

Agency for International Development
Washington, D.C. 20523

180-0029

PDFCU-865

JUL -8 1991

Mr. G. Edward Schuh
Dean, Department of Applied Economics
The Humphrey Institute of Public Affairs
University of Minnesota -
301 19th Avenue, South
Minneapolis, Minnesota 55455

Subject: Grant Number: EUR-0029-G-00-1051-00

Dear Mr. Schuh:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D.") hereby provides to the University of Minnesota (hereinafter referred to as "UM" or "Grantee") the sum of \$1,494,462 in support of the Management Training and Economics Education in Central and Eastern Europe Program (Project Number 180-0029) in Central and Eastern Europe, as more fully described in Attachment 1 of this Grant entitled "Schedule", Attachment 2, entitled "Program Description," and Attachment 4, UM's Grant Application.

This Grant is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Grantee in furtherance of program objectives through the estimated completion date of June 30, 1992. Funds disbursed by A.I.D. but uncommitted by the Grantee at the expiration of this period shall be refunded to A.I.D.

The total estimated amount of the program is \$3,274,829, of which A.I.D. shall incrementally fund \$1,783,428 and the Grantee and Sub-Grantees shall fund \$1,491,401. A.I.D. initial funding in the amount of \$1,494,462 has been authorized and is hereby provided (hereinafter referred to as "Obligated Amount"), and the incremental funding of \$288,966 may be provided, subject to availability of funds, at the later date. A.I.D. shall not be liable for reimbursing the Grantee for any costs in excess of the obligated amount.

This Grant is made to the Grantee on the condition that the funds will be administered in accordance with the terms and conditions as set forth in this Cover Letter, Attachment 1, entitled "Schedule", Attachment 2, entitled "Program Description", Attachment 3, entitled "Standard Provisions", and Attachment 4, UM's Grant Application, which together constitute the entire Grant document and have been agreed to by your organization.

Please acknowledge receipt of this Grant by signing all copies of this Cover Letter, retaining one copy for your files, and returning the remaining copies to the undersigned.

Sincerely yours,



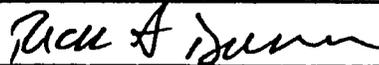
Judith D. Johnson
Grant Officer
Overseas Division
Office of Procurement

Enclosures:

Attachment 1: Schedule
Attachment 2: Program Description
Attachment 3: Standard Provisions
Attachment 4: UM Grant Application

ACKNOWLEDGED:

UNIVERSITY OF MINNESOTA

BY: 

TYPED NAME: Rick A. Dunn

TITLE: Assistant Director
Office of Research and Technology Transfer Administration

DATE: July 26, 1991

FISCAL DATA

A. GENERAL

- A.1. Total Estimated Amount: \$1,783,428
- A.2. Total Obligated Amount: \$1,494,462
- A.3. Cost-Sharing Amount (Non-Federal): \$1,491,401
- A.4. Project No.: 180-0029
- A.5. A.I.D. Project Office: ENE/EUR, Steve French
- A.6. Funding Source: A.I.D./W
- A.7. Paying Office: FM/CMP/LC
- A.8. Tax I.D. No.: 41-6007513
- A.9. DUNS No.: 00-622-0594

B. SPECIFIC

- B.1.(a) PIO/T No.: 180-0029-3-1183657
- B.1.(b) Appropriation: 72-11X1010
- B.1.(c) Allotment: 184-63-180-01-69-11
- B.1.(d) BPC: QAIX-91-33180-IG-12
- B.1.(e) Amount: \$1,494,462

The A.I.D. Project Officer for this grant is Mr. Stephen French having A.I.D. mailing address as follows: Agency for International Development, ENE/EUR, Room 6923, NS, Washington, D.C. 20523. Any questions concerning performance under the terms of this grant shall be addressed, in writing, only to the cognizant A.I.D. Project Officer (and not any other A.I.D. official).

ATTACHMENT 1

SCHEDULE

A. PURPOSE OF GRANT

The purpose of this Grant is to provide financial support for the program described in Attachment 2 of this Grant entitled "Program Description" and in Attachment 4, UM's Grant Application. This program is in response to the Request for Applications (hereinafter referred to as "RFA") for the Management Training and Economics Education Project.

B. PERIOD OF GRANT

B.1. The effective date of this Grant is the date of the Cover Letter and the estimated completion date is June 30, 1992.

B.2. Funds obligated hereunder shall be used to reimburse the Grantee for allowable program expenditures incurred by the Grantee in pursuit of program objectives for the estimated period from the Grant's effective date to approximately June 30, 1992.

C. AMOUNT OF GRANT AND PAYMENT

C.1. The total estimated amount of the program described in Attachment 2 of this Grant is \$3,274,829.

C.2. The total amount of the A.I.D. incremental contribution to the total estimated program costs shown in C.1. above, to be provided through this Grant (hereinafter referred to as "Total Grant Amount") for the period shown in B.1. above is \$1,783,428.

C.3. A.I.D. hereby obligates the amount of \$1,494,462 (hereinafter referred to as "Obligated Amount") for program expenditures during the first ten months of the grant period set forth in Section B.2. above. A.I.D. shall not be liable for reimbursing the Grantee for any costs in excess of the obligated amount.

C.4. Payment shall be made to the Grantee in accordance with procedures set forth in the Standard Provision of this Grant entitled "Payment - Letter of Credit," as set forth in Attachment 3.

D. GRANT BUDGET

D.1. The following is the Budget for the total estimated amount of this Grant for its full period. The Grantee may not exceed the total estimated amount or the obligated amount of this Grant, whichever is less (see Sections C.1. and C.2., respectively, above). Except as specified in the Standard Provision of this Grant entitled "Revision of Grant Budget," as shown in Attachment 3, the Grantee may adjust line item amounts as may be reasonably necessary for the attainment of program objectives.

D.2. Budget

<u>Cost Element</u>	<u>A.I.D.</u>	<u>Grantee/ Others (Non-Fed)</u>	<u>Total</u>
U.S. Salaries	\$289,875	\$57,476	\$347,351
Fringe Benefits	86,963	17,243	104,205
Poland Dir.Salaries	194,875	0	194,875
U.S. Sup.& Equip.	19,000	0	19,000
Pol. Sup.& Equip.	35,500	6,000	41,500
Travel & Per Diem	170,725	0	170,725
Subgrants:			
Land O' Lakes	300,000	50,976	350,976
Sparks	200,000	20,000	220,000
ATAP	230,000	1,312,746	1,542,746
Indirect Costs	<u>256,491</u>	<u>26,960</u>	<u>283,451</u>
Total:	\$1,783,428	\$1,491,401	\$3,274,829

D.3. Inclusion of any cost in the budget of this Grant does not obviate the requirement for prior approval by the Grant Officer of cost items designated as requiring prior approval by the applicable cost principles (see the Standard Provision of this Grant set forth in Attachment 3 entitled "Allowable Costs") and other terms and conditions of this Grant, unless specifically stated in Section I. below.

E. REPORTING REQUIREMENTS

E.1. Financial Reporting

E.1.(a) Financial reporting requirements shall be in accordance with the Standard Provision of this Grant entitled "Payment - Letter of Credit," as set forth in Attachment 3.

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E.1.(b) All financial reports shall be submitted to A.I.D., Office of Financial Management, FM/A/PNP, Washington, D.C. 20523-0209. In addition, three copies of all financial reports shall be submitted to the A.I.D. Project Office specified in the Cover Letter of this Grant.

E.1.(c) With the exception of the final financial report, all financial reports shall be submitted within 30 days following the end of the reporting period. The final financial report shall be submitted within 90 days following the estimated completion date of this Grant.

E.1.(d) The Grantee's financial reports shall include expenditures of A.I.D. Grant funds provided hereunder, as well as non-federal matching funds.

E.2. Program Performance Planning and Reporting

E.2.(a) Project Implementation Plan

Not later than forty-five (45) days from the effective date of this Grant (see Section 1B. above), the Grantee shall prepare and submit to the A.I.D. Project Officer specified in the Cover Letter of this Grant three (3) copies and to the Grant Officer one (1) copy of a Project Implementation Plan (PIP), for the full term of this Grant. The PIP may be either jointly developed by the U.S. grantee and the counterpart institution(s), or developed by the U.S. grantee and reviewed and concurrence by the local organization(s). The PIP must be signed by a representative of the counterpart institution(s).

The substantive areas to be included in the implementation plan include the following:

- 1). Local content or local relevance of training materials;
- 2). Management of the trainee selection system;
- 3). Local institution's commitment of facilities and staff;
- 4). Coordination with other USG funded and/or other donor programs (as applicable);
- 5). Comments and recommendations made by local (AID Rep, if available) US Embassy; and
- 6). The development of formative evaluation indicators.

The PIP with counterpart concurrence must be submitted to the local AmEmbassy and ENE/EUR within 60 days of the signature

date of the grant. Compliance with this requirement will be one of the key indicators considered in reviewing grant implementation when considering the possibility of second year funding.

E.2.(b) Quarterly Reports by Reference to Quantifiable Indicators and Other Evaluation Benchmarks

E.2.(b)(1) The Grantee shall submit three (3) copies of quarterly program performance reports, which coincide with the financial reporting periods described in Section E.1. above, to the A.I.D. Project Office specified in the Cover Letter of this Grant, and to the A.I.D. Representative (or AID Affairs Officer, Economic Section at the Embassy) of the country where the program is being undertaken. In addition, two copies shall be submitted to A.I.D., PPC/CDIE/DI, Washington, DC 20523-1802. These reports shall include quantitative and qualitative measures of performance; shall be submitted within 30 days following the end of the reporting period, and shall briefly present the following information:

E.2.(b)(1)(A) Implementation status including a comparison of actual accomplishments with the established evaluation benchmarks for the period. If the output of programs can be readily quantified, such quantitative data should be related to cost data for computation of unit costs.

E.2.(b)(1)(B) Reasons why established goals were not met, if applicable, including any problems or difficulties requiring U.S. Government, possibly host country, or implementing organization attention.

E.2.(b)(1)(C) Summary financial report of all project expenditures, by subcomponent.

E.2.(b)(1)(D) Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

E.2.(b)(2) Special Reports

Between the required program performance reporting dates, events may occur that have significant impact upon the program. In such instances, the Grantee shall inform the A.I.D. Project Officer as soon as the following types of conditions become known:

E.2.(b)(2)(A) Problems, delays, or adverse conditions that will materially affect the ability to attain program objectives, prevent the meeting of time schedules and goals, or

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preclude the attainment of work units by established time periods. This disclosure shall be accompanied by a statement of the action taken, or contemplated, and any U.S.G., or possible host country, assistance needed to resolve the situation.

E.2.(b)(2)(B) Favorable developments or events that enable time schedules to be met sooner than anticipated or more work units to be produced than originally projected.

E.2.(b)(2)(C) If any performance review conducted by the Grantee discloses the need for change in the budget estimates in accordance with the criteria established in the Standard Provision of this Grant entitled "Revision of Grant Budget," the Grantee shall submit a request for budget revision to the Grant Officer and the A.I.D. Project Officer specified in the Cover Letter of this Grant.

E.2.(b)(2)(D) Quarterly updates and proposed modifications of annual work plans, specifically to include travel projected for the subsequent quarter.

E.2.(c) Annual Report of Project

The annual report will be submitted to both ENE/EUR, A.I.D. Washington and to the A.I.D. Representative (or the AID Affairs Officer, Economic Section at the Embassy) of the country where the program is being undertaken. The annual report will substantively review performance against planned quantitative and qualitative measures. Second year funding, if any, will be contingent on the Grantee submitting complete reporting, effectively resolving implementation problems, as well as on the availability of funds and any revisions in the overall program structure that A.I.D. may require. Within 60 days following the estimated completion date of this Grant the Grantee shall submit three copies of the final report as indicated in the preceding paragraph. It should include: (1) an executive summary of the Grant's accomplishments or failings; (2) a description of the Grant activities from its inception; (3) significance of these activities; (4) comments and recommendations; (5) a fiscal report that describes in detail how the Grant funds were used. In addition, two copies shall be submitted to A.I.D., PPC/CDIE/DI, Washington, D.C. 20523-1802.

F. CLOSEOUT PROCEDURES (OMB Circular A-110)

1. This paragraph prescribes uniform closeout procedures for A.I.D. grants.

2. The following definitions shall apply for the purpose of this paragraph:

a. Closeout. The closeout of a grant is the process by which A.I.D. determines that all applicable administrative actions and all proposed work of the grant have been completed by the Grantee and A.I.D.

b. Date of completion: The date of completion is the date on which all work under the grant is complete or the date on the award document, or any supplement or modification thereto, on which A.I.D. sponsorship ends.

c. Disallowed costs: Disallowed costs are those charges to a grant that A.I.D. or its representative determines to be unallowable, in accordance with the applicable Federal cost principles or other conditions contained in the grant.

3. A.I.D. closeout procedures are the following requirements:

a. Upon request, A.I.D. shall make prompt payments to a recipient for allowable reimbursable costs under the grant being closed out.

b. The Grantee shall immediately return any balance of unobligated (unencumbered) cash that A.I.D. has advanced or paid and that is not authorized to be retained by the Grantee for use in other grants or cooperative agreements.

c. A.I.D. shall obtain from the Grantee within 90 calendar days after the date of completion of the grant all financial, performance, and other reports required as the condition of the grant. A.I.D. may grant extensions when requested by the Grantee.

d. When authorized by the grant, A.I.D. shall make a settlement for any award or downward adjustments to A.I.D.'s share of the costs after these reports are received.

e. The Grantee shall account for any nonexpendable property acquired with A.I.D. funds.

e. In the event a final audit has not been performed prior to the closeout of the grant, A.I.D. shall retain the right to recover an appropriate amount after fully considering the recommendations on questioned costs resulting from the final audit.

G. INDIRECT COSTS

1. Pursuant to the standard provision of this Grant entitled "Negotiated Indirect Cost Rates-Provisional", a rate shall be established for each of the Recipient's accounting periods which apply to this Grant. Pending the establishment of revised predetermined, provisional or final indirect cost rates for each of the Grantee's accounting periods which apply to the Grant, provisional payments on account of allowable indirect costs shall be made on the basis of the following negotiated provisional rate(s) applied to the base(s) which is (are) set forth below:

<u>Description</u>	<u>Rate</u>	<u>Base</u>	<u>Period</u>	<u>Type</u>
Fringe	30.0%	<u>1/</u>	<u>3/</u>	Provisional
Overhead	33.4%	<u>2/</u>	<u>4/</u>	Provisional

- 1/ Direct salaries and wages
- 2/ Total UM's costs excluding subcontracts & comp. equip.
- 3/ 1.1.91 - until amended
- 4/ 7.1.90 - until amended

H. TITLE TO PROPERTY

Title to property acquired hereunder shall vest in the Grantee, subject to the requirements of the Standard Provision of this Grant entitled "Title To and Use of Property (Grantee Title)" regarding use, accountability, and disposition of such property.

I. PROCUREMENT AND (SUB)CONTRACTING

I.1. Authorized Geographic Codes

For grants where total value of procurement of goods and services is less than \$250,000, the following shall apply:

All services/goods/commodities shall have their nationality/source/origin in the United States (A.I.D. Geographic Code 000) or Special Free World Countries (Geographic Code 935), except as A.I.D may otherwise agree in writing, in accordance with the Optional Standard Provision entitled, "A.I.D. Eligibility Rules for Goods and Services (November 1985)". Although A.I.D. Geographic Code 935 does not normally include the cooperating country, for the period of this grant, unless otherwise amended, the aforementioned Optional Standard Provision is amended to include the cooperating country, Poland (A.I.D. Geographic Code 181) as a

Code 935 country. The order of preference in paragraph (b)(1) of that provision applies as stated, with Poland (181) approved as the cooperating country.

For grants where the total value of goods and services will exceed \$250,000, the following shall apply:

All services/goods/commodities shall have their nationality/source/origin first in the United States (A.I.D. Geographic Code 000), then Poland (A.I.D. Geographic Code 181), except as A.I.D. may otherwise agree in writing, in accordance with the Optional Standard Provision entitled, "A.I.D. Eligibility Rules for Goods and Services (November 1985)". Requests for deviations to this requirement must include a full justification to be submitted to the Project Office indicated in the cover letter of this Grant. Approval of the Grant Officer and the Project Officer is required before procurement of this nature may be undertaken. Ocean shipping financed by A.I.D. under the program shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

I.2. Procurement Cost Detail

Whenever feasible, the lead U.S. grantee and/or its subgrantees will be responsible for purchasing the U.S. equipment and commodities required for the technical assistance components of the program. This equipment must be specifically and directly linked to the training programs undertaken under the various subcomponents. The prime grantee will be responsible for providing more exact details and specifications of the commodities they propose to procure, including estimated costs of same, when requesting approval for the procurement of the commodities.

I.3. Air Transportation

The eligibility of air travel and transportation services is determined by the flag registry of the aircraft. The Standard Provision of this Grant entitled "Air Travel and Transportation" applies. Commodities are ineligible for A.I.D. financing hereunder if shipped under an air charter that has not received prior approval of the Grant Officer, regardless of whether such transportation costs are financed hereunder.

I.4. Government Owned Organizations

Notwithstanding the foregoing, a Government Owned Organization, i.e., a firm operated as a commercial company or other organizations (including n.profit organizations other than

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public educational institutions) which are wholly or partially owned by governments or agencies thereof, are not eligible as suppliers of goods and commodities, commodity-related services, or services (other than commodity-related services), except as the Grant Officer may otherwise agree in writing.

J. SPECIAL PROVISIONS

J.1. For the purposes of this Grant, references to "OMB Circular A-122" in the Standard Provisions of this Grant shall include the A.I.D. implementation of this Circular, as set forth in Subpart 731.7 of the A.I.D. Acquisition Regulations (AIDAR) (48 CFR Chapter 7).

J.2. Employee Salaries

Except as the Grant Officer may otherwise agree in writing, A.I.D. shall not be liable for reimbursing the Grantee for any costs allocable to the salary portion of direct compensation paid by the Grantee to its employees for personal services which exceed the highest salary level for a Foreign Service Officer, Class 1 (FS-1), as periodically amended.

J.3. Consultant Fees

Compensation for consultants retained by the Grantee hereunder shall not exceed, without specific approval of the rate by the Grant Officer: either the highest rate of annual compensation received by the consultant during any full year of the immediately preceding three years; or the maximum rate of a Foreign Service Officer, Class 1 (FS-1) (as periodically amended), whichever is less. A daily rate is derived by dividing the annual compensation by 2,087 and multiplying the result by 8.

J.4. Equipment and Other Capital Expenditures

J.4.(a) Requirement for Prior Approval

Pursuant to the Standard Provisions of this Grant entitled "Allowable Costs" and "Revision of Grant Budget," the Grantee must obtain A.I.D. Grant Officer approval for the following:

Purchase of General Purpose Equipment, which is defined as an article of nonexpendable tangible personal property, the use of which is not limited only to research, medical, scientific, or other activities [e.g., office equipment and furnishings, air conditioning equipment, reproduction and other equipment, motor vehicles, and automatic data processing equipment, having a

useful life of more than two years and an acquisition cost of \$500 or more per unit)

J.4.(b) Approvals

In furtherance of the foregoing, the Grant Officer does hereby provide approval for the following purchases, which shall not be construed as authorization to exceed the total estimated amount or the obligated amount of this Grant, whichever is less (see Section C. above):

Equipment for use in the U.S:

1. Computer (with modem), 1 each
2. Facsimile machine, 1 each
3. Laser Printer, 1 each

Equipment for use in Poland:

1. Computer (with software), 12 each
2. Printer, 3 each
3. Facimile machine, 1 each
4. Set of phones, 1 set
5. VCR

J.4.(c) Exception for Automation Equipment

Any approval for the purchase of automation equipment which may subsequently be provided by the Grant Officer is not valid if the total cost of purchases of automation equipment (e.g. computers, word processors, etc.), software, or related services made hereunder will exceed \$100,000. The Grantee must, under such circumstances, obtain the approval of the Grant Officer for the total planned system of any automation equipment, software, or related services.

J.4(d) Used Equipment

Used equipment may only be purchased with the prior written approval of the Grant Officer.

J.5. Defense Base Act (DBA) and/or Medical Evacuation Insurance

Pursuant to Section J.16. of OMB Circular A-21 the Grantee is authorized to purchase DBA and/or medical evacuation insurance under this Grant.

K. ORDER OF PRECEDENCE

The grantee's proposal (application) of December, 1990 and revision of April 23, 1991 are hereby incorporated as

Attachment 4. In the event of any inconsistencies in this Grant, they shall be resolved by applying the following descending order of precedence:

- Attachment 1 - Schedule
- Cover Letter
- Attachment 3 - Standard Provisions
- Attachment 2 - Program Description
- Attachment 4 - Grantee's Proposal (Application)

K. STANDARD PROVISIONS

The Standard Provisions set forth as Attachment 3 of this Grant consist of the following Standard Provisions denoted by an "X" which are attached hereto and made a part of this Grant:

L.1. Mandatory Standard Provisions For U.S., Nongovernmental Grantees

- (X) Allowable Costs (November 1985)
- (X) Accounting, Audit, and Records (September 1990)
- (X) Refunds (September 1990)
- (X) Revision of Grant Budget (November 1985)
- (X) Termination and Suspension (May 1986)
- (X) Disputes (November 1989)
- (X) Ineligible Countries (May 1986)
- (X) Debarment, Suspension, and Other Responsibility Matters (March 1989)
- (X) Nondiscrimination (May 1986)
- (X) U.S. Officials Not to Benefit (November 1985)
- (X) Nonliability (November 1985)
- (X) Amendment (November 1985)
- (X) Notices (November 1985)

L.2. Additional Standard Provisions For U.S., Nongovernmental Grantees

- (X) Payment - Letter of Credit (November 1985)
- () Payment - Periodic Advance (January 1988)
- () Payment - Cost Reimbursement (November 1985)
- (X) Air Travel and Transportation (November 1985)
- (X) Ocean Shipment of Goods (May 1986)
- (X) Procurement of Goods and Services (November 1985)
- (X) AID Eligibility Rules for Goods and Services (November 1985)
- (X) Subagreements (November 1985)
- (X) Local Cost Financing (November 1988)
- () Patent Rights (November 1985)
- () Publications (November 1985)

- () Negotiated Indirect Cost Rates - Predetermined (May 1986)
- (X) Negotiated Indirect Cost Rates - Provisional (May 1986)
- (X) Regulations Governing Employees (November 1985)
- (X) Participant Training (May 1986)
- () Voluntary Population Planning (August 1986)
- () Protection of the Individual as a Research Subject (November 1985)
- () Care of Laboratory Animals (November 1985)
- () Government Furnished Excess Personal Property (November 1985)
- (X) Title To and Use of Property (Grantee Title) (November 1985)
- () Title To and Care of Property (U.S. Government Title) (November 1985)
- () Title To and Care of Property (Cooperating Country Title) (November 1985)
- (X) Cost Sharing (Matching) (November 1985)
- () Use of Pouch Facilities (November 1985)
- () Conversion of United States Dollars to Local Currency (November 1985)

M. COST SHARING AND OTHER CONTRIBUTIONS

M.1. The Grantee agrees to expend from non-federal funds not less than the amount shown in the budget (Section D.) of this Grant under the column headed "Other". Costs incurred by UM after June 12, 1991 in furtherance of this project may be considered cost-sharing by UM.

M.2. If cost sharing is required under this Grant pursuant to section L.1. above, the Standard Provision of this Grant entitled "Cost Sharing (Matching)" applies.

M.3. The aforesaid Standard Provision makes reference to project costs. "Project Costs" are defined in Attachment E of OMB Circular A-110 as all allowable costs (as set forth in the applicable cost principles [see the Standard Provision of this Grant entitled "Allowable Costs"]) incurred by a Grantee and the value of in-kind contributions made by the Grantee or third parties in accomplishing the objectives of this Grant during the program period.

PROGRAM DESCRIPTION

A. Program Purpose

The purpose of the Management Training and Economics Education Program is to develop the technical, management, and economics skills necessary to restructure Central and Eastern European economies and develop competitive markets and businesses. The training provided by the grantee is to serve as a catalyst to market reform in the region.

B Background

The countries of Central and Eastern Europe are experiencing dramatic political and economic change. One of the most important changes is the restructuring of the basic economic infrastructure from a centrally-planned to a market-driven system. After 40 years of socialism, most of the citizens are not prepared for the challenges of a market economy. While most of the countries generally have highly educated and intelligent work forces, years of central planning and state ownership have left most individuals with a lack of the basic skills necessary to manage private business. Managers of small and large enterprises do not know how to deal with the choices involved in buying and selling in under constantly changing market conditions characterized by a large number of choices. Government economic planners and politicians have little knowledge of alternative ownership schemes; of how to finance the privatization process; of how to redirect trade toward a wider, more competitive world market. Even the public a large needs to be educated to the awards and difficulties associated with the differentiated income and capital accumulation levels as well as the impact of changing personal buying power that is part of market economies.

C. Program Objective and Description in Poland

The University of Minnesota's program description contained in the attached proposal is the full and detailed program description for the basis of grants negotiations. The University of Minnesota will cooperate with 4 Polish universities, several government agencies, and private businesses to conduct 40 courses, 19 workshops and 6 seminars in-country for management training and create two centers of excellence in Management. The program includes: market economics education, and basic and applied management training. The major target groups are: educators, managers at all levels in the public and private sectors, managers of rural businesses and private agribusiness, and women-entrepreneurs in the private sector. Training will be conducted by reputable management professionals recruited from US academia, private business, and international consultants, some with an excellent record of cooperation with the indicated Polish institutions, as well as with the public sector and private sector business communities. The program intends to train about 2500 persons in the first year, of which 1000 are educators who will be trained to continue this program in the future.

THE PROPOSAL

1. BACKGROUND

University of Minnesota

With a 136 year tradition, the University of Minnesota is a land grant institution whose mission of teaching, research and service encompasses a full range of academic and professional fields. Of its five campuses, the Minneapolis campus is the largest, with 18 colleges and over 58,000 students. The university's involvement and commitment to international programs are manifest through enduring links with institutions abroad and includes overseas assistance efforts on behalf of A.I.D.

The Humphrey Institute of Public Affairs is a successor to the university's Public Administration Center, established in 1936, as one of the first public administration departments in the U.S. The institute has a faculty of 30 professors and senior fellows, 120 graduate students and 1,800 alumni in the U.S. and in 180 foreign nations. The institute contains four interrelated areas of activity: graduate (professional) education, mid-career training, policy research, and community outreach and extension. Its programs focus on social and human resource development, environmental policy, human settlements, foreign policy and international affairs, and community and economic development. Among other programs, the institute participates in the North-South Fellowship program, a one-year program which brings some 10 to 15 mid-career professionals from developing countries to campus each year, and an international research and outreach program in women and social policy.

With 40 tenured faculty, the Department of Agricultural and Applied Economics is consistently nationally ranked among the top three in teaching, research and extension. Its graduate program has 40 foreign students from 30 countries. The department's programs cover small business management, economic development, international trade, agricultural marketing, natural resources, and community development. Over the years the faculty has been involved in teaching, research and institution building in 20 developing or newly industrializing countries. Its Economic Development Center and Center for International Food and Agricultural Policy has over ten years' experience in developing training programs for industry and government officials from overseas.

Ranked among the foremost business schools in the U.S., the Carlson School of Management has 105 full-time faculty in seven academic departments: accounting, finance, industrial relations, information and decision sciences, marketing and logistics management, operations and management science and strategic management and organization. Founded in 1919, the Carlson School has eight research centers which fulfill special executive education needs and stimulate interaction between the business community and the school. The school offers customized training for business executives, employees of business, government and nonprofit organizations, and representatives of labor. The international program emphasizes international business and study-abroad programs in Europe and Japan. Faculty conduct research on international business and teach short courses in economics and business overseas.

American Trust for Agriculture in Poland

The American Trust for Agriculture in Poland (ATAP), currently applying for registration as a U.S.-based private voluntary organization, provides training, scientific research and exchanges, advances education, and facilitates organizations and foundations in Poland and other Eastern and Central European countries to strengthen private agriculture and rural enterprises.

Founded by the Rockefeller Foundation, Rockefeller Brothers Fund and other foundations, ATAP was established in 1985 to create and support the Foundation for the Development of Polish Agriculture (FDPA), the first foundation in Eastern Europe with the explicit goal of aiding private sector agriculture.

Located in Warsaw, FDPA is designed to become financially self-sufficient through undertaking business operations which demonstrate Western business principles and management approaches. FDPA also undertakes philanthropic activities with new revenue from commercial operations and donor support to directly support small private commercial farmers and generally help rural people. Farmer and agribusiness management training is a major part of FDPA activities.

Land O' Lakes

Founded in 1921, Land O' Lakes is today owned by over 500,000 farmers and ranchers, directly and through 1,300 local cooperatives, in 15 states with a combined annual product sales in excess of \$2.3 billion. With headquarters in Minneapolis/St. Paul, Minnesota, the regional cooperative ranks 179 on Fortune Magazine's listing of top 500 U.S. companies.

As an agricultural supply, food processing and marketing cooperative, Land O' Lakes supplies farm inputs such as feed, seed, fertilizer, chemicals and petroleum for members' crops and livestock. Land O' Lakes procures milk from its members and processes it into products which are marketed directly to consumer and food service markets in the United States and overseas. As the leading producer of butter with over 30 percent of the U.S. market, Land O' Lakes is best known for its high quality dairy products.

Land O' Lakes employs more than 6,000 people and operates over 150 processing, manufacturing, warehousing and distribution facilities, including 24 feed mills and 17 dairy food processing plants. The cooperative utilizes a highly sophisticated combination of research, technology, business management and marketing programs to add value to basic commodities and improve the incomes of its farmer members.

Land O' Lakes is committed to developing top quality products, services, and programs which will compete effectively in the global marketplace. It now has product sales, licensing agreements and development activities in 15 foreign countries.

In 1981, Land O' Lakes began to undertake economic development activities to assist overseas agribusinesses in developing countries. Today, Land O' Lakes conducts worldwide agribusiness management training, dairy and related development programs, and is carrying out long-term projects in a number of

countries. Land O' Lakes focuses heavily on training in all of its programs.

Sparks Commodities Inc.

A world leader in the collection, analysis and dissemination of economic information, Sparks Commodities, Inc. (SCI) provides the most comprehensive package of agricultural and commodity research available from any private company. The firm has more than 100 full-time employees at its headquarters in Memphis, Tennessee, and offices in New Jersey and Washington D.C. SCI services are used by more than 350 of the world's leading agribusiness firms in the United States, Japan, Europe and Latin America.

The SCI data base incorporates USDA and other U.S. statistics and information from public and private sources all over the world. This unique data system is updated regularly, and formatted for easy access. It forms the core of SCI analytical, informational and consulting activities.

SCI develops estimates of production and consumption for the full range of major agricultural commodities in the U.S. and the world, and is recognized as the international leader in the field. The firm also provides consulting services on agricultural policy, international market development and marketing strategies, and undertakes projects for A.I.D., the World Bank and other organizations to help foster economic growth in developing countries.

SCI's International Agri-Professional Development Institute trains merchants, managers, traders and others in the basics and more advanced components of "good price" management. The faculty includes prominent leaders from agribusinesses who provide practical training on grain buying and selling, transportation, livestock, processing, and financial management. The case study and interactive sessions are featured. Institute programs include: theory and structure of the futures market, cash pricing, financial resource management, balance sheet analysis, management and operational efficiencies, crop reporting and forecasting and risk analysis.

More information on the consortium members is in Attachment 2.

2. ORGANIZATIONAL CAPACITY AND TRACK RECORD

University of Minnesota

The university has participated in international development projects for over two decades. In that time it has proven its ability to design and commit itself to long-term institution-building and to function as an active team participant. This success is best demonstrated in Morocco where it has implemented an A.I.D. program to establish university level training and research, and in the Caribbean where it helped develop the institutional capacity of the University of the West Indies.

Since 1946, the university has had strong ties with Polish educational institutions. For the past few years the university has been collaborating with the following institutions through:

- o regular faculty exchanges with the Warsaw School of Economics, (until recently The Central School of Planning and Statistics) an 80 year old institution with one of the largest economics and business schools in Europe of about 10,000 students and over 1,000 faculty members. A formal agreement of collaboration was signed in 1988 and over 20 faculty members have participated in recent exchanges, including the newly elected Rector, Professor Aleksander Mueller and his deputy, Professor Ryszard Gajecki. In addition to its main programs in Warsaw, the Warsaw School of Economics operates a program for small business and cooperative development through an affiliate in Rzeszow.
- o over 30 faculty and 75 student exchanges with the 45-year-old University of Maria Curie-Sklodowska in Lubin which has 16,000 students and over 2,000 faculty. A formal exchange agreement has been in place for seven years including a collaborative effort in support of management and economics education.
- o institutional development and joint publications since 1989 with the 10-year old Bialystok Technical University, located in the Northeastern region of the country.
- o agricultural and engineering programs with the Agricultural-Technical Academy in the Olsztyn region. The chief designer of the academy's master plan has been affiliated with the Humphrey Institute since 1988.
- o establishing the Institute for Sustainable Development in Warsaw, one of the first think tanks in Eastern Europe dealing with sustainable development. Its current president has been collaborating with the Humphrey Institute since 1988.

The university has worked closely in joint activities with the Ministries of Privatization; Agriculture and Food Economy; Construction; Industry; Education; Finance; Environmental Protection, Natural Resources and Forestry; and with officials of recently elected local governments. The university has also worked with the Central and Regional Chambers of Commerce and Industry, Solidarity, Trade Unions (in small business development), Solidarity Bank for Small Business, and the Polish Ecological Club.

Over the last three years, the Humphrey Institute has sponsored a major examination of the environment and sustainable development in Poland. This effort is currently being expanded to Hungary and Czechoslovakia. The team undertaking the project includes leaders from the Polish Academy of Sciences, The University of Wroclaw, the Institute of Public Management and Administration, the Bialystok Technical University and the Ministry of Environmental Protection, Natural Resources and Forestry. The project began with an exchange of information from field research. Background papers were prepared which served as the framework for the "blueprint" for Environment and Development of Poland: Declaration of Sustainable Development.

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The blueprint was presented at an international workshop in Bialowieza, Poland in September 1990 where it was further refined. Regional follow-up meetings are now taking place in Poland for its implementation. The project analyzes the impact on the environment of the economic transition and factors to be considered to assure sustainable development in the reforms.

Zbigniew Bochniarz, a Polish national who is currently a Senior Fellow at the Humphrey Institute, has provided the leadership for this initiative. Formerly a faculty member of the Warsaw School of Economics, Professor Bochniarz has numerous contacts in the Polish government, with newly developing private enterprises, and with educators. G. Edward Schuh, Dean of the Humphrey Institute, has extensive international development experience and has consulted with the Polish government over the last two years.

American Trust for Agriculture in Poland

ATAP brings leaders from both the public and private sectors to guide and facilitate its efforts to support private agriculture in Poland. Board members include President Patricia Smalley, vice president and chief operating officer of Atlantic Philanthropic Service Co.; Michael Armstrong, chairman of IBM World Trade Corporation; W. David Hopper, former senior vice president of the World Bank; William Moody, program officer, Rockefeller Brothers Fund; Marie Ridder, Virginia Council on the Environment; and J.B. Penn, senior vice president, Sparks Commodities, Inc.

ATAP provides general and financial management for FDPA, including project development, fund raising, donor relations and communications. Located in Warsaw, FDPA is managed by Executive Director Gregory Vaut, an experienced development expert with 20 years of A.I.D.-related project background, and Chief Financial Officer Robert Bose, a senior financial manager with over 25 years in banking and private business.

The FDPA is a Polish foundation with a distinguished governing council of U.S., European and Polish members. The council is chaired by Nobel Laureate Dr. Norman Borlaug, with Professor S. Pieniazek, a well-known Polish agriculturalist, and Josef Ertl, former German Minister of Agriculture as co-chairs. Its managing board of directors is chaired by William Dietel, who is also chairman of the board of American Public Radio.

FDPA operates two program thrusts: commercial projects, and educational and training projects. FDPA receives commissions for its commercial activities, which augment U.S. and European donor assistance for educational programs. FDPA also links foreign suppliers, investors and exporters to private Polish farmers and firms.

Among FDPA's numerous programs, two major ones stand out: a large feed distribution/ham export project which distributed 7,000 tons of concentrated feed to over 5,000 private farmers; and the importation of \$50 million in plant protection products donated by the European Economic Community and the direct distribution of over one fifth of these commodities to private farmers. These projects have led to the creation of a farm input distribution system to serve private farmers. Other programs include extension farmer training, technology

transfer workshops, and observational visits and internships for Polish farmers to the U.S. and Europe. Sector-specific activities are targeted to dairy production, private farmer organizations and credit.

FDPA has conducted 57 training workshops and seminars in Poland reaching about 5,000 participants in 1989-1990. Many of these workshops were conducted by executives of European and U.S. businesses providing practical, hands-on technical and business training.

Land O' Lakes

Since 1986, Land O' Lakes has undertaken a \$3.1 million dairy development program to assist private dairy industries in 22 developing countries through industry-wide and sectoral feasibility studies, technical assistance, U.S. and in-country training. These programs have resulted in long-term A.I.D. projects in Poland, Jamaica and Pakistan, and projects currently under consideration in Morocco and Cameroon. Since 1983, Land O' Lakes has hosted 380 participants from 32 countries including 52 interns for up to one year in learning management skills.

Recognizing that the most cost-effective training is in-country, Land O' Lakes has implemented customized farm management and dairy production training. Land O' Lakes is currently providing short-term technical and managerial assistance to agribusinesses which include the use of volunteer farmer-members. With its own funding, Land O' Lakes has undertaken a feasibility study for privatizing a state dairy farm in Russia.

Land O' Lakes is currently conducting a multi-year training program in Poland. An initial survey was undertaken in 1989 which led to hosting four Polish dairy plant managers to the U.S. A comprehensive dairy sector study was conducted by a seven-member Land O' Lakes team in April 1990. This fall, Land O' Lakes sent a six member team to evaluate business opportunities, provide follow-up technical assistance to dairy plants, and arrange for training. In November, a three person team conducted a two-week training program on quality milk production and training techniques to farmers, extension trainers and dairy plant field representatives.

Land O' Lakes is providing one year of U.S.-based training for three Polish agriculturalists, and will be training at least 25 additional agribusiness executives including dairy and swine producers, research, technology and engineering, local cooperative management, cooperative credit financing and feed manufacturing management.

Sparks Commodities Inc.

Founded in 1977, SCI has extensive international development experience. Its officers and staff have extensive relevant experience, For example, Dr. Carroll Brunthaver, SCI president, was Assistant Secretary of Agriculture for International Affairs. Dr. J.B. Penn, senior vice president, served in USDA as Deputy Administrator for Economics and with the President's Council of Economic Advisers. He has been deeply involved in Polish agriculture since 1982, having participated in both Borlaug missions, and in the creation of the Foundation for the Development of Polish Agriculture, including negotiations with the Polish

government for its incorporation. Dr. William Notes, vice president for international consulting, has 30 years experience in agricultural marketing, including work on A.I.D.-funded projects in Ecuador, Honduras, Guatemala and Ghana. SCI economist Dr. Robert E. Lee is a former senior business economist for Arthur D. Little. Recently, he led the evaluation of Mozambique's agricultural and industrial enterprises, and currently is working on an A.I.D. project in Sri Lanka.

SCI has long experience in Eastern Europe and U.S.S.R. in helping agribusiness with strategic planning and developing information on basic agricultural production and marketing. SCI has undertaken research and analysis of centrally planned economies focusing on trade, technology, organization, production, agro-processing, transportation and credit. SCI maintains a comprehensive data bank on agriculture and processing in Eastern Europe.

SCI closely tracks changes in the economies of Eastern Europe to assess the business climate for investment and long term market prospects. SCI also maintains a network of in-country contacts throughout Eastern Europe, developed through previous business relationships.

A list of training and other programs being undertaken in Poland by consortium members is in Attachment 3.

3. PROGRAM DESCRIPTION

A. Program Definition and Scope

1. Problem Statement

The commitment of Eastern European countries to economic reform goes beyond changes in economic policy. It entails the redirection of a supply-based command economy to an economy that is largely demand driven. More than getting government out of economic activities, it also requires a reorientation of government to those areas where markets typically fail to optimally allocate society's resources. This includes government activities which serve to lower market transaction costs, permitting markets to more effectively perform their allocating function.

The economic transformation must be in equilibrium with the political changes. Major economic readjustment may so threaten political stability that investors are unwilling to take entrepreneurial risks.

Within this environment, private enterprise must emerge simultaneously as the old system is dismantled and a market economy introduced. Critically important is acquiring the skills and know-how to perform business functions of procurement, financing, investment, logistics and marketing. Managers have three major gaps in knowledge: modern management techniques, market economic principles, and the role of government in establishing economic policies. Management skills cannot be developed without an understanding of the broader economic challenges. Sound business development includes operating within the interface of private and public sectors.

2. Rationale

Poland's rapid transition to a market economy has created a mismatch between educational and training needs, and the capacity of Polish institutions of higher learning. Several years will be required for these institutions to build a business faculty and to develop business programs with the capacity to serve private enterprises. But, the need for training is immediate and Poland cannot wait if its radical shift to a market economy is to succeed.

Economics education and training must create and support the link between government and public institutions of higher learning and the emerging private sector. This can be achieved through courses and seminars for policy makers and educators to broaden their understanding of macro-economics and the fundamentals of a market economy; assure that economic reforms are environmentally sustainable; and strengthen the privatization process. Workshops for managers must be in practical business management, such as in operations, marketing, accounting, and finance, so that they can respond to incentives and consumer needs.

3. Approach

The consortium proposes to support the creation of two centers of excellence in management through educating educators who would carry out a series of courses targeted to new entrepreneurs in small and medium businesses, managers of privatized state companies, women in micro-enterprises associated with services, and rural business development. Courses would initially be jointly taught with U.S. and Polish instructors, then the proposal would support the replication of courses by local professors and institutions. In the optional second year, programs would continue in Poland by local institutions with consortium support, and a similar education and training approach would be initiated in Hungary and Czechoslovakia.

The courses, workshops and seminars would initially focus on Central and Eastern Poland where opportunity is greatest for economic development; it is also where most U.S. firms are interested in investing according to a recent survey of direct foreign investment. Programs would demonstrate public and private training techniques through expanding and closely coordinating ongoing programs by a major U.S. university, an American agribusiness cooperative, a local nongovernment foundation, and a private consulting firm.

Immediate and visible impact would be achieved by integrating existing linkages of the consortium with Polish institutions and by building on existing ongoing training programs. Consortium members can immediately initiate programs using staff who are familiar with the training and educational needs of Poland and who are largely in place. The programs focus on those industries and sectors which are at the nexus of the transition process and would yield early results. They are also targeted to key government policy makers, educators from the most significant institutions of higher learning, and managers who are anxious to learn operational and practical business techniques from private American businesses.

Programs are designed to be sustainable by expanding the small core of well-trained economists and management specialists to a "critical mass" of educators and trainers. All programs would develop basic curriculum and are institutionally linked for the continuation through regular courses. Consortium members have long standing relationships which will continue after project completion.

For cost-effectiveness, all training and education programs are proposed to be conducted in Poland through educating educators and training of trainers. Programs are targeted to high impact areas and to key elements of reform. Consortium members bring considerable in-kind and cash contributions to the effort.

See Attachment 1 for further details in meeting evaluation criteria.

4. Activities

The conceptual framework for the participants in this proposal envisions different levels of managerial knowledge and understanding ranging from a broad understanding of the macroeconomic forces of a competitive market economy to the day-to-day management decision-making for efficiency and effectiveness in factory or office. The assumption is that mastering the interplay between these levels of decision-making will be vital for new enterprise managers in Poland and other Eastern European countries to succeed in the transformation from a centrally planned to a market economy. The key premise is that successful management requires the capacity for strategic thinking and planning within the dynamic of an external market environment combined with the tactical decision-making focused on internal resources and capacities.

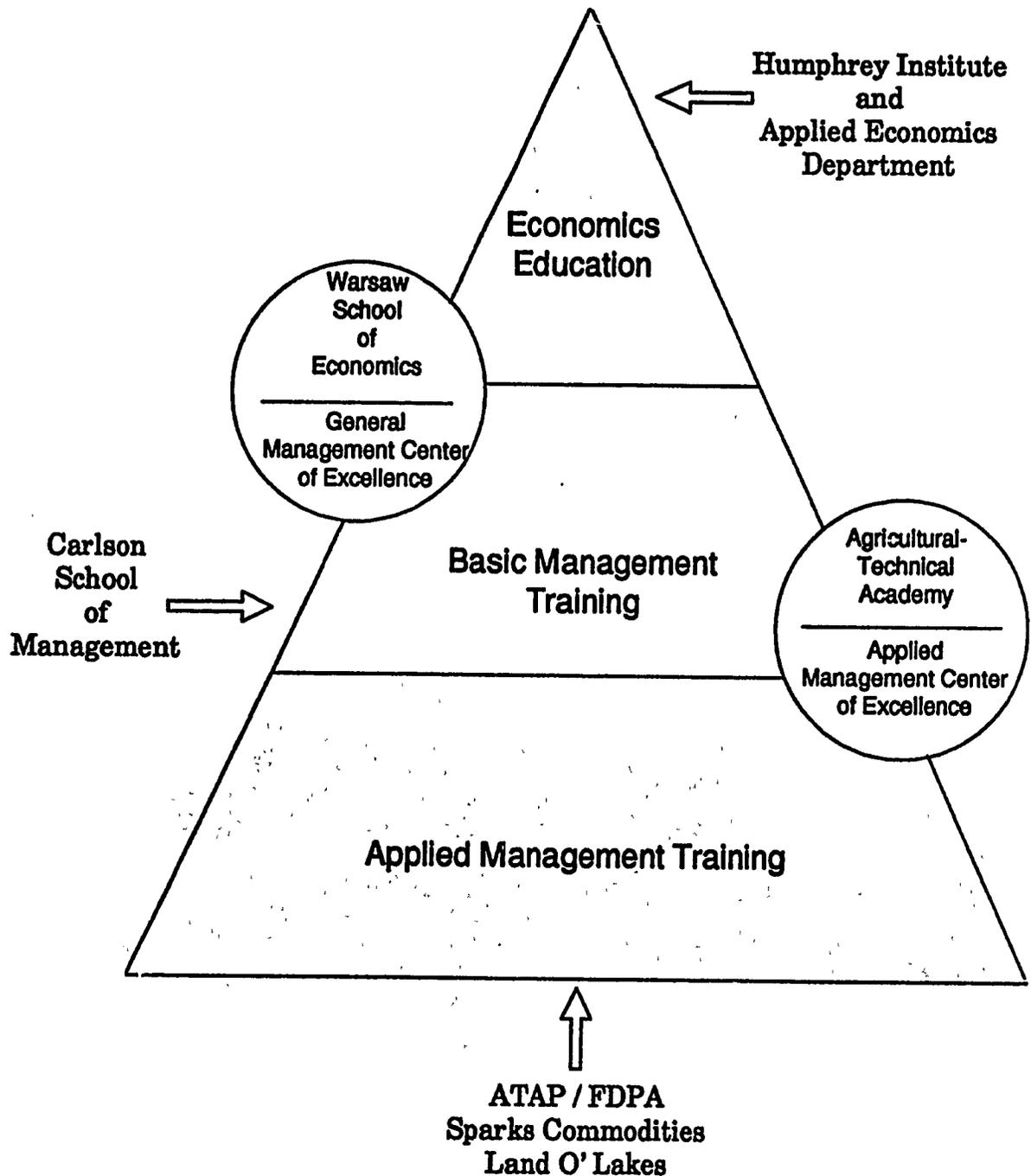
To convey these basic concepts, the consortium envisions a three level program organized as shown on the pyramid on the next page. Each level of the pyramid symbolizes the magnitude of ultimate audiences that the program would seek to reach.

Economics Education

At the apex of the pyramid lies the foundational content of the Economics Education program that would involve the basic principles of a market economy, international trade, the dynamics of economic development, and the framework for energy efficiency and environmental stewardship involved in sustainable development.

The courses would stress principles of monetary and fiscal policy and the international economic system including flexible exchange rates and trade. They would focus on a comparative analysis of Eastern European, the European Community and the United States. Courses would communicate the essential principle that consumers are sovereign in a market economy. The efficiency of markets combine information, incentives, property rights and authority. Identifying consumer preferences and a market information system are critical to managers and essential to strategic business planning.

Conceptual Framework for Economics Education and Management Training



Managers and other leaders need to understand risk and uncertainty, not present in centrally planned economies. The courses would discuss institutional arrangements that make a marketing system work, such as capital markets and distribution systems. The courses would cover the basic principles of comparative advantage for developing future and penetrating existing markets, including sourcing of inputs from abroad. The importance of multilateral businesses, international capital flows, and the international monetary system also need to be understood.

This level of training would primarily call on the Humphrey Institute and the Department of Agricultural and Applied Economics together with their Polish counterparts.

Management Training

In the center of the pyramid would lie the foundations of management theory and practice. This training would cover principles of accounting, financial management, marketing, operations management, personnel, strategic planning and management science decision theory. Workshops would focus on critical decision-making in successfully managing small and medium sized businesses and newly privatized firms. The management training program would be directed to some of the 150 to 200 managers in firms which are being or about to be privatized in 1991. This training would be provided by the Carlson School of Management with Polish counterparts.

Specialized Applied Management

Potential targeting of several economic sectors that are strategically vital in current Polish development has been weighed in the design of the program. The Communist government's bias toward heavy durable goods manufacturing has meant that many other fundamental areas of the economy have been seriously neglected since World War II. The consortium has chosen to concentrate on the food systems sector which is seen by many as highest priority. In the optional second year, other sectors would be given increased attention.

Sector-specific management training would be marked by a more specialized, "hands-on" set of learning experiences that would provide managers with direct training in the specialized markets, technologies, and the legal and policy environment. Training would focus on local managers of joint ventures with foreign companies with instructors from Land O' Lakes and Sparks Commodities

Managers of rural businesses and companies associated with the food system would be targeted, including the fastest growing economic sector: private shops and other forms of retailing.

The content of this training would particularly focus on marketing information systems by staff from Sparks Commodities who are familiar with potential overseas markets for Polish firms.

A training workshop in women in development would concentrate on small and micro-enterprises in service sectors. Cottage industries and services exist informally in Poland, and are capable of being expanded to accommodate women who are

displaced from state enterprises and occupations such as textiles, and inefficient and hazardous industry which will not be able to compete in the international market.

The U.S. and Polish Linkage

Also shown on the pyramid are Polish focal points which provide the links between the different levels: the Warsaw School of Economics providing the link between economics education and management training; and the Agricultural - Technical Academy providing the link between general management training and applied basic management training. The proposal supports two management centers of excellence for generalized management and for applied management training, respectively, at these institutions.

Each of the three levels on the pyramid would have an "intermediate audience," and a "target" or ultimate audience. As noted, an essential feature of the plan is developing partnerships in training with Polish counterparts. Representatives of these counterpart institutions would form the core of the intermediate audience; these are the educators to be educated and are the basis for future sustainability and growth of the "seeds" of private entrepreneurial thought and action. In effect, a key goal is to create a cadre of Polish management educators at each level of the scheme, from universities, government and NGO's who can continue the training of market-oriented executive personnel into the future. These educators, then, form the "intermediate" audience.

The "target" audience are people in need of management training at each of the three levels. At the first level of economic education, the program would seek to create a capacity within strategically selected universities to lay the groundwork for macro-economic education focused on market environments for enterprise growth and development. This level of training begins with faculty and students at the university and extends out to business and government leaders and the chief executive officers of newly formed or newly privatized enterprises.

The second level would provide management training for chief executive officers, middle and lower level managers, and small business entrepreneurs. Recruitment of the "target" audience for this training would be identified by working with the Ministry of Privatization so that executive managers in firms scheduled for privatization can be selected as participants in the program. The consortium would also seek to identify managers of newly established firms based on: incorporation filings with the government, contacts with firms providing technical consulting services to new ventures (such as PROEXIM), and contacts established by FDPA and consortium members.

At the third level, more detailed and operational management training would be provided by the subcontractors given their extensive experience and strong track records in applied management training. Working with FDPA and their own past experience in Poland, food systems and other entrepreneurs would be recruited as the primary target audience for this training.

Support Programs

A management video program would be developed in practical business courses for managers and employees. These programs would be made available to the two national television stations for broadcast as well as local stations and radio. Land O' Lakes has a sophisticated management video capability which provides courses to its 1,300 local cooperatives and 500,000 members which would be introduced as part of the two business management centers of excellence. The videos would be made available through the extensive farm supply network created by FDPA, local NGOs and institutions of higher learning.

Since consortium members have on-going programs in Poland, the education and training programs would have tangible benefits in supporting development projects such as a major effort by the Humphrey Institute for new sustainable development policies; the strengthening of a private farm supply network; training local managers who might operate an investment by Land O' Lakes in a feed mill; and marketing programs in-country and for overseas customers associated with FDPA and Sparks Commodities.

B. Program Goal, Purpose, Inputs and Outputs

The goal is to support the development and growth of private businesses and to strengthen the market economy by training entrepreneurs, educators and government policy makers who are critical to the success of Poland's economic transition. The purpose is to help create two management centers of excellence and other outreach programs for private enterprises by local Polish institutes of higher learning. Economics departments of Polish universities would be strengthened through undertaking immediate and high-impact short-courses with a focus on market economics, management, rural enterprises and women micro-enterprises. Management training would focus on general skills development, sales, marketing and operations.

The inputs would be financial and human resources to carry out the education and training programs with local Polish instructors. The outputs would be an improved understanding among university faculties, government officials, business and civic leaders, and enterprise managers of market economics; new policies and programs for sustainable development; and better management essential to the success of small- and medium-sized businesses, privatized firms and other companies.

C. Program Goal

To achieve the goal of supporting private enterprise and market economics, the program would integrate educating educators with practical training for managers through creation of management centers of excellence at two local institutions of higher learning. The program would strengthen the intellectual support for a market economy and, at the same time, provide practical management courses for new entrepreneurs. This would be done in such a way as to leave a capacity for on-going education and training through a cadre of skilled and knowledgeable Polish educators.

D. Program Purposes

The general economics education and management training would focus on educating educators to create an institutional capacity of local institutions of higher learning to support market reforms. Through the training of trainers, the program would strengthen the ability of managers and entrepreneurs to successfully compete in a market economy.

Though the involvement of technicians and executives from foreign suppliers and investors, the program would also create linkages to overseas markets and suppliers for Polish enterprises. In many cases, these company executives have a vested interest in a strong market economy and better managed Polish businesses for their own market development. The program would continue to receive human and financial support from foreign private companies through ongoing programs of the consortium.

Within a one-year project, it is not possible for management training courses and economics education programs to become fully self-sustaining. However, the program would put in place management centers enterprise which, in the West, are supported by private businesses and provide important sources of finance for institutions of higher learning. The program would work with local institutions to set up a fee structure for courses.

Critical to the long-term success of the market economy in Poland is creation of an enabling public policy and economic incentives to address the deteriorating environment. At the end of one year, the program is expected to have further strengthened the process of educating Polish economists and policy makers towards encouraging the adoption of sustainable development policies, such as environmental regulation, incentives for cleaning up polluting industries and environmentally-sound development planning. The Humphrey Institute has already begun this process.

E. Program Outputs

Within a year, the program would achieve the following outputs:

- o develop a cadre of 200 professors capable of teaching sound private market economics courses
- o create a pool of 800 qualified instructors, trainers and students in business management
- o strengthen the capacity of 100 government policy makers
- o train 1,150 managers and key employees of 500 companies capable of operating profitable businesses in a market economy
- o create two management centers of excellence

F. Program Inputs

The program would finance U.S. and Polish instructors, the coordination, and the costs in conducting the following seminars and workshops:

- o forty courses for 1,000 educators, policy makers and emerging business leaders in business management, market economics, and sustainable development.
- o nineteen workshops for 1,050 salespersons, managers and trainers including management video training and women and development.
- o six seminars for 300 participant in market information, privatization and commodity markets.

G. Plan of Action

1. Criteria

Country Selection

- o Poland is at the forefront of radical economic transformation to a market economy. Its success is critical to the region and closely watched by policy makers across Eastern and Central Europe and the U.S.S.R. as they plan to implement reform programs.
- o Participants in the consortium have ongoing programs in Poland, understand the political and economic environment and have close links to institutions of higher learning, private entrepreneurs and government officials.
- o Limited funding suggests first targeting a single country, and then in the second optional year extending the program to other Eastern European countries as they accelerate their pace towards market reforms.
- o Training and education programs would be targeted to eastern and central Poland where economic development is needed and where U.S. companies have exhibited an interest in investment.
- o Subjects were chosen to reflect high impact areas and activities which are most responsive to market economics.

**2. University of Minnesota
primary applicant**

a. Activities

(1) Market economics for educators: principles of a market economy, consumers' role in a market economy, managing risk, how a market place works, international trade and comparative advantage, economic policies to stimulate growth during a period of structural adjustment, decentralized economic planning process, the political economy of development policy, technical and institutional changes in

the use of foreign aid, and environmental management and protection in a market economy and evolving Polish policies in sustainable development

(2) Business management for entrepreneurs: human resource development (merit pay, performance appraisal, conflict management and negotiations, interpersonal skills and hiring and firing); comparative distribution systems (transportation infrastructure, rules for doing business, comparative productive processes and logistics decision making); strategic planning; business finance; basics of financial management; marketing management (consumer assessment, competition, market decision making and implementation plans); and production and operations management (flexibility, quality and cost factors, international aspects). Courses would also cover financial institutions for managers of bank and insurance companies: financial and managerial accounting systems, financial institution management, prudential supervision of financial institutions, and investment analysis.

The train-the-trainers courses in women in small and micro-enterprises would concentrate on start-up and operations, retailing, finances, bookkeeping and business planning. Management workshops would cover principles of procurement and assembly, financial and management systems, organization and operations, quality control, marketing perishables, retailing and sales, warehousing transportation and logistics.

(3) General coordination of activities of the university faculties and the subcontractors together with insuring the links with Polish counterpart institutions.

b. Organization

The Humphrey Institute would be the lead organization within the University of Minnesota, but would draw extensively on the Carlson School of Management and Department of Applied Economics.

Overall program direction would be by Dr. G. Edward Schuh, Dean of the institute and former senior official of the World Bank. Day-to-day program management would be carried out by Dr. Zbigniew Bochniarz who is an economist with the Warsaw School of Economics and has been a visiting Senior Fellow at the Humphrey Institute since 1985. Dr. Bochniarz directs the institute's East European Program and is fluent in both Polish and English. The in-country director would be Dr. Bogdan Radomski, assistant professor at the Warsaw School of Economics. Dr. Radomski has broad experience in undertaking special educational program. Other institute faculty who would participate include Robert Kudrle, Morris Kleiner, John Brandl, and Steve Hoenack.

Dr. Terry Roe and Dr. Mahmood Zaidi would coordinate activities of the Department of Applied Economics and Carlson School of Management, respectively.

The following faculty are available to participate in the economics program and rural development courses: Theodore Graham-Tomasi, Glenn D. Pederson, Jerome W. Hammond, K. William Easter, Willis Petersen, Benjamin Senauer, and Harald von Witzke.

The following staff are prepared to participate in business management programs: Richard Arvey, Frederick Beier, Balaji Chakravarthy, W. Bruce Erickson, Patrick Hess, Peter Rosko, William Rudelius, and Howard Strauss.

Using staff identified above, women in small and micro-enterprise workshops would be directed by Ms. Arvonne Fraser, formerly head of A.I.D.'s Women in Development Office and currently director of the institute's program for women and social policy. She would be assisted by Marsha Freeman.

University of Minnesota participants above are expected to spend 146 person months in course preparation and in conducting courses in Poland. Resumes are in Attachment 4.

c. Beneficiaries

Indirect beneficiaries are those emerging teachers, managers and others of the major institutions of higher learning participating in the program. Direct beneficiaries are educators, managers, policy makers and students who would receive economics education and management training. The number of total direct participants is estimated at over 1,000 from the entire socio-economic range and balance of genders. Workshops for women managers of small businesses is expected to reach 100 educators, trainers and women entrepreneurs.

d. Implementation Plan

<u>Courses</u>	<u>Year 1</u> <u>Poland</u>	<u>Year 2</u> <u>Poland</u>	<u>Year 2</u> <u>Hungary &</u> <u>Czechoslovakia</u>
Business management	20	20	20
Market economic	8	8	8
Environmental seminars	4	4	4
Sustainable development	4	4	4
Rural development	4	4	4
<u>Workshop</u>			
Women in development	4	4	4
<u>Staff</u>			
U.S.	2	2	2
In country	9	6	6

The staff would coordinate all economics and management training for the consortium with local institutions of higher learning, including the two proposed centers of management excellence at the Warsaw School of Economics and Agricultural-Technical Academy in Olsztyn. The basic approach is for University of Minnesota professors to prepare course materials and curriculum and to spend 2-3 weeks in Poland with a counterpart teacher for course design (educating the educator). The initial classes would be jointly taught and subsequently the local teacher would replicate the course four times for 20 participants each.

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Bench marks include the number of courses conducted and participants. Critical indicators are the interest of professors and students in the courses offered, the integration of course work with other components of the program, and the improved skills of the participants.

e. Sustainability

The University of Minnesota has strong institutional linkages to Polish universities which will endure regardless of A.I.D. support.

The proposed economics and management course are expected to be adopted in regular curriculum of counterpart universities. The program's sustainability depends on the continuation of these courses within collaborating Polish institutions. The financial sustainability will depend on general government support to the institutions. The two centers of business management excellence would be partially based on a fee structure for training local business managers and executives.

3. American Trust for Agriculture in Poland (ATAP)
subcontractor

a. Activities

ATAP would be the major program coordinator in matching managerial needs in Poland with human and financial resources of the consortium. Coordination would be undertaken through its affiliated Polish Foundation for the Development of Polish Agriculture (FDPA).

For the non-university training components, FDPA would arrange workshops, identify trainees, handle local logistics and provide translation and interpreters and other support functions.

In addition, FDPA would itself undertake training workshops for sales managers and staff, managers of small businesses and extension trainers from universities, research institutions and other bodies. Training workshops would be targeted to 600 sales personnel including managers (30), outside salespersons (225), shopkeepers and inside salespersons (100), and technical support staff (250). These workshops would provide skills in sales in a competitive environment. In the optional second year, sales managers higher up in distribution organizations would be trained.

Using its extensive contacts with private agri-business, FDPA would arrange for executives from U.S. and European companies to participate and provide practical instruction in general management training. FDPA would also identify key joint ventures by foreign investors for intensive management training.

b. Organization

ATAP and FDPA would use existing staff for coordination and communications. FDPA's participation in the program would be under the direction of the Executive Director, and the resumes of FDPA staff to be involved are in Attachment 5. ATAP/FDPA staff would contribute 90 person-months to the project.

c. Beneficiaries

The indirect beneficiaries of ATAP/FDPA activities would be the general rural residents in eastern Poland. Direct beneficiaries are 900 managers, salespersons and extension agents participating in the workshops.

d. Implementation Plan

<u>Workshops</u>	<u>Year 1</u> <u>Poland</u>	<u>Year 2</u> <u>Poland</u>	<u>Year 2</u> <u>Hungary &</u> <u>Czechoslovakia</u>
Sales managers & salespersons	6	4	
Managers	2	2	
Extension agents	1	2	
<u>Staff</u>			
In-country	6	6	

Nine workshops of three to four days will be held for 900 participants: six for sales managers and salespersons, two for small business managers and one for extensionists. FDPA in the past has successfully undertaken this style of large workshops to reach key audiences.

In addition, FDPA would hire four local staff to handle arrangements, translation and other logistics for the consortium.

e. Sustainability

FDPA is fully sustainable as a local NGO, with multiple sources of funding from a wide range of foundations, private businesses, and its own business operations. This program would be its first with U.S. government support.

4. Land O' Lakes
subcontractor

a. Activities

Land O' Lakes would undertake training of trainers workshops in business management, food systems operations, business extension and video management techniques. These workshops would broaden current training primarily in dairy operations and feed manufacturing.

The following workshops would be undertaken: (1) general business management for new businesses, privatized state enterprises and private cooperatives, (2) management of small and medium size businesses in the food system including processing and retail sales; (3) training of trainers at the Agricultural-Technical Academy in Olsztyn for establishing a center of management excellence, and (4) training in video management.

Management workshops would cover principles of procurement and assembly, financial and management systems, organization and operations, quality control, marketing perishables, retailing and sales, warehousing, transportation and logistics.

Rural development courses would train the trainers with an emphasis on practical hands-on business operations for small scale trades (carpenters, fitters, drivers, mechanics, tailors), and for crafts and cottage industries.

b. Organization

Land O' Lakes contribution to the consortium would be to demonstrate the private cooperative business model. General management would be provided by Martha Cashman, director of the international development department, and training programs by James Frantz, an international training specialist. Administrative and contracting support would be provided by Helen Nelson, manager, and Lori Anderson, project manager of international grants and contracts.

Training in Poland would be carried out by regular Land O' Lakes employees including: Dr. Jorge Marin-Guzman, international technical sales manager; David Eckholm, director of dairy business development; Al Wanous, Land O' Lakes agribusiness consultant and trainer; Kristin Ren-Ngando, an agricultural extension and training expert; Howard Gochberg, vice president for logistics, custom products and food ingredients; Richard Anderson, vice president for new business development; Dr. Paul Christ, vice president for dairy planning and analysis; Dr. LaVern Freeh, vice president for public and international affairs; Dr. Barry Vermilyea, senior research food scientist; Dr. Leonard Ruiz, director of research and development; Sally Collins, accounting management and Dr. Steven Binion, director of research.

Land O' Lakes staff above are expected to contribute 18 person months to the program. Resumes are in Attachment 6.

c. Beneficiaries

Indirect beneficiaries are the Polish consumers who would receive better quality products from private companies. Direct beneficiaries are 150 managers, trainers and others who would attend the workshops.

d. Implementation Plan

<u>Workshops</u>	<u>Year 1</u>	<u>Year 2</u> <u>Poland</u>	<u>Year 2</u> <u>Poland, Hungary &</u> <u>Czechoslovakia</u>
Business management	2	2	2
Food systems	2	2	2
Train the trainers/ center of excellence	1	1	
Video management	1		2

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Land O' Lakes' workshops would demonstrate management training through the private sector as distinct from public institutions. There would be six two week workshops, based on Land O' Lakes other in-country training, for about 25 managers or trainers each. These same approaches would continue in the second optional year and be extended to Hungary and Czechoslovakia.

e. Sustainability

Land O' Lakes proposes to demonstrate the linkage of management training to private businesses including the introduction of fees for services.

5. Sparks Commodities, Inc. (SCI)
subcontractor

a. Activities

SCI proposes to focus on seminars in: (1) marketing and marketing information systems for private enterprises; (2) privatization; and (3) the introduction, development and operation of commodity markets. With the termination of state monopolies, market forces must now be relied upon to drive the food system, and efficiently operating markets must be developed quickly. SCI proposes to undertake executive-style seminars for managers, educators and government policy makers.

The privatization seminars would cover basic principles in privatization, processing and marketing enterprises including valuation, reorganization, and ownership options. SCI would also provide instruction in business operations, risk management and strategic planning for the privatized companies.

SCI would conduct seminars for managers in marketing, marketing information systems, financial systems, transportation and credit, the essential components undergirding efficient markets. These workshops would provide information on how markets work, the information required for efficient markets, the major components needed for a solid market infrastructure, the role of government in a market economy, and managing price risk in a market setting.

SCI would also undertake seminars in developing the basic infrastructure for an efficient commodity market for the flow of commodities from farms to processors to consumers. Specially, SCI would focus on the development of grain and livestock markets, the major farm commodities, through the design of a system that includes exchanges, commercial warehouses, grades and standards, and market information such as prices, availability, quality, etc.

b. Organization

SCI participation would be led by Dr. Carroll G. Brunthaver, its president, who formerly was president of the Commodity Credit Corporation; and Dr. J. B. Penn, head of SCI's Washington consulting division. Other participants include: Dr. William Motes, a former senior staff member of the Senate Committee on Agriculture, on government policies; Dr. Bruce A. Scherr on risk management, market assessment and market organization and strategies; and Dr. Robert E. Lee, on financial systems.

The SCI staff are expected to contribute 16 person-months to the program. See Attachment 7 for resumes.

c. Beneficiaries

Indirect beneficiaries are the emerging businesses and consumers who would benefit from a smoothly functioning and more efficient marketing systems, and better prices from privatized firms. Direct beneficiaries would be 300 managers, educators and government policy makers.

d. Implementation Plan

<u>Seminars</u>	<u>Year 1</u>	<u>Year 2</u> <u>Poland</u>	<u>Year 2</u> <u>Poland Hungary &</u> <u>Czechoslovakia</u>
Marketing information	2		2
Privatization	2	1	2
Commodity markets	2	1	2

SCI would undertake six seminars of three days each on marketing, privatization and commodities markets for about 300 participants. FDPA would make all local arrangements including identification of those to be trained.

e. Sustainability

Sustainability would be possible if the government uses the information presented in the seminars and implements programs to encourage the privatization and commodity exchanges discussed. Local managers would need to implement marketing information from the seminars in their businesses. The purpose of the privatization workshops would be to facilitate the process and also help ensure that the newly-privatized companies can be effectively managed for profitability in a market environment. They also would help to develop university support systems so that such information can be provided for subsequently formed companies. Beginning in the optional second year, a fee would be charged for seminars.

4. PROGRAM MANAGEMENT

a. Organization

Prime Contractor

The overall program management would be undertaken by the University of Minnesota under the leadership of Dr. G. Edward Schuh, Dean of the Humphrey Institute, and day-to-day management by Dr. Zbigniew Bochniarz who would work three-quarters time on the project. The in-country director would be Dr. Bogdan Radomski who would work full-time on the project with a six person staff. University of Minnesota staff who would work on the project are listed in the section above.

The following professors have agreed to coordinate the program on behalf of their institutions: Dr. Ryszard Gajdecki for the Warsaw School of Economics; Professor

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Jozef Szymanski for the University of Maria Curie-Sklodowska; Dr. Bazyli Poskrobko for the Bialystok Technical University; Dr. Andrzej Kassenberg for the Agricultural-Technical Academy in Olsztyn and the Institute for Sustainable development in Warsaw.

The following individuals have agreed to be the liaisons to the project from the following ministries: Dr. Tomasz Gruszecki from Privatization; Dr. I. Drawczyk from the Agriculture and Food Economy; Professor H. Hajdu from Construction; Director K. Adamczyk from Industry; Dr. S. Gburczyk and Dr. W. Mising from Finance; and Dr. S. Sitnicki and Dr. T. Zylicz from Environmental Protection, Natural Resources and Forestry.

Dr. Eva Borkowska in the office of Territorial Self-Government would serve as coordinator for local governments and their officials.

For the management centers of excellence at the Warsaw School of Economics and the Agricultural-Technical Academy, Professors Gajecki and Andrzej Kassenberg would be the coordinators.

Subcontractors

Dr. J.B. Penn and Cindy Fithian would provide overall management and coordination, respectively, on behalf of the American Trust for Agriculture in Poland (ATAP). Gregory Vaut would manage activities on behalf of the Foundation for the Development of Polish Agriculture. FDPA will utilize five of its current staff for undertaking its training programs and handling logistics, translation and other services for the subcontractors.

Martha Cashman would provide management for Land O' Lakes participation and Dr. J.B. Penn for Sparks Commodities. Other staff who would participate in the project are listed above.

An organizational chart and resumes of key staff are included in Attachment 8. The day-to-day project coordinator is Polish and fluent in Russian and conversant in other Slavic languages, the latter being especially important for optional year two. Within the Warsaw School of Economics, approximate 350 of the 1,000 professors speak English. Translators would be provided where necessary.

b. Implementation Plan

<u>Courses</u>	<u>Year 1</u> <u>Poland</u>	<u>Year 2</u> <u>Poland</u>	<u>Year 2</u> <u>Hungary &</u> <u>Czechoslovakia</u>
Business management	20	20	20
Market economic	8	8	8
Environmental seminars	4	4	4
Sustainable development	4	4	4
Rural Development	4	4	4

<u>Workshops</u>	<u>Year 1</u> <u>Poland</u>	<u>Year 2</u> <u>Poland</u>	<u>Year 2</u> <u>Hungary &</u> <u>Czechoslovakia</u>
Women in development	4	4	4
Sales managers & salespersons	6	4	
Managers	2	2	
Extension agents	1	2	
Business management	2	2	
Food system	2	2	2
Train the trainers/ center of excellence	1	1	
Video management	1		2
<u>Seminars</u>			
Marketing information	2		2
Privatization	2	1	2
Commodity markets	2	1	2
<u>Project Staff</u>			
U.S	2	2	2
In-country	15	12	6

All training activities would take place in Poland during the first year; and in Poland, Hungary and Czechoslovakia in the optional second year. Program management would be provided in the U.S. and host countries. Participants in training and economics education courses would be identified and subjects to be covered would be the responsibility of in-country coordinators and staff. Curriculum and course design generally would be provided by U.S.-based participants.

c. Program Constraints

- o Various government officials (listed above) have been contacted and would coordinate programs involving their ministry. No difficulties are expected from any government officials. However, if Poland and the other countries included in the proposal move away from their current free market effort, program results would be adversely affected.
- o Office equipment including computers would be purchased on the local market. Thus, importation of commodities is not a constraint.
- o Counterpart funds provided for in the proposal are not from host government sources. In-kind, private and foundation contributions have already been identified and are expected to be available for project implementation.

- o Given the strong involvement of staff in Poland in project planning, there is little likelihood of difficulties in attracting the targeted participants. Obviously, timing and other considerations may prevent some participants from fully participating, but the pool is sufficiently large to meet project targets.

The proposal provides for initial activities to take place only in Poland. With independent funding, the consortium plans to bring participants from Hungary and Czechoslovakia to take part in the training. During the first year, detailed planning would take place for expanding the program to these other countries. Consortium members are beginning programs in these countries, and propose to incorporate planning for training and economics education within their current activities there.

5. PROGRAM FINANCIAL PLAN (Provided under separate cover)

6. MONITORING AND EVALUATION

Key indicators

- o Number of courses, and professors and other participants in market economics classes
- o Number of workshops conducted for management training, and managers, executives and key employees trained.
- o Number of seminars undertaken, policy makers reached, and types of modifications to government policies achieved (e.g. sustainable development, commodities markets)
- o Two management centers of excellence established
- o Survey and evaluation of professors, managers and others concerning the relevance of courses and workshop, and new skills learned and attitudes modified

The project includes ongoing evaluation of every workshop and course. The project design provides for replication of courses and workshops by local Polish instructors so that suggestions by initial participants can be incorporated into curriculum and training approaches.

The ultimate impact of the program is on the ability of Polish professors and teachers to conduct well-conceived market economics courses for the benefit of their students; and for management training to assist private entrepreneurs in the running of their companies. The issues of training impact can only be fully evaluated based on the long term performance of participants. Within the project scope, it is difficult to measure changes in attitudes and the adoption of newly learned skills to business operations. The ability of private enterprises to perform is the true indicator of success. During the optional second year, the consortium proposes to undertake a performance evaluation of businesses impacted through the training effort.

In the tenth month, the consortium would undertake a general evaluation of the project. The consortium members have extensive A.I.D. evaluation experience.

Reporting

Quarterly reports would be provided to A.I.D./Washington and A.I.D./Poland by the project director (Dr. Bochniarz), and would include: financial status, progress in meeting key indicators above, summary of participant evaluations, and difficulties encountered. Subcontractors would provide identical information to the project director for consolidation into a single report. Dr. Bochniarz would provide on-site monitoring of project progress through field visits every other month including visits with local A.I.D. staff.

An annual report would be prepared in which the quantitative and qualitative measures would be presented. This report would discuss continuation of the program in Poland (essentially through supporting local institutions), and project planning to expand the program to Hungary and Czechoslovakia.

Proposal Preparation

The following persons made a substantial contribution to the preparation of this proposal: Martha Cashman and Helen Nelson (Land O' Lakes); Zbigniew Bochniarz, Debra Cran, Terry Roe, Harald Von Witzke, G. Edward Schuh, Richard Bolan, Mahmood Zaidi, Joseph Gilligan (University of Minnesota), J.B. Penn (Sparks Commodities); Cindy Fithan and Lynn Kurtz (ATAP); Gregory Vaut (FDPA); and Ted Weihe (Overseas Cooperative Development Committee). Local Polish coordinators and liason with government ministries also provided input and are listed above.

