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**Barents Group of KPMG Consulting and  
The Center for Institutional Reform and the Informal Sector (IRIS)  
Contract No. PCE-I-00-00-00014, TO No. 803  
Improvement of Economic Policy Through Think Tank Partnerships  
USAID/Moscow  
Annual Report  
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## Introduction

Overall, the first year of the Think Tanks Partnership Program was a success. We awarded the first round of grants, including three full partnership grants and five partnership development grants. These grants benefit 16 think tanks in the Russia and Eastern Europe region and involve six Western think tanks as partners. We also began the second round competition with an approved grants manual and an RFA that was revised based on first-round experience to make the second round administration much more efficient. The Executive Board had two full meetings, and there were several other meetings of key Executive Board members during the year. We had several meetings, formal and informal, with think tank representatives to introduce the program and answer questions. The formal meetings took place in Russia, Poland, and Romania. The program's website was launched and continues to be developed. The program itself has become quite well-known in the region, and we frequently receive inquiries from interested participants.

We also began work on the other items in our scope of work. We presented two training sessions on cost-benefit analysis, organized a policy roundtable (which took place at the very beginning of the second year), and began organizing our first conference. We also did the planning for several other events to occur in the second year.

In this report, we present a summary matrix of accomplishments in the first year according to task order items. We then highlight the activities so far of the full partnerships awarded grants in the first round. We then discuss some of the plans for the upcoming year. The final section presents the second year workplan. The financial report for year one is in Annex I and the budget estimates for year two is in Annex II.

## Summary Matrix

Task	Time Period	Task Status
Establish criteria for the selection of think tanks from Russia, Eastern Europe and the U.S. with experience in similar areas of economic policy research	December 2001 January and February 2002	Initial phase completed at the Executive board meeting in Vatutinki, December 9, 2001. Further discussion with AID/Moscow and Program Board members took place in January 2002. Criteria further defined for second RFA in June 2002.
Define eligible entities Clarify w USAID on bi-lateral partnerships, use of W European experts.	December 2001 – January 2002	Eligible entities defined as Russian, Eastern European, US, and Western European (as clarified by USAID) Think Tanks. Eligibility criteria further refined for second RFA in June 2002.

Establish Moscow program office	December 2001 – January 2002	Office established
Establish database of think tanks, university economics departments and multiplier entities	December 2001-January 2002	Database of Russian Think Tanks established. Further work in January on US and Eastern European Think Tanks.
Develop a list of priority of topics (thematic focus) for the activity	December 2001	Thematic focus established, including addition of one topic at the request of USAID. Thematic focus reconfirmed with USAID in June 2002 for second RFA.
Develop web page	January – March 2002	Web page domain name, <a href="http://www.ttp.info">www.ttp.info</a> , purchased. Page launched on 2/14/02.
Develop procedures and format for working papers series	Postponed while waiting for first outputs from grantees	Procedures and format to be developed based on current IRIS working paper series, anticipated completion date is mid-November 2002.
Produce and distribute program announcement to think tanks in Russia, US, and Eastern Europe	December 21, 2001	Program announcement for first round released for publication on December 27, 2001. Announcement for second round released in June 2002.
Produce RFP for solicitation of grant proposals	February 2002 Draft 12/21 2 <sup>nd</sup> draft Draft to USAID 1/15/02  Distributed 2/01/02 Proposals due 3/29/02  Grant Cycle 2: RFA Distributed on 6/22/02 Proposals due 10/29/02	Draft RFA and RFA circulation procedures were discussed with Executive Board members and agreed upon with AID/Moscow in January 2002.  2 <sup>nd</sup> Draft of RFA sent to USAID on 1/15/02 RFA released on 2/01/02  Revisions discussed with AID/Moscow in June 2002. RFA approved by USAID and released on 6/22/02.
Develop grant agreement instrument	February – March 2002	Grant agreement instrument approved by USAID 6/24/02.

Establish financial and technical monitoring procedures	January – February 2002	Financial and technical monitoring reporting requirements were developed for inclusion into the RFA. Preliminary monitoring procedures developed in accordance with the monitoring requirements. Monitoring blueprints were discussed with AID/Moscow. Technical and financial reporting requirements completed and included in the grant agreement instrument.
Select think tanks according to criteria developed	April 30, 2002	Think tanks selected by the Executive Board in Warsaw, Poland, April 20 and 21, 2002, based on criteria developed for the RFA
Sort proposals, distribute to decision body, evaluate, select	March –April 2002	30 proposals received on 3/29/2002. Sorting and distribution to evaluation body to be completed in early April.
Executive Board Meeting in Eastern Europe, Possibly Prague or Warsaw	After April 14- before 4/27	Executive Board Meeting held in Warsaw, Poland, April 20-21.
Award and monitor sub-grants to selected think tanks	Award: April 30, 2002 ;  Monitor: May, 2002 – onward	Decisions to award made April 20-21, 2002. Official notice of award sent to applicants on May 24, 2002, and grants awarded by June 30, 2002.  Monitor date extended to July 1, 2002 – onward. Monitoring currently ongoing.
Facilitate collaboration of the partnership members (professional, managerial and logistical support) “Matchmaking” activities	February 2002 – onward	Matchmaking activities supported during the RFA process by College Park and Moscow offices with referrals to EB members on an as-needed basis.

<p>Manage the financial side of the sub-grant award.</p> <p>Establish financial reporting requirements to include in grant agreement instrument.</p>	<p>May 2002 – onward</p> <p>February – March 2002</p>	<p>Monitor date extended to July 1, 2002 – onward. Monitoring currently ongoing</p> <p>Financial reporting requirements included in grant agreement instrument. Internal IRIS/Barents review to ensure compliance with contract regulations and coherence with technical reporting requirements.</p>
<p>Monitor and evaluate results of the mutual work by sub-grantees</p> <p>Establish technical reporting procedures drafted to include in grant agreement instrument.</p>	<p>May 2002 – onward</p> <p>February – March 2002</p>	<p>Monitor date extended to July 1, 2002 – onward. Monitoring currently ongoing.</p> <p>Technical reporting procedures and requirements written based on RFA and IRIS task order.</p>
<p>Ensure wide dissemination of joint results through the Internet, working paper series, conferences, roundtables, etc. This includes the development of a web page for think tanks involved in economic reform issues in Eastern Europe and Russia. This web page will provide a “virtual forum” where US, Russian, and Eastern European think tanks can post information, policy papers, draft legislation, and other relevant information pertaining to economic reform</p>	<p>January 2002 – onward</p>	<p>Project web site launched on February 14, 2002 including preliminary information on RFA. Page is currently being updated to include more information and features.</p>
<p>Provide a forum for United States government officials, members of Congress (and their staffs), donors and policy makers from other countries to interact with Eastern European and Russian policy analysts and researchers on topics of mutual interests</p>	<p>Outline plan for beginning of activities: September 2002 Postponed due to lack of outputs from grantees</p>	<p>Forum planning to take place in late 2002. The anticipated date of the forum will be early to mid 2003.</p>

Organize seminars, jointly taught by Eastern European, Russian, and Western colleagues, at East European and Russian institutions on topics of transition to maintain and to increase the professional competence and visibility of East European and Russian researchers.	Seminar planned for October 2002 in Moscow	Seminar to be held by the CEFIR/SITE/INEKO partnership for recipients in Russian government, policy analysts, and other beneficiaries.
Facilitate in-country training for immediate application by analysts and for further professional development within the policy research community	First session planned for early 2003.	Joint seminar planned with Moscow Public Science Foundation to be held in Moscow in November 2002. Grantees will have the opportunity to take part in training as well as network with Russian colleagues who are grant recipients under the Strengthening Economic Think Tanks project.
Plan and hold training session on cost-benefit analysis	Sept-Oct 2002	Cost-benefit analysis training for think tanks, government officials, universities, and policy analyses held in Romania in April and July 2002. Training materials from Romanian sessions are being prepared for wider distribution among grantees and other beneficiaries throughout the region.
Conduct roundtable discussions with and among grant recipients and others as necessary.	May 2002 – onward	Seminar to be held by the CEFIR/SITE/INEKO partnership for recipients in Russian government, policy analysts, and other beneficiaries.
Start Logistical planning for first conference	Conference tentatively scheduled for Spring 2003	Based on discussion at the EB meeting in April, the first conference will coincide with the next EB meeting to make grant awards. St. Petersburg has been suggested location, with planning and coordination assistance from EERC.
Develop work plan and budget for Year 2	To be completed September, 2002	Meeting of key program staff and USAID to develop year 2 work plan in Moscow, September 27 – 29, 2002. Work plan approved.

## Partnership Activities

Title of the project	Participating think tanks
Railroad Restructuring in Transition Economies	Centre for Economic and Financial Research (CEFIR), Russia
	Institute for Economic and Social Reforms (INEKO), Slovakia
	Stockholm Institute of Transition Economics (SITE), Sweden

Work on this project in the previous few months mainly followed the program outlined at the kickoff workshop held in June.

1. Meetings and interviews with officials and professionals, including:
  - Meeting with Mr Yashin, Deputy Chair of Committee on Industry and Mr Predybailov, Chair of Subcommittee on Railroads, State Duma
  - Meeting with Anna Belova, Deputy Minister of Railroads in charge of reform.
2. Study of literature devoted to methodological issues (e.g., estimation of economies of scope and density, cost-benefit analysis of railroad restructuring)
3. Study of literature describing railroad restructuring experience in other countries (South America, Canada, Sweden, UK, Australia, New Zealand, Japan)
4. Data sources. Unfortunately, information open to public is not enough detailed and far from being complete and systematized. The following materials were gathered:
  - data on geographic structure of production of such goods as coal, ferrous ore, construction materials, and fertilizers which account for a major part of goods carried by railroad;
  - data on export-import flows of goods, transported mainly by railroad;
  - information on activity and specialization of private operators of rolling stock
  - current situation and prospects of transit traffic through transport corridors Asia-Europe
  - information on Russian freight tariff system.

A workshop was planned for early October 2002 to give a first opportunity for representatives of all organization participating in the project to meet each other. Thus, the program of the workshop included introduction of think tanks, their mission, people and projects. (A brief report of the workshop will be included in the next quarterly report.)

Title of the project	Participating think tanks
New Opportunities for Economic Research and Policy Analysis in Transition Economies	The School (Faculty) of Economics at Ural State University, Russia
	Center for Economic Research and Graduate Education – Economics Institute (CERGE-EI), Czech Republic
	The William Davidson Institute, USA

CERGE-EI faculty member and student (Sergey Slobodyan and Pavel Yessine) visited USU and launched their research collaboration on FDI and product differentiation, including data survey, which is now being continued at CERGE-EI in Prague. Research partner and academic officer (Sergey Kadochnikov) visited CERGE-EI to use large databases, meet local faculty and doctoral students, attend research seminars, and explore details of institutional functioning.

CERGE-EI PhD candidate (Anastassia Semykina) is working with CERGE-EI faculty (Daniel Munich and Stepan Jurajda) and started collaboration with researchers at WDI (Klara Sabirianova, Jan Svejnar, Katherine Terrell, Jan Kmenta) on issues of wage and job mobility. She will continue her research later on this year at USU where she will also present her research agenda. The main goal is to enhance comparative value of the research.

The partnership has already organized six lectures at USU on modern approaches to the economics of transition and economics of corruption (attendance included members of the TTP project, MA students, and other local professors). The partnership also organized a presentation at USU about CERGE-EI as a possible place for advanced studies in economics for graduate students and researchers at USU. The presentation included a description of the structure and the philosophy of CERGE-EI as USU is considering developing something similar.

During the early stages of collaboration between CERGE-EI and USU, participants realized that both institutions would find it useful and possible to use tools of distance learning. It was decided to include USU in the pilot project of distance learning in economics with the hope that this program will expand later next year. The partners are at the stage of administrative preparation with Inna Maltseva.

Daniel Munich and Stepan Jurajda have prepared detailed notes on methodology to be provided to interested faculty and advanced students at USU in advance of a series of methodology seminars at USU.

Recent and planned visits of senior researchers from WDI to CERGE-EI (Jan Svejnar, Jan Kmenta) provide extremely valuable research guidance to junior faculty and students (not only from the TTP project) doing research on the issues of economic transition.

In addition, the partnership expects that other CERGE-EI faculty who do research on

Russia (Jose Noguera on barter in Russia and Viatcheslav Vinogradov on the economic impact of HIV spread in Russia), although not members of the core TTP team, will benefit from the partnership and they have been encouraged to present their research at partnership seminars and other events.

Title of the project	Participating think tanks
Understanding Employment and Unemployment in Transition Economies: Measurement and Implications for Labour Market Policy	Central European University Labour Project
	Russian Center for Labor Market Studies
	Upjohn Institute for Employment Research
	Institute for the Study of Labor

1. Vladimir Gimpelson has prepared a draft paper on "Informal Sector Employment in Russia: Measurement, Trends, Policy Implications".
2. The Russian partners in the project were requested to provide expertise to Mr. Topilin, Deputy Minister of the Ministry for Labour and Social Development on "Guidelines for Medium-Term Labour Market Policy", worked out by the Ministry.
3. The participants of the project discussed with Mr. Ponizov, Head of the Department for Social Policy of the Ministry for Economic Development and Commerce, the impact of the new Labour Code on the behaviour of Russian enterprises.
4. Mr. Gimpelson participated in the TV programme "Noscov Business Club" with the assessment of current trends in Russian unemployment. (The Third channel.)
5. The newspaper "Vremya Novostej" interviewed Mr. Gimpelson. Among the topics written about were the new tendencies in employment and unemployment in Russia. (20th of July 2002, No. 121, P:3)

At the end of the reporting period, we had indications from all partnership development grant awardees that they intend to submit applications in round II.

### Upcoming Activities

Many events will occur during the second year of the program. Here we highlight a few scheduled to occur early in the period.

On October 9 a policy roundtable on railroad restructuring will be held in Moscow to present work in progress by the partnership comprised of the Center for Economic and Financial Research (Moscow), Institute for Economic and Social Reform (Bratislava), and Stockholm Institute for Transition Economies. Partnership consultant Russell Pittman from the Anti-Trust Division of the US Department of Justice will also participate.

Program co-director Leonid Polishchuk will chair the roundtable. Attendees will include deputies of the Russian parliament and their policy advisors, Russian government officials in charge of railway restructuring, representatives of railway operators, think tank analysts. Speakers at the roundtable will summarize and assess the international experience of privatization and restructuring of railroads and of maintaining competition in the sector. Policy options and tradeoffs, such as costs and benefits of vertical integration, will be presented and discussed.

We plan to approach the two partnerships other than CEFIR's to suggest that they have 'midterm' policy roundtables similar to the one to be held in Moscow in October.

The Executive Board will meet in Prague November 24 and 25 2002 to select awardees for the second round of grant competition.

In early 2003, the Regional Partnership program in cooperation with the sister Support for Economic Think Tanks program will hold a conference/training session on legal, regulatory and fiscal environment for think tanks in Russia, Eastern and Western Europe, and in the West. The purpose of the event will be to summarize and disseminate best regional and international practices, increase think tanks' awareness of their operational environment, articulate proposals aimed at creating enabling conditions for sustainable development of think tanks, and prepare arguments in support of such proposals that could be used in national think tank advocacy campaigns.

For the policy forum in DC we intend to bring to DC 5-10 think tank representatives (possibly in a joint effort with the sister think tanks program), a couple of prominent Russian policy makers, and invite people from AID, WB, IMF, local think tanks, and perhaps private sector companies concerned with business climate in the region. We target the February-April period for this. We will hold three such fora during the course of the project.

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Contract No. PCE-I-00-00-00014, TO No. 803  
Improvement of Economic Policy Through Think Tanks Partnerships  
Second Year Workplan**

<b>Task</b>	<b>Time Period</b>	<b>Task Leader</b>	<b>Resources (Staff and Other)</b>
Upgrade web page to include more interactive features and present works in progress that are supported by grants, increase the links to related conferences, grant programs, etc.	October 2002 - September 2003	Taylor / Lavrentieva (links, research, content)	Polishchuk
Develop procedures and format for working paper series, including foreign language versions from grantees if available. Format for papers should be hard copies and soft copies	January – March 2003	Taylor/Polishchuk	Cadwell, Executive Board
Facilitate collaboration of the partnership members (professional, managerial and logistical support) “Matchmaking” activities	October 2002 – September 2003	Co-Directors	Executive Board
Manage the financial side of the awards for Grant Cycles 1, 2, and 3	October 2002 – September 2003	Polishchuk/Taylor	Brown, Lavrentieva
Monitor and evaluate the results of the mutual work for Grant Cycles 1 and 2	October 2002 – September 2003	Polishchuk/Taylor	Brown, Lavrentieva
Ensure wide dissemination of joint results through the Internet, working paper series, conferences, roundtables, etc.	October 2002 – September 2003	Polishchuk/Taylor	Program Staff
Provide a forum (at least one for each	First Forum scheduled for	Cadwell	Polishchuk, Taylor

Grant Cycle) for United States government officials, members of Congress (and their staffs), donor and policy makers from other countries to interact with Eastern European and Russian policy analysts and research on topics of mutual interests.	April/May 2003		
Organize seminars, jointly held by Eastern European, Russian and Western colleagues, at Eastern European and Russian institutions on topics of transition	First Seminar scheduled October 2002 and then ongoing through September 2003	Co-Directors	Lavrentieva, Taylor, Executive Board
Facilitate in-country training for immediate application by analysts and for further professional development within the policy and research community.	October 2002 – September 2003	Co-Directors	Lavrentieva, Executive Board Members
Plan and hold training session on cost benefit analysis	January – March 2003	Polishchuk	Lavrentieva, Executive Board Members
Conduct roundtable discussions with and among grant recipients and others as necessary.	October 2002 – September 2003	Co-Directors	Lavrentieva
<u>Conference Planning Phase I</u> Dates, location, hotel reservations, participants, initial announcement	October 2002	Taylor	Lavrentieva
Rough Conference budget	November 2003	Taylor	Lavrentieva

<u>Conference Planning Phase II</u> Set conference and preliminary schedule, format, etc Contact grantees to inform them about presentations, participation, etc.  <u>Conference Planning Phase III</u> Sending out formal invitations and getting confirmation of attendees, presenters and other participants.  <u>Conference Planning Phase IV</u> Finalize all logistical details  <u>Conference Planning Phase V</u> Finalize program and conference materials  <u>Conference Planning Phase VI</u> Hold Conference	January 2003	Co-Directors	Brown, Taylor
	March 2003	Taylor	Lavrentieva
	April/May 2003	Taylor	Lavrentieva
	May 2003	Co-Directors	Lavrentieva, Taylor, Brown
	June 2003	All Project Staff	Executive Board
	July 2003	Taylor	Polishchuk, Brown
<u>Grant Cycle 1</u> Review interim report and release second tranche of payments  Develop procedures for assessment of deliverables and final reports	December 2003	Polishchuk/Brown	Taylor, Lavrentieva
	April – June 2003	Polishchuk	Taylor (as needed)

Review and assess deliverables from Grant Cycle 1	June 2003	Polishchuk/Taylor	Brown, Lavrentieva
Review final report and release third tranche of payments	July/August 2003	Polishchuk/Taylor/Brown	Lavrentieva
<u>Grant Cycle 2</u> Sort proposals, distribute to EB, evaluate, select	November 2002	Polishchuk/Taylor	Executive Board
Select think tanks according to criteria developed	November 24 – 25, 2002	Executive Board	Program Staff
Award grants to selected think tanks (ensure that scopes of work and budgets include conference paper presentation)	December 2002	Taylor/Polishchuk	Brown
Review interim reports and release second tranche of payments	June/July 2003	Polishchuk/Brown	Taylor
<u>Grant Cycle 3</u> Refine criteria, eligibility, and thematic scope as necessary for the selection of think tanks from Russia, Eastern Europe and the U.S. with experience in similar areas of economic policy research	November/December 2002	Polishchuk/Brown	Executive Board
Produce and distribute program	December 2002	Polishchuk/Brown	Taylor/Lavrentieva

announcement to think tanks in Russia, US, and Eastern Europe			
Produce and distribute RFA for solicitation of grant proposals	December 2002	Polishchuk/Brown	Taylor/Lavrentieva
Proposals due	April 15, 2003		
Sort proposals, distribute to EB, evaluate, select	April/May 2003	Polishchuk/Taylor	Executive Board
Executive Board meeting St. Petersburg	June 2003	Polishchuk/Taylor	Executive Board
Select think tanks according to criteria developed	June 2003	Executive Board	
Award grants to selected think tanks	July 2003	Taylor/Polishchuk	Brown
Develop workplan and budget for Year 3	August and September 2003	Polishchuk/Brown/Taylor	