teams. As USAID support for small-scale privatization winds down in 2000, USAID will fund the training of selected teams of trainers to enhance their training and consulting skills by piggy-backing with small business projects in Ukraine or Moldova.
- Based on the availability of funds, USAID will support proposals received in 1998 for the establishment of one or more additional business service centers in Belarus.
- USAID will make the resources of its planned Ukraine business consulting development project available to selected private Belarusian consulting firms by funding a small add-on to the Ukraine project to cover the variable cost.
- USAID will help local Belarusian independent media adapt and disseminate basic business training materials already available in Belarus (through the IFC) and in the

²² This could include up to a dozen promising local associations, such as the union of entrepreneurs and leaseholders. at this level, support may include analysis and dissemination of information on the legal environment for small business, funds for workshops and seminars, and promotional programs such as "business of the year" awards.

region (through other USAID projects such as IREX/ProMedia or Eurasia.) USAID will make similar materials available in an easily reproducible format to local consulting firms and, if appropriate, local government Entrepreneurship support centers.

- USAID will encourage participants in the Eurasia Foundation's MBA program to conduct outreach activities targeted at small businesses and their needs.

Building Awareness and Consensus

USAID will seek to build, at modest cost, awareness among influential groups and individuals of the desirability and means to encourage the growth of small and new business. The following mechanisms will be used:

- Integrating small-business success stories and information into other activities in the USAID/B portfolio, especially independent media programs, including provision of materials from USAID small business programs elsewhere in the region for use by local print and electronic media;
- Funding modest add-ons to USAID's small business projects in Ukraine or Moldova to allow selected Belarusian entrepreneurs to participate in key informational events, including regional conferences, international small business conferences, observation tours, etc.;
- Establishing linkages between Belarusian small business proponents and organizations with their counterparts in Eastern Europe and the Baltics. Linkages between the border towns of Brest and Grodno with neighboring towns in Poland could be encouraged through trade visits and regional conferences on small business development;
- Expanding public information efforts along the lines of IFC's efforts;
- Continuing support for the establishment of Western-style MBA programs at Belarusian institutions of higher learning; and
- Implementing the Belarus component of the Women's Economic Empowerment Program (WEEP) to promote small business development focused on women, greater legal literacy on economic issues, and assisting women-owned businesses by contributing to the policy debate on improving the business climate in Belarus and promoting increased business opportunities for women.

Pilot Micro-Credit Program

USAID will consider initiating a pilot program to facilitate access to credit, on market-based terms, for micro- and small enterprises in Belarus. The feasibility of micro-and

small business credit in Belarus is not clear. The EBRD has an SME line of credit operating in a few select banks, but this program is having difficulty in the current economic environment. The IFC has expressed interest in capitalizing a small business credit fund if feasibility could be demonstrated. The IFC has proposed to USAID that a small pilot program might be undertaken in Brest that would take advantage of the knowledge of that SME market through the business center established by the IFC with British Know-How funding. A full-scale feasibility study under the current economic conditions seems premature. However, resources permitting, a well-designed pilot program could offer some lessons learned about lending to SMEs in Belarus which could be implemented on a broader scale later, if and when a more stable and private business-oriented economic environment develops. This issue should be reviewed in 2000, based on the outcome of a modest pilot micro-credit effort, if implemented, and the economic conditions at that time.

Expected Results

- A larger number of small businesses and small entrepreneurs, each acting more independently of the state;
- A broad appreciation of the importance of small business among decision-makers, the media and society at large;
- A greater dialogue at the local level between government and small business over issues of common interest;
- More and/or more effective advocacy by private associations of small businesses;
- Increased business skills exercised by small businesses – either by acquired new skills or through private local consulting service providers.

Summary and Conclusion

USAID/B believes that the two wings of its program which are described in this strategy – including Democratic Pluralism and the Economic Pluralism -- will lead to the overall objective of increased better informed citizen participation in civic and economic activities.

D. Special Initiative in Health

The deteriorating health of the Belarusian population provides evidence of the failures of the former Soviet Union to protect the well-being of its citizens. Withholding of information about the Chernobyl disaster by the Communist leadership encouraged the population to reject their government. This breach of the public's trust resonates today with the people of Belarus, who see little effort by the Lukashenko Government to rectify the problems from polluting industries, a food supply that fails to meet minimum health and nutrient requirements and disregard of the environment. Moreover, the Lukashenko Government is slipping back into Communist style self-protective behavior. For example, it fails to pursue evidence that Chernobyl's radioactive contaminants continue to undermine the health of the Belarusian population.

The demographic facts in Belarus suggest a downward spiral: decreasing birth rates and increasing death rates resulting in negative population growth since 1993; declining life expectancy, notably in premature death among men, and aging of the population.

* In the 1990's the death rate increased by 25%, tragically with the largest increase among young people.

* Between 1989 and 1996, average life expectancy dropped 3.2 years; life expectancy for men is now in the early sixties.

Cardiovascular diseases, cancers, respiratory and infectious diseases are the leading causes of illness. Excessive use of alcohol and tobacco, increasing teen-age pregnancies and high rates of abortion result in serious consequences for families and communities. There is also an obvious upward trend in deaths by accident, homicide and suicide. The overall health picture is another view of a nation in crisis.

One of the country's most serious problems, the presence of radioactive contaminants in the food chain, has receded from public discussion. Nevertheless, the daily ingestion of cesium-137 (which resides in muscle tissue) and strontium-90 (which resides in human bone) will continue to be a problem for many years; the half-life of these elements is at least thirty years. The most dangerous period for strontium-90 is probably lies ahead, because it accumulates in the body and cannot be purged like cesium. No evidence suggests that the Government is effectively analyzing environmental problems and seeking solutions. There is a crisis of confidence, of fatalism, particularly in the Government, that leads to obfuscation and to steady reductions of funding for fact-finding efforts. The public, in turn, becomes afraid to probe.

The U.S. policy of Selective Engagement permits cooperative activity with the Government of Belarus in two areas which will determine the long-term future of Belarus through investment in its human resources: health and education. Young people in Belarus are seen as the hope for the nation; the well-being of children is at the top of the agenda for families, as well as for communities. The children and teenagers in Belarus are especially vulnerable to assaults on their immune systems from the many problems mentioned above. The problem of thyroid cancer among children, due to Chernobyl fallout, is well documented. Current research is highlighting other issues, most notably serious cardiovascular system problems among young people. Families experience high incidence of health problems, but lack the information and means, including adequate diets, to protect themselves. Prevention of illness, through healthy lifestyles, health education, and nutritional supplements, together with early and effective screening for illness, has not been well developed in Belarus.

The disruptions to the economy during the past year have intensified the factors undermining health. Unemployment and food shortages for such basic staples as milk and eggs are symptoms of the problems. Imported products are increasingly scarce, notably medicines, including simple anti-oxidant vitamins, and medical products and equipment.

At the same time, the demands on the weakened health system have increased dramatically.

The United States, working with WHO and international NGOs, can help make contributions to improving the health status of the population. The current program, which gives first priority to women's health, will continue. New initiatives will address needs of mothers and children, particularly by focusing on preventive health care through community level health services, with an increasing role for private organizations. Preliminary assessments of the needs and health resources in Gomel indicate potential for a community level health program. Other priorities include emergency medicine, directed at the high levels of accidental deaths, as well as analysis of existing data about environmental health risks to determine better recommendations for preventive behaviors.

Current U.S. assistance in the health sector is being provided by health partnerships between U.S. and Belarusian clinical organizations, as well as through local and international NGOs. Additional clinical partnerships will be considered, including institutions at the oblast level. The community outreach programs addressing urban and rural populations, include preventive health measures and target women and children. The effects of environmental pollutants and radioactive contaminants and their prevention will be given special attention. Health activities in Ukraine, such as the breast cancer screening program and other Chernobyl related activities will be reviewed for possible application in Belarus.

5. Roads Not Taken

The policy of Selective Engagement precludes most activities that involve the national Government. The policy excepts only health, education and humanitarian assistance. As a result, USAID staff have almost no contact with national Government officials. Because of this, there is no possibility to address policy issues, land tenure, or credit policies. Programs in major sectors such as energy, agriculture, large industry, housing, fiscal reform, capital markets, finance, public administration, natural resource management or land reform have not been considered. Progress that requires extensive action by USAID will not be feasible.

ANNEX #1

USG Assistance Activities in Belarus

American Bar Association/Central East European Law Initiative
(ABA/CEELI)

American International Health Alliance(AIHA) Hospital Partnership

Counterpart Alliance for Partnership (CAP)

Counterpart Humanitarian Assistance Program (CHAP)

Eurasia Foundation

International Finance Corporation (IFC) Small-Scale Privatization Project

International Research and Exchanges Board Promedia program (IREX/Promedia)

Volunteers in Overseas Cooperative Assistance (ACDI/VOCA)

International Republican Institute (IRI)

Women in Development (WID)

Academy of the Educational Development (AED)

Western NIS Enterprise Fund

Democracy Fund Small Grants Program (DFSGP) (USIA)

Community Connections Program (USIA)

National Endowment for Democracy (USIA)

Department of Defense Humanitarian Assistance Program

Annex #1 (Cont'd)

Current USAID Activities in Belarus

The Eurasia Foundation The Eurasia Foundation is an independent, grant-giving organization which uses public and private resources to foster the process of economic and political reform. In 1998, activities of the Eurasia Foundation in Belarus were focused on, but not limited to, the following areas: independent media, NGO development, business development and business education. Among the latest initiatives: a public awareness program and University partnership program that will partner a U.S. university with a Belarusian non-state university to develop a curriculum leading to the MBA degree.

IREX/ProMedia. USAID's grant to IREX/PROMEDIA is offering moral, technical, and legal support to the independent print media and media associations. Additionally, the IREX/PROMEDIA program provides access to foreign news service via the Internet, which broadens the scope of news available in Belarus. It has also established a photo service and text archive along with the WEB site where those services are located. Their photo service regularly supplies photos to at least 11 newspapers both in Minsk and in regions. 12 newspapers, including state-owned, are submitting their material free of charge to the IREX/ProMedia archive, which is used by many journalists for reprint and background research.

American Bar Association/Central East European Law Initiative

To strengthen local bar associations and support reform of legal education, USAID conducts workshops on rule of law, democratic procedures and institutions through the ABA/CEELI program. In the fall of 1997, together with the Brest Lawyers' Association, CEELI started a "Street Law " program which educates ordinary Belarusian citizens on citizenship skills and the rule of law. During 1997-1998, several thousand people were exposed to rule of law issues through the Street Law program.

International Republican Institute

The IRI program in Belarus is focused on the basic elements of political party building. Among the highlights of recent activities are: July '98 seminar for Belarusian political party representatives on basic outreach planning (90 representatives from Belarusian Popular Front and two from the Social-Democrat Party and United Civic Party attended) and seminar for the remains of The Parliament of 13th Convocation (9 out of 20 invited attended) with participation of lecturers from the U.S. and Ukraine. In September, IRI held a seminar for representatives of youth departments of political parties.

Counterpart Alliance for Partnership.

CAP is helping social services and public policy NGOs by offering them training on management and project design, technical assistance and seed grants. Since September '97 CAP awarded 15 grants to Belarusian NGOs, trained over 125 NGO representatives in different aspects of NGO development, and consulted individually with over 150

Belarusian NGOs. A new grant with Counterpart strengthens the NGO sector's capacity to provide needed social services to vulnerable groups, to express and protect citizens' interests in dialogue with the Government, and to promote continued democratic and economic reform.

Counterpart Humanitarian Assistance Program

Counterpart Humanitarian Assistance Program (CHAP) locates excess department of defense property at closing U.S. military bases and delivers it to hospitals, orphanages, and social services-oriented NGOs. In addition, USAID, through the State Department, continued to pay for the delivery of privately donated humanitarian assistance. During FY 1998, the United States delivered over \$10 million in humanitarian assistance to Belarus; most of that assistance was donated by private citizens and PVOs and directed to Chernobyl victims.

International Finance Corporation

Since it began in 1993, the USAID-funded small-scale privatization program, implemented through the International Finance Corporation in 14 cities, has helped transfer about 1,500 businesses to private ownership. Auction proceeds go to community budgets and are used by communities for schools, public transport and health facilities. Privatized businesses have proven successful and have encouraged competitive practices among neighboring state-owned businesses. Despite the general lack of progress on economic reform, there is a political consensus that small-scale privatization must proceed. The small-scale privatization project is one of the USG's top assistance priorities and one of the key tools we have to promote economic reform. It is also one area where the GOB and USG successfully cooperate. Because of past successes in privatization, USAID will continue to explore opportunities to support small-scale enterprise development in Belarus.

American International Health Alliance

Since 1993 USAID has supported a hospital partnership program which focuses on pediatrics, poison control, medical school curriculum development, hospital administration, and women's health. Coordinated through the American International Health Alliance, the partners are Magee Women's Hospital in Pittsburgh and the University of Pittsburgh Medical School. The Belarusian partners are the Children's Hospital No. 4, the Radiation Medicine Institute, Minsk Maternity Hospital No. 2 and the Minsk Medical Institute. At the Minsk Medical Institute incoming students will start a program of modern, problem-oriented medical education developed through the partnership. The partners are publishing new manuals, guidelines and a syllabus, which will be disseminated throughout Belarus. The partnership opened a comprehensive women's wellness center in FY98. The center provides prenatal care and infant care classes, as well as family planning services and routine women's health care.

Volunteers in Overseas Cooperative Assistance

Centrally-funded ACDI/VOCA programs in Belarus are focused on agricultural entrepreneurs, rural education and training, agricultural reform and privatization, rural environmental improvement. VOCA brings U.S. volunteers to Belarus to work with their

Belarusian counterparts. As a result of volunteers' assignments host-NGOs have increased the network of their potential partners in the US, the newsletter "Farming in Belarus" was created, a new project on farmers training was developed, the volunteers' recommendations will be included in a national land reform concept.

USG ASSISTANCE PROGRAMS IN BELARUS BY AREA

I. Democracy Programs

Program Implementor

Civic Society (NGO activity)

Eurasia Foundation
Counterpart Alliance for Partnership (CAP)
Women In Development (WID)
Democracy Fund Small Grants Program (DFSGP)
National Endowment for Democracy (NED)
American Bar Association/Central European
Initiative (ABA/CEELI)

Human Rights/ Rule of Law

CAP
DFSGP
NED
Eurasia
IREX/Promedia

Mass Media

IREX/Promedia
Eurasia
DFSGP
NED

Trade Unions

DFSGP
ABA/CEELI
Free Trade Union Institute

Political Process

International Republican Institute (IRI)
National Endowment for Democracy (NED)

Training and Exchanges

Academy of the Educational Development(AED)
Community Connections(USIA)

(Democracy Programs, cont'd)

Social Service Programs

CAP

Humanitarian Assistance

CHAP

Department of Defense HA program

American International Health Alliance(AIHA)

II. Health Programs

Counterpart Alliance for Partnership(CAP)

Counterpart Humanitarian Assistance Program(CHAP)

III. Economic Development Programs

Small Scale Privatization

International Finance Corporation(IFC)

Business Support Centers/Business Training

Eurasia

IFC

Volunteers in Overseas

Cooperative Assistance (ACDI/VOCA)

Economics Education and Research

Eurasia

Assistance to Farmers

ACDI/VOCA

Eurasia

Annex # 2. Additional Economic Indicators

Some additional economic indicators that help describe the overall state of the economy of Belarus are given below:

- **Economic Profitability in the industrial sector:** According to official statistics, 20% of the country's industrial enterprises operated at a loss for much of 1998. Many observers feel this number was substantially higher.
- **Economic Profitability in the agricultural sector:** According to some studies, total agricultural output has dropped since independence, by perhaps 15 to 20%. (Opposition sources, however, suggest a much greater fall in overall agricultural production, approaching 60 to 70% of the production levels circa 1991.) Since 1991, livestock production has decreased substantially, with a growing emphasis upon grain production, in an attempt to achieve self-sufficiency. This appears to be a move to produce lower value products, ignoring Belarus's small comparative advantage in the area of livestock production.
- **Foreign Exchange Regime.** The World Bank reports that the foreign exchange regime remains hostile both to importers and exporters.
- **Prices and Margins** are controlled. Making it extremely difficult for producers to earn a profit in Belarus, according to the World Bank.
- **Foreign Direct Investment:** International data suggests that inflows of foreign direct investment have been very low. According to the European Bank for Reconstruction and Development, FDI has been decreasing since 1995, and investment per head from 1986-96 was a mere \$16.
- **External debt:** According to official Government statistics, the external debt is more than \$1.0 billion, or more than 8% of GDP.
- **The trade deficit and current account deficit:** The trade deficit is the driving force behind Belarus's current-account deficit, which has been slowly widening as a percentage of GDP for the past two years.
- **Foreign Currency Reserves.** The recommended minimum foreign currency reserve is for a country to have sufficient foreign exchange to cover no less than two months of imports. Belarus's foreign currency reserves currently stand at about 12 days, which is dangerously low. Thus, the policy of the National Bank of Belarus of maintaining an over-valued currency seems unsustainable as foreign currency reserves can be expected to fall further.

- **GDP** some estimates suggest that if the private informal economy were included, the private sector could account for 40% of the GDP. In terms of employment, by early 1998, approximately 25% of the workforce was thought to be employed in the private sector.
- **GDP exposure:** This indicator describes the proportion of GDP which is exposed to the Russian economy through exports, or in other words, the percent of exports to Russia multiplied by the percent of exports as a component of GDP. Based on this calculation, more than a third of Belarus's economy is exposed to the Russian economy through exports, which is by far the highest exposure of any FSU country.

The International donor community is losing patience with Belarus. In 1996, the IMF and WB suspended further credits, in view of Belarus's refusal to implement economic reforms, although it appears that a World Bank Resident Representative may return to Minsk sometime in the late summer. TACIS has placed their 5.0 mil ECU Civil Society Project on hold. The British Government's Know How fund does not plan to continue after July, 1999.

Per Capita Income verses Purchasing Power Parity: During 1998, per capita income officially remained at approximately \$1,100, but according to the State Department's Human Rights report, "in reality was probably much lower." At the same time, an individual's Purchasing Power Parity, (PPP) in Belarus was pegged at \$4,398 for 1998 in an independent study funded by USAID.²³ In terms of PPP, this would place Belarus in the top 25% among the countries of the Former Soviet Union, (or 6th out of 24 countries). Purely on a basis of PPP, it would put Belarus ahead of its three Baltic neighbors, Latvia, Estonia, and Lithuania,²⁴ all of which appear on the surface to have much stronger and more dynamic economies than Belarus. The structural reasons behind the apparent differences between the per capita income and the PPP merit further study. Among other things, the seemingly high PPP figure may reflect various government subsidies to food, housing, utilities, and other consumption items. In the current economic climate in which Belarus finds itself, such a relatively high PPP figure does not appear to be sustainable.

The Economist Intelligence Unit is projecting an economic contraction of 5% in the Russian economy, resulting in decreased competitiveness of Belarusan goods on the Russian markets, leading to an increased stock of unsold goods in Belarus, contributing to further unemployment. The IMF, for its part, estimates that the Russian economy will contract by ten percent and Russia's imports will decline by twelve to fifteen percent. The IMF's illustrative scenario may be a conservative estimate of the magnitude of the economic impact, because they exclude other possible adverse consequences such as

²³ Freedom House, Nations in Transit,

²⁴ For purposes of further comparison, Ukraine's PPP was pegged at \$2,361 in 1998, while Russia's was placed at \$6,140 in the same study.

falling commodity prices, or other major devaluations among the countries of the region. Based on their scenario, the IMF estimates that the direct effect of the Russian crisis will be three percent less growth on average for the economies they studied in 1998 and 1999. Current account deficits will increase on average by roughly two percent of GDP. In addition, the adverse balance of payments impact will be equivalent to thirty percent of the countries' holdings of foreign exchange reserves at end-July, 1998.²⁵

²⁵ These predictions were somewhat generic, and not made specifically for Belarus. Thus, the consequences for Belarus could be worse, or better.

Annex #3

Belarus Strategy for Women in Development

As a result of Belarus' stagnant economic situation, many factories have either laid off large numbers of employees or ceased production altogether, operate at reduced hours, or are several months behind in wage payments. The economic crisis in Russia is aggravating this already critical situation, and inflation is on the increase, while the value of the Belarusian ruble is steadily decreasing.

Women, who are often the primary support for an extended family, are most affected by these economic problems. Statistics show that women are more highly educated, more adaptable to change, and more interested retraining than their male counterparts. In spite of this, however, women are generally in positions of lesser authority and power, their salaries are lower than those of men in similar positions, and they are the last to be hired and the first to be laid off.

The Women in development (WID) construct plays a major cross-cutting role in contributing toward the goal of supporting development of democracy and free markets in the Belarus strategy. Future activities will be designed around the objective of bringing women together to solve problems that are important to their daily lives. In that way, WID activities will contribute to all three aspects of the strategy, *economic pluralism, democratic transitions, and social sector participation.*

In terms of *economic pluralism*, women's programs will be active in small scale privatization, and small and medium enterprise (SME) development interventions. Many of the small scale enterprises that have been privatized under the Small Scale Privatization Project have women owners, managers, and/or employees, located in more than 15 smaller cities across Belarus. Efforts to identify them, and then involve them in an organized fashion in businesswomen's associations, including those in Poland and Lithuania, will be pursued, consistent with the political and economic climate for private business in Belarus.

In terms of *democratic transitions*, with emphasis on NGO support, WID programs will be involved in three areas:

- a.) Development of *civil society*, promoting human rights, rule of law, independent media, and western-style trade unions.
- b.) *Community development at the local level.* We see the greatest opportunities for impact of belarusian women's activism here, for the near term.
- c.) *Social services.* Women's groups are currently especially motivated to be active in areas such as improving health, environmental conscious-raising, as well as the traditional charity/humanitarian area.

In terms of *social sector participation*, which in Belarus will necessarily entail involvement with the public sector, WID programs will be active in two areas:

- a.) *health initiatives*, under the health partnerships, such as the Women's Wellness Center, or under possible new Chernobyl activities; and
- b.) *education and training*.

The women's movement in Belarus is considerably less developed than the women's movement in Ukraine. NGO development has been thwarted and fragmented. Contact with the west, and even with other parts of Eastern Europe and the former Soviet Union have been minimal, fostering a deep sense of isolation. And of course political freedoms have been very constrained, all this within the context of a severe economic crisis.

In an informal survey of a number of thoughtful spokespersons for the women's movement in Belarus, the following sense of priorities emerged:

- The highest priority should be given the women's programs built around the theme of improving **health**, (including health concerns about Chernobyl and environmental degradation, and about preventing and combating domestic violence.) (However, the group stated quite clearly that trafficking in women is not considered at the present time to be a serious problem in Belarus.)
- High priority should also be given to targeting activities in the various **regions** of Belarus, away from the largest metropolitan areas, in order to develop a broader base of activity. Many activities to date have focused on Minsk and Brest.
- Priority should also be given to **improving the lives of ordinary Belarusian female factory workers**. Technical assistance for trade unions, reformed the western model will target this group.
- Priority should be given to **targeting young women**, to broaden their knowledge of the many different types of work and careers, apart from current stereotypes, that could be available to them. For example, most women even regard work as a computer specialist to be man's job.

In contrast, *low* priority was sensed for the following:

- For the foreseeable future, allocating WID resources to **reform legislation** relating to the status of women would be a **very low priority**. All felt that legislative activity currently in Belarus was a non-starter and lacked legitimacy, and efforts would be unlikely to produce meaningful results.

Therefore, a WID strategy should focus on improving women's health, especially in the regions, and especially targeting young women and/or ordinary working women. In addition, the WID strategy should contain activities that will help such women improve

their lives and raise their awareness of other jobs and careers open to European women at the beginning of the 21st century. Women's groups provide the opportunity for leadership, training, exposure to broader horizons, as well as civic activism.

Principal WID Mechanisms

The WNIS Women's Economic Empowerment Initiative was launched in February 1999. A wide range of women's leadership, skills development, and entrepreneurship (in the broadest sense of the term) activities will be funded under this new program, including linkages with women's movements in Ukraine, Poland, and the United States. To date \$100,000 has been obligated for Belarus WID programs. Once the program gets underway, additional funding should be made available. The contractor/grantee is Winrock International, which in turn has subcontracted to ACDI/VOCA, which already has an established presence in Minsk. Winrock supports the NIS-US Women's Consortium, and several Belarusian women's NGOs belong to the Consortium, and have benefited from information exchanges, and women's leadership workshops.

The Health Partnerships Program, through the American International Health Alliance (AIHA), provides a sustainability grant to the Women's Wellness Center in a major public sector hospital in Minsk, to finance seminars, conferences, and curriculum module development, as well as the creation of a satellite women's wellness center outside the capital. The U.S. partners are the Magee Women's Hospital in Pittsburgh and the University of Pittsburgh Medical School. Two additional partnerships will be developed over the next three years. It is anticipated that one of the partnerships will focus on primary care, and the other on emergency medicine. However, linkages between the Women's Wellness Center and women's groups in Belarus need to be forged, if women's health is to become a major theme of the WID strategy for Belarus, as major women's NGOs in Belarus are apparently unaware of the Women's Wellness Center.

The Counterpart Alliance Program provides training to strengthen social service and advocacy NGOs as well as seed grants, with particular focus on the disabled, elderly, and children. Many NGO leaders and employees who benefit from CAP programs are women.

Central East European Law Initiative (ABA/CEELI) will have two women American lawyers resident in Minsk through spring 2000. ABA will continue to work with the Association of Women Lawyers (based in Brest), as well as other groups, to promote rule of law and human rights, as well as assist women interested in advocating for health and environmental rights.

Eurasia Foundation and USIS Democracy Commission seed grants will be harmonized to the Belarus WID strategy to provide support, as possible, to organizations and activities that support the strategy.

RESOURCE REQUEST BELARUS - Higher level

Budget Breakdown By Project FY 1999 2001

(Thousands of Dollars)

Project No	Strategic Objective	PROJECT COMPONENTS	FY 99 Budget	FY 00 Request	FY 01 Request
110-0001		Special Initiatives			
	2 1	1 1 0 EMERGENCY HUMANITARIAN ASSISTANCE	300		
		1 4 Pharmaceuticals Vaccines Supply			
		1 8 Humanitarian Transport (632a)			
	2 1	1 2 2 TECH SUPPORT / PROG DEV SUPPORT	550	600	650
		Sub Total	850	600	650
110-0002		Energy			
		2 1 Pricing and National Policy			
		2 2 District Heating & Energy Efficiency			
		2 2 Energy Efficiency (OER)			
		2 2 Energy Efficiency (ODST)			
		2 3 Energy Subsector Restructuring			
		3 2 Privatization and Restructuring			
		2 4 Nuclear Safety (EBRD Part)			
		2 6 Program Design and Management			
		Sub Total	0	0	0
110-0003		Environment			
		3 1 Environmental Policy & Institution Building			
		1 3 Credit Facility Environmental Activity			
		1 4 Tech Coop for Environmental Improvement			
		3 2 Health Risks			
		3 3 Public Awareness & Environmental Accountability			
		3 5 Natural Resource Management & Biodiversity			
		3 6 Program Design and Management			
		Sub Total	0	0	0
110-0004		Health Care			
	4 1	4 1 Medical Partnerships	600	700	1 000
		4 2 Vaccines & Pharmaceutical Security			
		4 3 Health Monitoring			
		4 4 Finance and Service Delivery Alternatives			
	4 1	4 5 Women s Health/Family Planning		100	300
		4 6 Program Design and Management			
		Sub Total	600	800	1 300
110-0005		Private Sector			
	2 1	5 1 Privatization	1 320	1 200	1 200
		5 2 Land Markets			
		5 3 Capital Markets			
		5 4 Public Education for Free Market			
	2 1	5 5 Post Privatization Assistance to Enterprises		300	500
		5 6 Policy Legal and Regulatory Reform			
		5 7 Small and New Business			
		5 9 Program Design and Management			
		Sub Total	1 320	1 500	1 700
110-0006		Food Systems			
		6 1 Storage System			
		6 2 Marketing Efficiency			
		6 3 Agribusiness Partnerships			
		6 5 Program Design and Management			
		Sub Total	0	0	0

Project No	Strategic Objective	PROJECT COMPONENTS	FY 99 Budget	FY 00 Request	FY 01 Request
110-0007		Democratic Reform			
	2 1	7 1 Political Process			250
	2 1	7 2 Rule of Law			
		2 1 Rule of Law	330	200	
		7 3 Public Administration / Local Government			
	2 1	7 4 1 Civil Society (PVO/NGO)	450	600	1 500
	2 1	7 4 2 NGO/PVO Network	250	500	1 000
	2 1	7 5 Independent Media	550	500	500
		7 6 Program Design and Management			
		Sub Total	1 580	1 800	3 250
110-0008		Housing			
		8 1 Market based Housing Sector			
		8 3 Program Design and Management			
		Sub Total	0	0	0
110-0009		Economic Restructuring			
		9 1 Fiscal Reform			
		1 1 Fiscal Activities			
		1 2 Treasury			
		9 2 Financial Sector Reform			
		2 1 Financial Sector TA/Monetary			
		2 2 Financial Sector Training			
		2 3 Financial/Monetary System (FSVC)			
		9 3 Market Environment			
		3 1 Market Environment (SO 1 3)			
		3 1 Market Environment (SO 1 4)			
		3 1 Market Environment Social Sector Restr			
		9 4 Program Design and Management			
		9 4 Program Design and Management (SO 1 2)			
		9 4 Program Design and Management (SO 1 4)			
		9 4 Program Design and Management (SO 1 3)			
		9 4 Program Design and Management (SO 3 2)			
		Sub Total	0	0	0
110-0010		Eurasia Foundation			
	2 1	10 0 Eurasia Foundation	1 000	1 300	1 500
		10 Eurasia Housing Support			
		Sub Total	1 000	1 300	1 500
110-0011		11 1 W/NIS Enterprise Fund			
		Sub Total		0	0
110-0012		Exchanges & Training			
	2 1	12 1 Participant Training	100		
		Sub Total	100	0	0
		All Project Total	5 450	6 000	8 400
		632a Transfers			
		Humanitarian Transport	500	500	
		Law Enforcement			
		Direct Trade and Investment Commerce	30		
		Partnerships USIA	1 300	1 000	1 000
		Training and Exchanges USIA	2 500	3 000	3 000
		Volunteers Peace Corps			
		Other Transfers			
		Sub Total	4 330	4 500	4 000
		Transfers to Other USAID Bureaus			
		COUNTRY TOTAL	9 780	10 500	12 400

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Belarus FY 1999 - FY 2001 Budget Summary Sheet
STRATEGIC ASSISTANCE AREAS
 (Thousands of Dollars)

Higher level

	FY 99 Budget	FY 00 Request	FY 01 Request
ASSISTANCE AREA			
2 Civic Participation	4,850	5,200	7,100
4 Special Initiatives	600	800	1,300
SAA GRAND TOTAL	5,450	6,000	8,400
Transfers/Allocations	4,330	4,500	4,000
Grand Total	9,780	10,500	12,400

Belarus FY 1999 - FY 2001 Budget Summary Sheet
STRATEGIC ASSISTANCE AREAS
 (SAA in Percent)

	FY 99 Budget	FY 00 Request	FY 01 Request
ASSISTANCE AREA			
2 Civic Participation	89.0%	86.7%	84.5%
4 Special Initiatives	11.0%	13.3%	15.5%
SAA GRAND TOTAL	100.0%	100.0%	100.0%

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STRATEGIC ASSISTANCE AREA 2 CITIZEN PARTICIPATION IN POLITICAL PROCESS

Increased & better informed citizens' participation in civic activity & the private economy

BELARUS STRATEGIC OBJECTIVE	FY 1999 Budget	FY 2000 Budget	FY 2001 Budget
2.1 Citizen Participation in civic and economic activity			
2.1.1 Emergency Humanitarian Assistance	300		
5.1 Privatization	1 320	1 200	1 200
5.5 Post Privatization Assistance		300	500
7.1 Political Process			250
7.1.1 Rule of Law	330	200	
7.1.1.1 Civil Society (NGO/PVO)	450	600	1 500
7.1.2 NGO Network	250	500	1 000
7.1.3 Independent Media	550	500	500
10.0 Eurasia Foundation	1 000	1 300	1 500
1.1.1 Participant Training	100		
1.1.2 Technical Support & PD&S	550	600	650
Sub total, 2.1 (USAID only)	4 850	5 200	7 100
ASSISTANCE AREA Belarus 2 TOTAL	4 850	5 200	7 100

STRATEGIC ASSISTANCE AREA 4 SPECIAL INITIATIVES

BELARUS STRATEGIC OBJECTIVE	FY 1999 Budget	FY 2000 Budget	FY 2001 Budget
4.1 Special Initiatives			
4.1.1 Medical Partnerships	600	700	1 000
4.1.5 Women's Health / Family Planning	0	100	300
Sub total, 4.1 (USAID only)	600	800	1 300
632 Transfer - Humanitarian Transport	500	500	
632 Transfer - Peace Corps			
637 Transfer - Commerce	30		
637 Transfer - USIA Training & Exchanges	2 500	3 000	3 000
637 Partnerships	1 300	1 000	1 000
Other Transfers			
Transfers Total	4 330	4 500	4 000
ASSISTANCE AREA Belarus 4 TOTAL	4 930	5 300	5 300

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RESOURCE REQUEST BELARUS - Low level

Budget Breakdown By Project -- FY 1999 2001
(Thousands of Dollars)

Project No	Strategic Objective	PROJECT COMPONENTS	FY 99 Budget	FY 00 Request	FY 01 Request
110-0001		Special Initiatives			
	2 1	1 1 0 EMERGENCY HUMANITARIAN ASSISTANCE	300		
		1 4 Pharmaceuticals Vaccines Supply			
		1 3 Humanitarian Transport (632a)			
	2 1	1 2 2 TECH SUPPORT PROG DEV SUPPORT	550	600	600
		Sub Total	850	600	600
110-0002		Energy			
		2 1 Pricing and National Policy			
		2 2 District Heating & Energy Efficiency			
		2 2 Energy Efficiency (OER)			
		2 2 Energy Efficiency (ODST)			
		2 3 Energy Subsector Restructuring			
		3 2 Privatization and Restructuring			
		2 4 Nuclear Safety (EBRD Part)			
		2 6 Program Design and Management			
		Sub Total	0	0	0
110-0003		Environment			
		3 1 Environmental Policy & Institution Building			
		1 3 Credit Facility Environmental Activity			
		1 4 Tech Coop for Environmental Improvement			
		3 2 Health Risks			
		3 3 Public Awareness & Environmental Accountability			
		3 5 Natural Resource Management & Biodiversity			
		3 6 Program Design and Management			
		Sub Total	0	0	0
110-0004		Health Care			
	4 1	4 1 Medical Partnerships	600	700	700
		4 2 Vaccines & Pharmaceutical Security			
		4 3 Health Monitoring			
		4 4 Finance and Service Delivery Alternatives			
	4 1	4 5 Women s Health/Family Planning		100	100
		4 6 Program Design and Management			
		Sub Total	600	800	800
110-0005		Private Sector			
	2 1	5 1 Privatization	1 320	1 200	1 200
		5 2 Land Markets			
		5 3 Capital Markets			
		5 4 Public Education for Free Market			
	2 1	5 5 Post Privatization Assistance to Enterprises		300	300
		5 6 Policy Legal and Regulatory Reform			
		5 7 Small and New Business			
		5 9 Program Design and Management			
		Sub Total	1 320	1 500	1 500
110-0006		Food Systems			
		6 1 Storage System			
		6 2 Marketing Efficiency			
		6 3 Agribusiness Partnerships			
		6 5 Program Design and Management			
		Sub Total	0	0	0

Project No	Strategic Objective	PROJECT COMPONENTS	FY 99 Budget	FY 00 Request	FY 01 Request
110-0007		Democratic Reform			
	2 1	7 1 Political Process			200
	2 1	7 2 Rule of Law			
		2 1 Rule of Law	330	200	
		7 3 Public Administration Local Government			
	2 1	7 4 1 Civil Society (PVO/NGO)	450	600	600
	2 1	7 4 2 NGO/PVO Network	250	500	500
	2 1	7 5 Independent Media	550	500	500
		7 6 Program Design and Management			
		Sub Total	1 580	1 800	1 800
110-0008		Housing			
		8 1 Market based Housing Sector			
		8 3 Program Design and Management			
		Sub Total	0	0	0
110-0009		Economic Restructuring			
		9 1 Fiscal Reform			
		1 1 Fiscal Activities			
		1 2 Treasury			
		9 2 Financial Sector Reform			
		2 1 Financial Sector TA/Monetary			
		2 2 Financial Sector Training			
		2 3 Financial/Monetary System (FSVC)			
		9 3 Market Environment			
		3 1 Market Environment (SO 1 3)			
		3 1 Market Environment (SO 1 4)			
		3 1 Market Environment Social Sector Restr			
		9 4 Program Design and Management			
		9 4 Program Design and Management (SO 1 2)			
		9 4 Program Design and Management (SO 1 4)			
		9 4 Program Design and Management (SO 1 3)			
		9 4 Program Design and Management (SO 3 2)			
		Sub Total	0	0	0
110-0010		Eurasia Foundation			
	2 1	10 0 Eurasia Foundation	1 000	1 300	1 300
		10 Eurasia Housing Support			
		Sub Total	1 000	1 300	1 300
110-0011		11 1 W/NIS Enterprise Fund			
		Sub Total		0	0
110-0012		Exchanges & Training			
	2 1	12 1 Participant Training	100		
		Sub Total	100	0	0
		All Project Total	5 450	6 000	6 000
		632a Transfers			
		Humanitarian Transport	500	500	
		Law Enforcement			
		Direct Trade and Investment Commerce	30		
		Partnerships USIA	1 300	1 000	1 000
		Training and Exchanges USIA	2 500	3 000	3 000
		Volunteers Peace Corps			
		Other Transfers			
		Sub Total	4 330	4 500	4 000
		Transfers to Other USAID Bureaus			
		COUNTRY TOTAL	9 780	10 500	10 000

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Belarus - FY 1999 - FY 2001 Budget Summary Sheet
STRATEGIC ASSISTANCE AREAS
 (Thousands of Dollars)

Low Level

	FY 99 Budget	FY 00 Request	FY 01 Request
ASSISTANCE AREA			
2 Civic Participation	4,850	5,200	5,200
4 Special Initiatives	600	800	800
SAA GRAND TOTAL	5,450	6,000	6,000
Transfers/Allocations	4,330	4,500	4,000
Grand Total	9,780	10,500	10,000

Belarus - FY 1999 - FY 2001 Budget Summary Sheet
STRATEGIC ASSISTANCE AREAS
 (SAA in Percent)

	FY 99 Budget	FY 00 Request	FY 01 Request
ASSISTANCE AREA			
2 Civic Participation	89 0%	86 7%	86 7%
4 Special Initiatives	11 0%	13 3%	13 3%
SAA GRAND TOTAL	100 0%	100 0%	100 0%

STRATEGIC ASSISTANCE AREA 2 CITIZEN PARTICIPATION IN POLITICAL PROCESS

Increased & better informed citizens participation in civic activity & the private economy

BELARUS STRATEGIC OBJECTIVE	FY 1999 Budget	FY 2000 Budget	FY 2001 Budget
2 1 Citizen Participation in civic and economic activity			
1 1 Emergency Humanitarian Assistance	300		
5 1 Privatization	1 320	1 200	1 200
5 2 Post Privatization Assistance		300	300
7 1 Political Process			200
Rule of Law	330	200	
7 4 1 Civil Society (NGO/PVO)	450	600	600
7 4 2 NGO Network	250	500	500
7 5 Independent Media	550	500	500
10 0 Eurasia Foundation	1 000	1 300	1 300
12 1 Participant Training	100		
1 - Tech Support & PD&S	550	600	600
Sub-total, 2 1 (USAID only)	4 850	5 200	5 200
ASSISTANCE AREA Belarus 2 TOTAL	4 850	5 200	5 200

STRATEGIC ASSISTANCE AREA 4 SPECIAL INITIATIVES

BELARUS STRATEGIC OBJECTIVE	FY 1999 Budget	FY 2000 Budget	FY 2001 Budget
4 1 Special Initiatives			
4 1 Medical Partnerships	600	700	700
4 5 Women's Health Family Planning	0	100	100
Sub total, 4 1 (USAID only)	600	800	800
63 Transfer Humanitarian Transport	500	500	
63 Transfer Peace Corps			
63 Transfer Commerce	30		
632 Transfer USIA Training & Exchanges	2 500	3 000	3 000
632 Partnerships	1 300	1 000	1 000
Other Transfers			
Transfers Total	4 330	4 500	4 000
ASSISTANCE AREA Belarus 4 TOTAL	4 930	5 300	4 800

RESOURCE REQUEST BELARUS - Low level

Budget Breakdown By Project - FY 1999 2001
(Thousands of Dollars)

Project No	Strategic Objective	PROJECT COMPONENTS	FY 99 Budget	FY 00 Request	FY 01 Request
110-0001		Special Initiatives			
	2 1	1 1 0 EMERGENCY HUMANITARIAN ASSISTANCE	300		
		1 4 Pharmaceuticals Vaccines Supply			
		1 8 Humanitarian Transport (632a)			
	2 1	1 2 2 TECH SUPPORT / PROG DEV SUPPORT	550	600	600
		Sub Total	850	600	600
110-0002		Energy			
		2 1 Pricing and National Policy			
		2 2 District Heating & Energy Efficiency			
		2 2 Energy Efficiency (OER)			
		2 2 Energy Efficiency (ODST)			
		2 3 Energy Subsector Restructuring			
		3 2 Privatization and Restructuring			
		2 4 Nuclear Safety (EBRD Part)			
		2 6 Program Design and Management			
		Sub Total	0	0	0
110-0003		Environment			
		3 1 Environmental Policy & Institution Building			
		1 3 Credit Facility Environmental Activity			
		1 4 Tech Coop for Environmental Improvement			
		3 2 Health Risks			
		3 3 Public Awareness & Environmental Accountability			
		3 5 Natural Resource Management & Biodiversity			
		3 6 Program Design and Management			
		Sub Total	0	0	0
110-0004		Health Care			
	4 1	4 1 Medical Partnerships	600	700	700
		4 2 Vaccines & Pharmaceutical Security			
		4 3 Health Monitoring			
		4 4 Finance and Service Delivery Alternatives			
	4 1	4 5 Women s Health/Family Planning		100	100
		4 6 Program Design and Management			
		Sub Total	600	800	800
110-0005		Private Sector			
	2 1	5 1 Privatization	1 320	1 200	1 200
		5 2 Land Markets			
		5 3 Capital Markets			
		5 4 Public Education for Free Market			
	2 1	5 5 Post Privatization Assistance to Enterprises		300	300
		5 6 Policy Legal and Regulatory Reform			
		5 7 Small and New Business			
		5 9 Program Design and Management			
		Sub Total	1 320	1 500	1 500
110-0006		Food Systems			
		6 1 Storage System			
		6 2 Marketing Efficiency			
		6 3 Agribusiness Partnerships			
		6 5 Program Design and Management			
		Sub Total	0	0	0

Project No	Strategic Objective	PROJECT COMPONENTS	FY 99 Budget	FY 00 Request	FY 01 Request
110-0007		Democratic Reform			
	2 1	7 1 Political Process			200
	2 1	7 2 Rule of Law			
		2 1 Rule of Law	330	200	
		7 3 Public Administration / Local Government			
	2 1	7 4 1 Civil Society (PVO/NGO)	450	600	600
	2 1	7 4 2 NGO/PVO Network	250	500	500
	2 1	7 5 Independent Media	550	500	500
		7 6 Program Design and Management			
		Sub Total	1 580	1 800	1 800
110-0008		Housing			
		8 1 Market based Housing Sector			
		8 3 Program Design and Management			
		Sub Total	0	0	0
110-0009		Economic Restructuring			
		9 1 Fiscal Reform			
		1 1 Fiscal Activities			
		1 2 Treasury			
		9 2 Financial Sector Reform			
		2 1 Financial Sector TA/Monetary			
		2 2 Financial Sector Training			
		2 3 Financial/Monetary System (FSVC)			
		9 3 Market Environment			
		3 1 Market Environment (SO 1 3)			
		3 1 Market Environment (SO 1 4)			
		3 1 Market Environment Social Sector Restr			
		9 4 Program Design and Management			
		9 4 Program Design and Management (SO 1 2)			
		9 4 Program Design and Management (SO 1 4)			
		9 4 Program Design and Management (SO 1 3)			
		9 4 Program Design and Management (SO 3 2)			
		Sub Total	0	0	0
110-0010		Eurasia Foundation			
	2 1	10 0 Eurasia Foundation	1 000	1 300	1 300
		10 Eurasia Housing Support			
		Sub Total	1 000	1 300	1 300
110-0011		11 1 W/NIS Enterprise Fund			
		Sub Total		0	0
110-0012		Exchanges & Training			
	2 1	12 1 Participant Training	100		
		Sub Total	100	0	0
		All Project Total	5 450	6 000	6 000
		632a Transfers			
		Humanitarian Transport	500	500	
		Law Enforcement			
		Direct Trade and Investment Commerce	30		
		Partnerships USIA	1 300	1 000	1 000
		Training and Exchanges USIA	2 500	3 000	3 000
		Volunteers Peace Corps			
		Other Transfers			
		Sub Total	4 330	4 500	4 000
		Transfers to Other USAID Bureaus			
		COUNTRY TOTAL	9 780	10 500	10 000

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Belarus - FY 1999 FY 2001 Budget Summary Sheet
STRATEGIC ASSISTANCE AREAS
 (Thousands of Dollars)

Low Level

	FY 99 Budget	FY 00 Request	FY 01 Request
ASSISTANCE AREA			
2 Civic Participation	4,850	5,200	5,200
4 Special Initiatives	600	800	800
SAA GRAND TOTAL	5,450	6,000	6,000
Transfers/Allocations	4,330	4,500	4,000
Grand Total	9,780	10,500	10,000

Belarus FY 1999 FY 2001 Budget Summary Sheet
STRATEGIC ASSISTANCE AREAS
 (SAA in Percent)

	FY 99 Budget	FY 00 Request	FY 01 Request
ASSISTANCE AREA			
2 Civic Participation	89.0%	86.7%	86.7%
4 Special Initiatives	11.0%	13.3%	13.3%
SAA GRAND TOTAL	100.0%	100.0%	100.0%

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STRATEGIC ASSISTANCE AREA 2 CITIZEN PARTICIPATION IN POLITICAL PROCESS

Increased & better informed citizens' participation in civic activity & the private economy

BELARUS STRATEGIC OBJECTIVE	FY 1999 Budget	FY 2000 Budget	FY 2001 Budget
2.1 Citizen Participation in civic and economic activity			
2.1.1 Emergency Humanitarian Assistance	300		
5.1 Privatization	1 320	1 200	1 200
5.5 Post Privatization Assistance		300	300
7.1 Political Process			200
7.1.1 Rule of Law	330	200	
7.4.1 Civil Society (NGO/PVO)	450	600	600
7.4.2 NGO Network	250	500	500
7.5 Independent Media	550	500	500
10.0 Eurasia Foundation	1 000	1 300	1 300
12.1 Participant Training	100		
1.2.1 Tech Support & PD&S	550	600	600
Sub total, 2.1 (USAID only)	4 850	5 200	5 200
ASSISTANCE AREA Belarus 2 TOTAL	4 850	5 200	5 200

STRATEGIC ASSISTANCE AREA 4 SPECIAL INITIATIVES

BELARUS STRATEGIC OBJECTIVE	FY 1999 Budget	FY 2000 Budget	FY 2001 Budget
4.1 Special Initiatives			
4.1.1 Medical Partnerships	600	700	700
4.5 Women's Health Family Planning	0	100	100
Sub total, 4.1 (USAID only)	600	800	800
632 Transfer Humanitarian Transport	500	500	
632 Transfer Peace Corps			
632 Transfer Commerce	30		
632 Transfer USIA Training & Exchanges	2 500	3 000	3 000
632 Partnerships	1 300	1 000	1 000
Other Transfers			
Transfers Total	4 330	4 500	4 000
ASSISTANCE AREA Belarus 4 TOTAL	4 930	5 300	4 800

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