USAID PRESS RELEASE

Estonia Graduates from U.S. Foreign Assistance

The first nation of Central Europe and NIS to re-join the global economy

The rapid progress that Estonia has made in re-establising its democratic institutions and economic relations with the West makes it the first of the Central European countries to "graduate" from U.S. assistance. The United States renewed formal diplomatic relations with Estonia, a small Baltic country located 50 miles south of Finland, in September 1991 after Estonia regained its independence, concluding almost 50 years of U.S. recognition of the Estonian government-in-exile. Nearly all the goals of the U.S. assistance program have been met and the relationship is maturing from that of donor-recipient to a partnership of shared values, mutual security interests and increased trade and investment.

Thomas Dine, USAID assistant administrator for Europe and the Newly Independent States will travel to Estonia with James Holmes, Department of State SEED coordinator, to participate in graduation events with Estonian President Lennart Meri and Prime Minister Tiit Vahi and others on September 16 in Tallinn. The U.S. Agency for International Development (USAID) supervises a broad range of U.S. assistance activities under the 1989 Support for Eastern European Democracy (SEED) Act and has worked with the people of Estonia as a partner to help support their reform efforts.

Estonia's renaissance and re-emergence in the Western community has been described by many as a resounding success. A top U.S. Government official called it "a political and economic miracle" but Estonians modestly prefer a recent international media phrase, "the little country that could." In a speech delivered on July 9 in Tallinn, U.S. First Lady Hillary Rodham Clinton praised Estonia's progress:

> "Five years ago, a gale of song swept through Estonia, rising into a chorus for national sovereignty and freedom. Five years ago, Estonians sang their way to independence. Today, the power of song that has resonated throughout the centuries is empowering the people of Estonia to raise their own voices, speak their own words, form their own ideas, and dream their own dreams."

HISTORY

U.S. humanitarian assistance to Estonia began in October 1991, shortly after Estonia's reassertion of independence from the former Soviet Union. U.S. assistance goals for Estonia soon shifted to support for economic and democratic reform. Since 1991, Estonia has benefited from over 900 development activities from the international donor community, most notably the Nordic nations, Germany, the European Union and the United States. As of March 31, 1996, total USAID assistance to Estonia was approximately $30 million, in addition to about $20 million in U.S. agricultural assistance.

ECONOMIC GROWTH

Estonia's economic track record compares more favorably than that of any of its neighbors: monthly inflation is down from 100 percent to less than two percent; unemployment is under five percent; GDP is projected to grow by three percent in 1996; Estonia's currency remains strong, stable and fully convertible; over 3,000 state-owned businesses have been privatized, including virtually all small and medium firms; over 9,000 foreign investors are active in the economy; and trade relations have widened and continue to grow.

PROGRAM OUTLINE

The U.S. assistance program focuses on three priority areas: re-establishing pluralistic democracy; promoting economic reform; and protecting the environment. Assistance is usually in the form of transfer of technical expertise by both long- and short-term advisors; training workshops and exchanges; limited capital development expenditures; and financing for equity and loan capital in support of private enterprise.

USAID PROGRAM HIGHLIGHTS

Promoting economic growth

- Assisted the Estonian Government in drafting the fundamental privatization statutes and reorganizing the government's privatization agency. Support also included:
  - -- training local negotiators to ensure project sustainability;
  - -- creating a model voucher system and supervising the sale of state industries;
  - -- privatizing agriculture cooperatives and food industries; and,
  - -- promoting regional trade and direct foreign investment.

- Contributed to the creation of the Estonia Small Business Association (EVEA), which was established to ensure that small business needs were considered in the privatization process. EVEA now represents over 700 firms and has:

-- secured investment funding and fair legal and regulatory treatment;
-- forged financial ties with the Baltic-American Enterprise Fund; and,
-- attracted substantial EU and Swedish assistance.

• Provided valuable management advisory services to the Estonian Banking Association to assist commercial banking's recovery following the 1992-93 crash. As a result, the Estonian financial system has developed the capacity to fulfill a crucial private-sector role and satisfy an important portion of the domestic investment requirements arising out of the privatization program.

Protecting the Environment

• Improved the environment by supporting upgrades at "RAS/Kiviter," an oil shale chemical plant in northeastern Estonia, including:
-- greatly reducing environmental pollution from highly toxic (phenolic) waste and shale residue;
-- attaining an important level of energy efficiency; and,
-- increasing the plant's revenues and decreasing its costs by a total of $1.8 million per year, making it a strong candidate for privatization.

• Supported the Regional Energy Efficiency program, which integrates the three Baltic national utility companies and:
-- increases energy efficiency;
-- improves coordination in the energy sector; and,
-- restructures pricing systems to more accurately reflect the market value of electricity and power.

Building Democracy

• Provided technical assistance as Estonia sought to strengthen government at the municipal level. Strengthening governance at the grassroots level is a primary component of the SEED program. With USAID's assistance, a pilot municipal governance program was created for four key cities which:

- institutionalized citizen participation;
  -- helped prioritize public needs and improve budgeting capabilities, enabling municipal governments to plan and operate more efficiently and tap into new financial resources; and,
  -- privatized municipally owned enterprises.

• Supported the organization of political parties and civic groups and campaign building for last October's municipal elections.

• Supported the Estonian President's Roundtable which is a forum for discussions with the ethnic Russian community and promoted an innovative Estonian language training program to enable Russian-speaking residents to better participate in Estonian society and contribute to the economy.

• Promoted the rule of law as Estonia rebuilt its legal infrastructure in order to function judiciously and effectively in a democratic free-market society. The newly established Estonian Law Center is providing the long-term institutional structure necessary for providing education and training to judges, lawyers, court staffs, police and others to advance their professional capabilities and strengthen the rule of law. A number of SEED activities have made additional important contributions to this process:

-- analyses have identified many of the gaps in existing laws and recommended potential solutions;

-- computers and technical assistance furnished to Estonian parliamentarians have assisted them in making the legislative process both more efficient and more responsive to the popular will; and,

-- model environmental protection laws have both responded to and enhanced popular concern over the environment and have been largely improved.

• USAID advisers have helped draft legislation supporting: privatization, taxation, banking, international trade, non-profit organizations; fair competition; consumer protection; and other civil and commercial laws and practices.

Improving Health

• Assisted with reforms in the health sector which emphasize health promotion and disease prevention rather than curative treatment. Results include shorter hospital stays and increases in out-patient services and in the number of patients treated. These accomplishments were possible due to:

-- improving the training of professional staff and promoting volunteer services;
-- decentralizing financial and health care management;
-- improving out-patient and emergency health care; and,
-- conducting public education and "wellness" screening campaigns.

CONTINUING RELATIONSHIP

The U.S.- Estonia relationship is entering a new era of trade and investment partnership as the USAID bilateral assistance program ends. USAID will leave behind a capable banking system, an active Estonia Small Business Association, a legal framework more consistent with Estonia's free-market democratic system, a stronger network of NGOs working on democracy, an environmentally sound Kiviter Oil Shale Chemical Plant, and the Estonian Law Center working to strengthen the justice system. The regional Baltic-American Enterprise Fund which will extend loans to, and make equity investments in, small- and medium-size businesses will continue after program closure. Small grants through the American Embassy/Tallinn Democracy Commission and support for the Baltic Regional Energy Planning project will also continue.

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5 September 1996