

Agency for International Development  
Washington, D.C. 20523

180-0029  
PDFCV266

JUL 23 1991

Dr. Richard Steiner  
Director,  
SUNY Office of Sponsored  
Program Administration and Development  
T-4, SUNY Plaza  
Albany, N.Y. 12246

Subject: Grant Number: EUR-0029-G-00-1061-00

Dear Dr. Steiner:

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 State University of New York (hereinafter referred to as "SUNY" or "Grantee") the sum of \$1,117,417 in support of one-year Management Training and Market Economics Education for Hungary (Project Number 180-0029), as more fully described in Attachment 1 of this Grant entitled "Schedule", and Attachment 3, entitled "Program Description". A.I.D. initial funding (hereinafter referred to as "Obligated Amount") shall cover the initial nine months of the grant period of performance.

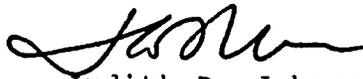
The total estimated amount of the program is \$1,846,661, of which A.I.D. shall incrementally fund \$1,317,517 (subject to availability of funds), and the Grantee shall provide \$529,145 non-Federal funding. A.I.D.-authorized initial funding in the amount of \$1,117,417 is hereby provided, and the incremental (additional) funding of \$200,100 may be provided, subject to availability of A.I.D. funds, after the effective date of this grant. A.I.D. shall not be liable for reimbursing the Grantee for any costs in excess of the obligated amount.

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 July 16, 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.

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 (revised)", and Attachment 4, entitled "Grantee's Application (Proposal)", 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,



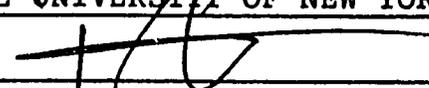
Judith D. Johnson  
Grant Officer  
Overseas Division  
Office of Procurement

Enclosures:

- Attachment 1: Schedule (including the Additional Schedule Provisions incorporated therein)
- Attachment 2: Program Description
- Attachment 3: Standard Provisions (revised)
- Attachment 4: Grantee's Application (Proposal)

ACKNOWLEDGED:

THE RESEARCH FOUNDATION OF  
STATE UNIVERSITY OF NEW YORK

BY: 

TYPED NAME: Dr. Richard Steiner

TITLE: Director, SUNY Central Sponsored Programs Office

DATE: July 26, 1991

FISCAL DATA

A. GENERAL

- A.1. Total Estimated Amount: \$1,317,517
- A.2. Total Obligated Amount: \$1,117,417
- A.3. Cost-Sharing Amount (Non-Federal): \$529,145
- A.4. Project No.: 180-0029
- A.5. A.I.D. Project Office: ENE/EUR, Stephen French
- A.6. Funding Source: A.I.D./W
- A.7. Paying Office: FM/CMP/LC
- A.8. Tax I.D. No.: 14-1368361
- A.9. DUNS No.: 02-065-7151

B. SPECIFIC

- B.1.(a) PIO/T No.: 180-0029-3-1183663
- 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: \$1,117,417

A.I.D. Technical Oversight:

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 only to the cognizant A.I.D. Project Officer (and not any other A.I.D. official).

**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". 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 July 16, 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 July 16, 1992.

**C. AMOUNT OF GRANT AND PAYMENT**

C.1. The total estimated amount (including non-Federal funding) of the program described in Attachment 2 of this Grant is \$1,846,661.

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 \$1,317,517.

C.3. A.I.D. hereby obligates the amount of \$1,117,417 (hereinafter referred to as "Obligated Amount") for program expenditures during the first nine 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**

The program's financial plan is presented on the following page (page 3).

## GRANT BUDGET

	A.I.D.	Mellon	Pew/Other	SUNY	Total
<b>(A) Direct Costs</b>					
Salaries	\$182,627	\$68,711	\$40,010	\$61,527	\$352,875
Fringe Benefits	49,309	18,552	10,803	17,818	96,482
Consults/Train./Trans	228,033	33,015	0	7,500	268,548
Travel & Per Diem	159,089	38,483	10,800	5,400	213,772
Supplies	26,119	2,951	0	5,250	34,320
Equipment	18,000	1,500	0	0	19,500
Other Direct Costs					
Communications	6,090	6,400	0	7,000	19,490
Housing/Util.	35,000	0	0	0	35,000
Other Rents	69,325	10,908	0	0	80,233
Translators	0	0	0	0	0
Sub-Contracts/Unspecified	277,500	99,000	0	0	376,500
Handbook 10 Allowances	45,000	0	29,902	0	74,902
Tuition	24,000	0	18,700	0	42,700
<b>Sub-Total Direct Cost</b>	<b>\$1,120,092</b>	<b>\$279,520</b>	<b>\$110,215</b>	<b>\$104,495</b>	<b>\$1,614,322</b>
<b>(B) Indirect Costs</b>					
MDC 30.6%	197,424	0	5,081	29,834	232,339
<b>TOTAL COSTS</b>	<b>\$1,317,517</b>	<b>\$279,520</b>	<b>\$115,296</b>	<b>\$134,329</b>	<b>\$1,846,661</b>
<b>Total Program Costs</b>	<b>\$1,846,661</b>				
<b>Total Counterpart</b>	<b>\$529,145</b>				
<b>% Counterpart</b>	<b>28%</b>				

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.

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 sixty (60) 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 for 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.

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**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 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.

**E.2.(d) Training Reports**

**E.2.(d)(1)** If the Standard Provision entitled "Participant Training" applies to this Grant (see Section 1K. for applicability), the Grantee shall comply with reporting and information requirements of the Standard Provision of this Grant entitled "Participant Training," as well as Chapters 5 and 24 of A.I.D. Handbook 10.

**E.2.(d)(2)** The Grantee shall also provide five (5) copies of quarterly training reports to the A.I.D. Project Officer, covering this Grant. The report shall include the following information:

- Total number of new trainees during the period; and
- The following information for each trainee:
  - name
  - citizenship
  - gender
  - training site
  - beginning and ending dates of training
  - purpose of training
  - type of training activities
  - source of funding

**E.2.(d)(3)** The Grantee shall provide three (3) copies of all training manuals produced under this Grant to the A.I.D. Project Officer.

**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.

f. 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-Predetermined" (Attachment 3), 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

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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 predetermined/fixed 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	27.0%	<u>1/</u>	<u>3/</u>	Fixed
Overhead	30.6%	<u>2/</u>	<u>4/</u>	Predetermined

- 1/ Direct salaries and wages excl. student compensation.
- 2/ Base Amount as defined in the DH&HS rate agreement dated 8.24.89.
- 3/ 7.1.91 - 6.30.92
- 4/ 7.1.90 - 6.30.93

**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 first in the United States (A.I.D. Geographic Code 000), then Hungary (Geographic Code 185), 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, Hungary (A.I.D. Geographic Code 185) as a Code 935 country. The order of preference in paragraph (b)(1) of that provision applies as stated, with Hungary (Geographic Code 185) 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 Hungary (A.I.D. Geographic Code 185), 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 nonprofit organizations other than 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):

- Three (3) IBM PS/2 Model 50 computers (n.t.e. \$10,000),
- Office furniture for Budapest office (n.t.e. \$8,000).

**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**

Conflicts between any of the Attachments of this Grant shall be resolved by applying the following descending order of precedence:

- Attachment 1 - Schedule
- Cover Letter
- Attachment 3 - Standard Provisions
- Attachment 2 - Program Description

**K. STANDARD PROVISIONS**

The Standard Provisions set forth as Attachment 3 of this Grant consist of the following revised 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)
- ( X ) Negotiated Indirect Cost Rates - Predetermined (May 1986)
- ( ) 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".

**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 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 about 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 Hungary**

The main goal of Research Foundation of SUNY program is to build a strong Hungarian private sector. The purpose for AID to assist in the support of SUNY's existing Center for Private Enterprise Development (The Center) located in Budapest Hungary. The Center is an inter-university, private sector support entity which provides management training, market economics education, and research and consulting services in support of the Hungarian private sector.

#### **D. Program Components**

The Center has already conducted a substantial number of private sector support activities, and continuation of its activities is essential to foster transition of the ill-functioning Hungarian economy into an effective market-driven economic system with a substantial private sector. The Center's activities focus on 1) management training for small business managers and entrepreneurs, executives and supervisors, and faculty; 2) market economics education; 3) supporting programs such as consulting, research and brokering/networking services.

## **PROGRAM DESCRIPTION**

### **A. Program Definition and Scope**

Eastern Europe is experiencing dramatic political and economic change and Hungary is a leader in this process. Since 1968, it has been the most experimental of East European countries in its attempts to modify its socialist command economy. Last year it became the first East European country to openly repudiate the socialist economic model and declare its intention to seek widespread privatization and free market capitalism. With this tradition of leadership, Hungary is now one of the first East European countries to experience the serious economic dislocations resulting from the restructuring process itself. If Hungary can successfully make the transition from a planned to a market economy, it will be a model for other Central European nations contemplating similar economic changes.

After 40 years of socialism most Hungarians are ill-prepared for the challenges of a market economy. Years of central planning and state ownership have failed to provide individual Hungarians with the basic skills and values necessary to manage private business. Government economic planners and politicians have only the vaguest notions of alternative ownership schemes; of how to finance the privatization process; of how to redirect Hungary's trade toward a wider, and more competitive world market. Remedial

technical assistance is urgently needed if Hungary is to make a successful transition to a market economy that is fully integrated into the wider European and world economies.

Hungary needs assistance of the highest quality, it must be made available to audiences at many levels, and its cost must be such that it can be obtained without Hungary having to sell or mortgage its future. The help that Hungary needs must be available soon and it must continue throughout this crucial transition period of 1991-1995. Taking the above into account, SUNY, in cooperation with a consortium of Hungarian universities and other organizations, has begun to provide this assistance to the emerging Hungarian private sector through the services of the Center for Private Enterprise Development (the Center) as discussed on pages 1 and 2.

## 1. The Center's Priorities

The Center's three strategic priority areas of interest, and the current focus of projects supporting each priority, are:

**MANAGEMENT TRAINING.** The Center supports three existing major activities to address the need for improved management training:

- Executive training
- Line management and supervisory training
- Small business and entrepreneurship development
- Faculty Development

**MARKET ECONOMICS EDUCATION** Market economics education is currently promoted by the Center through two discrete activities.

- Public education in basic economic and business literacy
- University curriculum development

## SUPPORT ACTIVITIES

- Consulting services
- Research services
- Brokering/Networking services

## 2. Center Activities

To address these three priority need areas, the Center undertakes four assistance activities: training, consulting, research, and networking/brokering services. The Center's makeup and basic areas of functional emphasis are shown schematically on the organization chart in Appendix Q.

The Center's office space, centrally located in Budapest, is supplemented with space and facilities provided by the Hungarian partner institutions, primarily Budapest's University of Economic Sciences.

The Center has established partner and cooperative relationships within virtually all sectors of the Hungarian economy, with most Center activities conducted at and co-sponsored by one of the principal Hungarian institutions with whom relationships have been established.

Hungarian participation is the key to the Center's long-term success. Since it is the Hungarians who must live with the changes brought about by the new political and economic conditions, it follows that they should play a central role in the creation and operation of the Center. They must play a key role in identifying, prioritizing, planning and implementing the Center's activities (see Institutional and Financial Sustainability, pp. 23-25).

SUNY provides the organizational leadership and technical assistance for the Center. After three years, the Center will be an independent, self-supporting organization within the Hungarian university community able to offer high-quality technical assistance to both the private and public sectors.

### 3. Relationship to AID Program Description

The priorities of SUNY's Center in Budapest coincide precisely with the focus of the AID's objectives in Central and Eastern Europe.

- It is active in each of the priority areas identified in the RFA.
- It builds on existing institutional strengths and seeks extensive Hungarian input.
- It will be self-sustaining after the initial three-year start-up phase.
- It aims to maintain high quality at low fixed cost (overhead).
- Its training and other activities continue to act as catalysts for market reform.
- Its focus on delivering utilitarian information and solutions.

### B. Program Goal, Purpose, Inputs, and Outputs

#### 1) Program Goal

The goal of this program is to create a strong and growing private sector in Hungary, which must be achieved by accomplishing several strategic objectives: The successful transfer of a large portion of the now state-owned economy into private hands; the preparation of executives, managers and supervisors in the former state-owned enterprises so they can manage and compete in a market-driven economy; the creation and support of a strong and growing small business sector to absorb workers displaced by the closing of large, inefficient, state-owned firms; and the preparation of the Hungarian public to understand and accept the implementation of necessary reforms that are critical to the success of the restructuring process.

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## 2) Program Purpose

The purpose of the program is to assist in the support of an inter-university, private sector support Center which will provide management training, market economics education, and other services (research, consulting, and brokering) to the Hungarian private sector and to NGOs and government organizations charged with supporting this rapidly evolving segment of the Hungarian economy. An ancillary purpose of the project is to strengthen university business and management education programs.

## 3) Program Inputs

OIP intends to use AID funding to enable the Center to increase its provision of technical assistance, consulting, research, private sector information transfer, academic economic and business training, brokering, and video and print materials for public economic education. Specifically, we plan to conduct 40 management training courses in Hungary in small business development, executive development, management and supervisory techniques, and finance. The major market economics education project will be the creation and production of a series of 18 videotapes, supplemented by printed materials in Hungarian, designed for viewing and discussion by audiences ranging from high school through university and including the business community. The materials will also be suitable for TV broadcast to homes and schools. A second part of the public education component involves university economics and business faculty and curriculum development, including long-term MBA training for a few Hungarians in the United States. There will also be short-term faculty and Fellows training in Hungary in the same fields in order to take advantage of the multiplier effect of training the trainers.

The Fellows training, for example, will pair a Hungarian with an American academic or business expert, in Hungary, for the delivery of a training seminar or class in some aspect of private sector development. After the Hungarian has mastered the subject to the satisfaction of the Center director and the American instructor, the Hungarian Fellow will begin conducting the seminar or class, thereby saving the expense of bringing the American over and paying American-level stipends.

The consulting and brokering functions will initially be performed by American or other Western business experts to bring Hungarian would-be exporters and joint-venture candidates together with prospective Western partners.

## 4) Program Outputs

At the end of the project, the Center will be a university-affiliated, self-supporting unit within the Hungarian economy. It will be funded with fees charged for training activities, consulting fees, research contracts, brokering fees, and other income-generating activities. Specific, quantifiable accomplishments to be achieved with AID funding during the next 12 months are:

- MBA Programs developed at Hungarian universities: 2
- Academic institutions to which curriculum development assistance will be provided: 6

- Hungarians provided postgraduate degree training:	2
- Training courses developed and/or tailored to the needs of Hungary and the presentation needs of Hungarians:	8
- Hungarians attending one of the Center's short course training presentations:	970
- Public education video training modules developed	18
- Individuals and organizations to which formal or informal research assistance will have been provided:	50
- Research projects undertaken/completed:	6
- Informal consulting assistance provided:	50
- Major consulting projects funded and undertaken:	6
- Recipients of networking/broker assistance:	50

### 5. Location Selection

Hungary was selected for SUNY's first Center office because of its early and continuing progress toward economic liberalization, dating back to the 1960s. As 1989's dramatic political and economic changes destabilized much of Eastern Europe, SUNY concluded that Hungary was both ready to accept Western assistance in making the transition to a market economy, and to serve as an example to other East European countries.

While many Center activities will occur in Budapest, 80% of all Hungarians live outside the capital city. This is a large potential private sector constituency that cannot be ignored. Recognizing this, three of the Center's first projects in 1990 are scheduled for regional cities: Gyor will be the site of the prototype executive development course; Pecs' university will receive curriculum development assistance; and Szekesard will be the site of the Center's first small business self-help consulting initiative.

The final decisions about where and with whom projects are undertaken will depend on where the Center can achieve the most for its time and money, how many Hungarians need the assistance, how well they can apply the assistance received, and to what extent there are credible institutions that can continue delivering assistance after we have departed.

### C. Project Descriptions

As described earlier, the proposed program focuses on the three priority categories of needs that our teams in Hungary have identified during our work within Hungary. Those priorities are identical to those stated in the RFA. The program activities are keyed directly to one of the Center's three strategic priorities. The activities to be undertaken within each priority share three important characteristics:

Hands-on experience with the problems: All of the activities -- and the needs to which each responds -- have been carefully identified and selected for inclusion in this proposal based on first-hand, in-country knowledge and experience with the people and practical circumstances involved.

Extensions of existing efforts: Each activity is a direct extension of assistance efforts that have been or are being executed successfully in prototype in Hungary.

**Proven effective:** In all cases the development and delivery approaches and techniques proposed have also been tested, refined and verified in real-world circumstances.

**LANGUAGE NOTE: English Language Problems In Center Projects.**

English language comprehension will be an issue in any project in which expatriates play principal roles. To save precious project-description space, the following approach to this potential problem applies to all of the project descriptions that follow:

All Center events will eventually be conducted in Hungarian. During initial project development, however, this is not possible. Despite claims of English language skills among Hungarian audiences, these claims are almost always overstated and language problems are anticipated, so the following language transition process will be used:

Simultaneous translation will be available for all activities conducted in English. A team of two translators is necessary and they must be comfortable with the language of western business. Costs average \$300/day/team plus equipment cost (\$25/day). We have successfully used several such teams in Hungary. As Hungarian counterparts assume responsibility for more of the event, translation will only be needed for the English portions. Finally, when counterparts have fully taken over the event, no translators will be required.

The descriptions of planned activities beginning on the next page are placed under the strategic priorities to which they respond.

## MANAGEMENT TRAINING

### PROJECT: SMALL BUSINESS AND ENTREPRENEURSHIP DEVELOPMENT

**The Need:** Hungary's small business sector is critical to counter the anticipated closing of many large, inefficient state-owned enterprises. Whether small businesses are formed as a result of new start-ups or from the pending privatization of thousands of state shops and small businesses, the new owners of these businesses must learn the basics of survival in a competitive economy. Our help to the Ministry of Industry and Trade in forming Hungary's Small Business Administration (SBA), our work with the small business leadership in the US and Hungary, and, most important, our direct work with and training of many Hungarian entrepreneurs and small business owners validates our qualifications to provide small business training in Hungary. Two basic short courses are proposed:

**Entrepreneurial Start-up Training Course: How to Prepare a Business Plan.** When the new managing director of the \$60 million US-Hungarian Enterprise Fund assumed his duties he found 4,320 requests for small business investment support. Fewer than ten contained enough information on which to base an investment decision. This is typical of the entrepreneurial sector in Hungary: The basic skills needed to gather market and financial information and present it in an orderly manner are lacking but are critical to new business formation in Hungary. These skills are the focus of this course.

**New Small Business Owner Training Course: How To Run A Small Business.** 20,000 state-owned small businesses and shops will soon become privately-owned businesses. Many of the new owners, mostly former employees, will have no experience running a business in a free market environment. The short course for these individuals, like its start-up counterpart above, will be built around the western-style business plan, but time and emphasis will vary substantially to address topics of greater and lesser importance to the new, inexperienced small business owner.

**Organization:** This project will be managed by Dr. William Holstein (see Appendices I and J) who has directed all Center small business support efforts to date. Class activities will be an extension of the highly successful course presentation held in October 1990. See course background and two-day course outline, Appendix K. Partners: Budapest University of Economic Sciences, US-Hungary Enterprise Fund, VOS.

**Beneficiaries:** A total of 18 presentations are scheduled, training 20-25 people per presentation. Participants will be prospective new small business owners, and others who wish to teach them. Initial participation will be by invitation. (Public offerings of the courses will generate too many respondents. In October we invited only 25 and 32 attended. Public invitations may be used later). Beneficiaries will include not only those trained but their future employees and the communities in which they live.

**Implementation:** Presentations of the entrepreneurship (business start-up) course will begin within one month of funding and be regularly scheduled thereafter; see presentation schedule, page 27. Initial presentations will be held in Budapest, but within six months will begin in outlying regions. Presentations of the small business management course will be synchronized with the State Property Agency's small business privatization.

**Sustainability:** See page 16. Counterpart presentations begin within 18 months.

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## **Project: EXECUTIVE TRAINING**

**The Need:** For Hungary's medium-to-large firms to survive, entire new market-economy systems and approaches must be adopted. For these new approaches to work, they must first be understood by the managers of the businesses that need them. The top managers of most medium-to-large Hungarian businesses have not changed since the old regime, and most have little or no knowledge of market economics. Western-style executive development capability is desperately needed within Hungary. SUNY has already identified and responded to this need with a combination of two short course presentations:

**Executive Development Short Course:** This two-week course is a specially-adapted presentation of SUNY's internationally-recognized, four-week International Executive Program (IEP) first offered in 1978 and run each summer in Buffalo, NY (See IEP course description, Appendix L). The first presentation will be in the industrial city of Gyor, co-hosted and co-sponsored (covering all in-country costs) by the city and its business community. (Partners: Gyor industrial community, Gyor city government.)

**Finance and Accounting For Non-financial Executives Short Course:** This one-week course combines basic western-style executive financial training with newly-developed skills and techniques necessary to understand and reconcile the Eastern European financial and accounting systems. The course will be delivered by Dr. Zubaidur Rahman, Director of The Center for (East-West) Joint Ventures at SUNY Plattsburgh, who has worked since 1987 with Eastern European countries, and with the United Nations to develop training curricula to facilitate East-West joint ventures. See Appendix N for course outline. Partner:

**Organization:** This project of two sequences of short-course presentations will be managed by SUNY Buffalo's Dr. John Thomas, who, in addition to other activities (see Appendix I), has directed the IEP since 1986. Dr. Thomas also played the lead role in establishing the West's first MBA program in mainland China. (Partners: College of Finance and Accountancy and selected major co-sponsoring business entities.)

**Beneficiaries:** Three presentations of each course are scheduled, training from 20-25 individuals per presentation. Participants will be top executives from medium to large firms, and others who are preparing to provide similar training. Participation will be by invitation extended jointly by the Center and by the companies sponsoring each participant, by in-kind contributions (as in Gyor) or by payment of fees. Public offerings of the courses are not anticipated during the first year. Beneficiaries will include not only those trained, but their firms and the communities in which they are located, particularly if the training helps the company either avert closing or find a western partner.

**Implementation:** Dr. Thomas will spend the week of January 7th in Gyor finalizing the first two-week course presentation which will take place in March, 1990. The first presentations of the one-week course will take place within three months of funding and will be regularly scheduled thereafter. See tentative presentation schedule, page 27.

**Sustainability:** See page 16

## **Project: LINE MANAGEMENT AND SUPERVISORY TRAINING**

**The Need:** While it is obvious that Hungary's line managers and supervisors need western-style business training, the type of training needed and the most effective methods of delivery are not. SUNY's pioneering work in free market training in Hungary - with university partners, business people and entrepreneurs - has enabled us to define Hungary's training needs and most effective methods of delivery. The lack of adult-education infrastructure, modern curricula and trained teachers, and the large numbers of people who need business training dictate in-company and short course training. In-company training will be provided through an economic/business literacy video training system to be partially funded by AID. Until this system exists, short-course training is the only practical solution.

**Short-Course Training Courses:** The critical training needs in Hungary today are the most fundamental ones: to instill in managers and supervisors a basic understanding of how a competitive, market-driven economy works, and then teach them what their company, their department and they personally must do to survive in that environment. In this context, the training must focus on creating practical skills that lead directly to results.

**Proposed Short-Course Training Series:** Drawing on our experience in many sectors of the Hungarian economy, this series of 2-4 day short-course presentations will focus on the most immediate training priorities, which include:

- o Basic Quality Control
- o Basic Finance
- o The Basics of Import/Export
- o The Basics of Marketing
- o Basic Bookkeeping/Accounting
- o Basic Cost Accounting/Valuation
- o Basic Human Resources Management

**Organization:** This series of short-course presentations will be managed jointly by the US project manager (coordinating faculty availability) and by the Center's Hungarian deputy director in Budapest (arrangements and needs assessment), and will rely heavily on the Center's Hungarian Fellows first as learning assistants, then to assume responsibility for making presentations. (Partners: Budapest University of Economic Sciences, College of Finance and Accountancy, College of Foreign Trade and selected major co-sponsoring business entities.)

**Beneficiaries:** Some 20-25 individuals per each of 16 presentations will be trained. Participants will include managers and supervisors from firms of all sizes, and those who are preparing to provide similar training. Participation will initially be through recommendations from our network of private business relationships, or through company-sponsored in-company presentations. The first presentations will take place within six weeks of funding and be regularly scheduled thereafter. See tentative presentation schedule, page 27.

**Sustainability:** See page 16

## **Project: FACULTY DEVELOPMENT**

**The Need:** An important feature of the Center's efforts to become self-sufficient is the Hungarian Fellows program, through which select Hungarians become affiliated with, are trained and work within the Center, then assume the bulk of the Center's training and administrative tasks, and finally -- within three years -- conduct and manage the Center's activities themselves. This transfer of responsibilities will be the ultimate test of the Center's sustainability. To prepare for that test, the Fellows program is supported by two training initiatives:

**Short-Term Faculty/Fellows Training:** This training will include close work with American consultants working through the Center in Hungary, as well as a six-week trip to the U.S., including an internship in an appropriate private sector work environment.

**Long-Term MBA Level Training:** There is a need for a limited number of graduate degree programs for individuals who will come from major universities. This training will create a cadre of Hungarian professionals with formal training in U.S. university-level business education who will later become Fellows, and eventually, the managers of the Center.

**Organization:** The long-term MBA program will be managed by OIP in New York, and the Hungarian Fellows project jointly by OIP and the Center in Budapest. Both programs will be responsive to the recommendations of our partner institutions in Hungary and their SUNY counterparts. Partner institutions include all the academic institutions listed on the cover page of this proposal and described in Appendix D.

**Beneficiaries:** For the upcoming year 12 Hungarian Fellowships are planned, and two Hungarians will be selected for MBA training in the U.S. Participants will be selected from students or faculty nominated by our partner institutions. Beneficiaries will include not only those selected, but their universities and students and the clients of the Center.

**Implementation:** The Center has already begun to identify candidate Hungarian Fellows, and the first will become associated with the Center by February. Fellow study trips to the US will not begin before March, and will then proceed as Fellow time and availability permit. If possible, the two recipients of the MBA fellowship will be enrolled at a SUNY campus during the fall semester 1991.

**Sustainability:** See Page' 16

## MARKET ECONOMICS EDUCATION

### Project: UNIVERSITY CURRICULUM DEVELOPMENT

**The Need:** Without exception, every academic institution with which we have worked in Hungary has expressed the urgent need for curriculum development assistance in the areas of business and applied economics. Whether expressed as the desire for U.S. faculty visitors, the need for entire (usually MBA) programs, or simply pleas for used Western textbooks, it is apparent at all academic levels that Hungarian educators desperately need --and acknowledge that they need -- outside assistance. Nowhere is this need greater than within Hungary's colleges and universities, where pressure to prepare students for new economic realities is critical. The Center is responding to these needs with two separate but related initiatives:

**Curriculum Development to Create MBA Programs:** In these projects, a SUNY team of curriculum design specialists will undertake a series of visits to universities at which MBA programs are to be developed. The team will first analyze their needs and resources then create an implementation plan. This plan will detail an integrated and cross-supportive strategy that will include continued needs assessments, curriculum design, faculty and materials development and evaluation. Curriculum design will initially emphasize free market business foundations, such as finance, marketing, MIS and human resources management. Course objectives, case study preparations and educational materials will be made relevant to Hungarian needs.

**Curriculum Advisory Services:** Working in conjunction with the Center, SUNY professors will assist six Hungarian universities in the creation of core courses in business development administration and related areas. Needs assessments, curriculum design and materials development assistance will be provided as requested by the selected universities. A clearing house of curricula, syllabi, course and resource materials will be established for university reference.

**Organization:** Both the MBA and advisory curriculum advisory services will be managed jointly by OIP in New York, and the Center in Budapest. Both initiatives will be responsive to the recommendations of our partner institutions in Hungary and their SUNY counterparts. Partner institutions are listed on the cover page of this proposal and described in Appendix D.

**Implementation:** MBA curriculum will be developed at two institutions and require at least three years of periodic visits and assistance. This proposal supports one year of these efforts at two universities, and assumes two, two-week curriculum development team visits to each of the selected universities during the first year. Six Hungarian colleges and universities will receive assistance through the curriculum advisory service, which anticipates one two-week U.S. team visit to the selected schools during the year.

**Beneficiaries:** Beneficiaries will include students in the newly developed academic programs and courses, and the companies and economies in which these graduates will soon work.

**Sustainability:** See page 16

## **Project: PUBLIC EDUCATION**

**The Need:** Most Hungarians are unaware of the mechanics of a market-driven economy, let alone how to succeed within one. From the executive unable to compute his firm's costs to the worker who sees no connection between hard work and personal self-interest, the consequences of this lack of basic knowledge are devastating to the restructuring process. Hundreds of thousands of Hungarians need two things that do not exist and must be created: Business literacy – The basic how-to business skills necessary to function and survive in a market economy; Economic literacy – At least a rudimentary understanding of the forces that make a market economy work: profit, competition, work discipline and the like.

What is needed is a training and information transfer system that can reach many different groups within the country; that can create basic skills in a wide range of private sector disciplines; and that can be economically delivered in a wide range of environments.

The system is already under development by SUNY and the Center. Supported by Mellon Foundation funding, the pilot program is currently nearing the script completion stage for the first six components of the system. A full description of the system's design parameters - audiences, subject matter and video-based delivery system - is provided in Appendix B.

**Pilot Project Funding:** The existing Mellon grant covers efforts through script sign off for the initial pilot project modules. AID funding is sought to complete the pilot's production, post-production, testing and distribution.

**System Development Funding:** AID funding is sought to cover the first year's development, production and reproduction costs for the initial portion of the full system's development.

**Organization:** This project will be managed by Mr. Todd Jagerson, Project Director, who has written and produced training instruments used by over half the U.S. Fortune 500 companies. Mr. Jagerson, in conjunction with SUNY's video production system, the New York Network, is already working with the Hungarian Television (MTV) and other production houses to arrange in-country production. (Partners: Budapest University of Economic Sciences, and the Ministry of Education, and ultimately all of our partner Hungarian institutions.)

**Beneficiaries:** The range of audiences for the system is very large and is discussed in some detail in Appendix B. The Ministry of Education alone has requested sets of the system for each of Hungary's 980 high schools. Our Hungarian team members believe this project will reach more people and have a greater impact than any project in this decade.

**Implementation:** Production of the five pilot modules is scheduled to begin by February 15th and to be completed May 1st. Development and production work on the full system should begin by June 1st, with 15 additional modules being produced by year's end.

**Sustainability:** Sets of the system will be provided to hundreds of Hungarian institutions for their permanent use.

## SUPPORT SERVICES

### Project: RESEARCH SERVICES

The Center proposes to provide research services to the Hungarian private sector in two basic categories:

1. Daily/Inquiry Response Research Assistance: Broad range responses to inquiries for technical, financial, market and other types of information needed by modern business managers. The Center will develop and maintain its own information and reference research resources for use by private sector executives, managers and supervisors. Example: The Center will compile and maintain resource lists of suppliers and buyers within key industries and within key product areas.

2. Research Projects: These are projects that will be of interest to all business persons within the private sector or within a specific identifiable industry or service sector. Example: The Center might elect to meet the needs of all Hungarian microcomputer software developers by maintaining updated, publicly-available listings of all U.S. firms currently buying software development services abroad.

An important feature of these research services will be the involvement of both American and Hungarian graduate students. SUNY's school of business at Binghamton has developed an innovative program in international market research in Taiwan funded by the U.S. Department of Commerce, which uses resident American graduate students supervised by senior faculty for much of the data collection. The program has been extremely successful and has helped to keep costs down significantly. Research studies which would normally cost a firm hundreds of thousands of dollars have been done for a fraction of that. For a complete description of the program and testimonial letters from participating businesses, see Appendix O.

**Organization:** The Center's inquiry response research services will be provided on an ongoing, ad hoc basis by staff personnel in both the US and Budapest offices. We estimate that during the first year of the program 12 research projects -- research efforts for which outside (US) expert assistance is needed -- will be required. For budget and work-flow scheduling purposes, we have distributed this sequence of small projects evenly over the first year. These projects will be managed jointly by the OIP's US office and by the Budapest staff.

**Beneficiaries:** Beyond the 12 research projects, the total numbers of large and small research assistance events to be undertaken in the first year is difficult to estimate. Hundreds of organizations will be among the recipients of these services; and the total number of direct and indirect beneficiaries, organizations and individuals, will be large.

**Implementation:** The ad hoc, inquiry response research efforts are already underway as an extension and outgrowth of our earlier work in connecting various Hungarian and US organizations to take advantage of export and joint venture opportunities. This will continue, but on a more direct response basis, through our Center in Budapest, and later through our regional self-help initiatives. Specific research projects will be planned and undertaken based on program funding.

**Sustainability:** See page 16

## **Project: CONSULTING SERVICES**

The Center provides a wide range of consulting services to the Hungarian private sector. As with the research services, these services fall into several identifiable categories.

1. Request-response assistance: This covers the broad range of short, informal responses to inquiries for business, technical, financial, market and other types of support. Such support can range from hands-on help to indirect, informal recommendations. This may, at times, lead to rapid telephone-response access to quick solutions of immeasurable value to the modern business manager. The Center's staff may answer telephone questions such as: "How do you say this in English?" "Who can I call about this in Chicago?"

2. Single Firm/Specific Problem Consulting: Perhaps the most common opportunity for consulting will be in response to a direct request from a Hungarian firm which has a problem. In these cases, the Center will either provide direct consulting assistance using its own U.S./Hungarian staff, or, depending on Hungarian needs and Center financial resources, it might recruit the appropriate specialist(s) from the US.

3. Group Assistance: This consulting assistance is designed to help Hungarian managers and executives from different firms join together for business purposes. The consulting assistance provided to these groups is usually short-term. The indirect and desired long-term result of such consulting work is the creation of the kind of network of interlocking trade/industry self-help groups and associations that exist in virtually every sector of western commerce. Example: Helping a dozen Hungarian companies organize to combine and place lower cost-orders for commonly-needed U.S. products.

Organization: The Center's request-response consulting services will be provided on an ongoing, ad hoc basis by personnel in both the US and Budapest offices. We estimate that during the first year of the program a total of 12 specific research projects -- either for specific firms or industry groups -- will be required. For budget and work-flow scheduling purposes we have distributed this sequence of small projects evenly over the first year. These projects will be managed jointly by the OIP's US office and by the Budapest Center staff.

Beneficiaries: Beyond the 12 specific consulting projects to be undertaken in the first year, the total numbers of formal and informal types of consulting assistance events undertaken in the first year is difficult to estimate. Dozens of organizations will benefit from these services, and the total number of direct and indirect beneficiaries (organizations and individuals) will be in the hundreds.

Implementation: The ad hoc, request-response types of consulting efforts are already underway as an extension and outgrowth of our earlier efforts (i.e., structuring the new SBA, providing restructuring input to the SPA). Such efforts will continue on a more direct response basis through our permanent office in Budapest. Specific consulting projects -- those requiring outside (US) experts -- will be planned and executed upon proposal acceptance.

**Sustainability: See page 16**

**Project: NETWORKING/BROKERING SERVICES**

**The Need:** There is an urgent need for business information in Hungary; information about who, when, what, where and how people need things. No formal or informal business information system exists. More than any of the Center's other, more formal functions, the creation of a formal/informal network to collect and exchange information is likely to make an immediate impact on the Hungarian economy. The Center already functions as a clearinghouse that brings together an extraordinary combination of people, ideas and capabilities. This clearinghouse or "brokering" service is potentially the Center's most dynamic, and most valuable immediate function.

Many major U.S. corporations would like to become involved in the dramatic events in Hungary, and, through Hungary, with the rest of Central Europe. For most firms -- even the largest ones -- the political unknowns are still too great and the financial returns still too uncertain to risk the extraordinary cost of entry. As one corporate executive recently stated: "We'd like to get a foot in the door without losing our shoe!" Through its networking/brokering services the Center can provide US and other Western firms some of the first-hand information, exposure and contacts that are not available from any other source. This kind of interaction with foreign firms will be of great value to the Hungarian private sector. The Center can be expected to facilitate the following kinds of contacts:

- Entrepreneur-to-Entrepreneur - Entrepreneur-to-Local Market (or local financing)
- Local Firm-to-Local Trade Partner - Local Firms-to-Suppliers/Buyers
- Local Industry-to-Government - Local Industry-to-Foreign Industry (or government)
- Foreign Firm-to-Venture candidates - Foreign Firm-to-Local Buyers/Suppliers

**Organization:** The Center's function of connecting people and organizations in Hungary is part of the job of everyone associated with the Center, both in the US and Hungary. Many connections, however, require pump-priming infusions of funds to start the connection process. For example, our early efforts to arrange a "Hungary Month" promotion by Bloomingdales, and our meetings and arrangements to seek out US distributors for Hungarian wines, required small investments of this type. It has been our experience that this is often the most productive kind of investment assistance. For budget and planning purposes, we have estimated the total cost of such investments during the year, and then divided this amount by an estimated 40 events that may need such support.

**Beneficiaries:** Beyond the 12 consulting projects in the first year, the total of formal and informal consulting assistance events undertaken in the first year is difficult to estimate. Dozens of organization will be among the beneficiaries of these services, and the total of direct and indirect beneficiaries (organizations and individuals) will be in the hundreds.

**Implementation:** As noted above, this type of assistance is already underway as an extension and outgrowth of our earlier efforts. As shown in the implementation plan, our efforts here will continue throughout the year under the combined direction of the Center's director and deputy director in Budapest.

**Sustainability:** See page 16

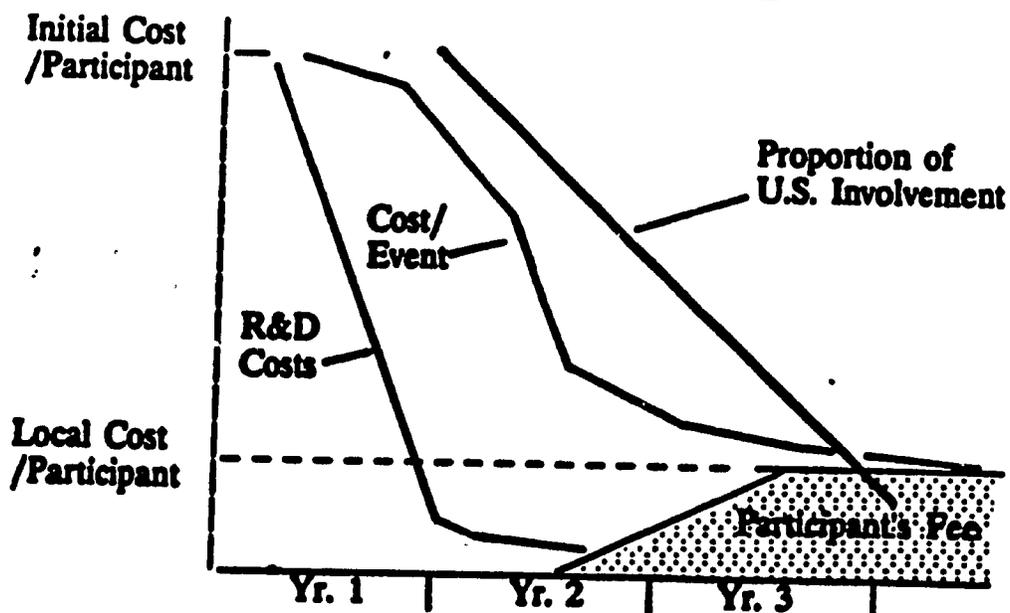
#### D. Sustainability

With assistance from AID, the Center has every likelihood of becoming self-sustaining. This is based on the following factors: (1) The Center presently provides services the Hungarians consider valuable. It has thus passed a critical stage in institutional development. (2) The Center has established key linkages to Hungarian governmental and non-governmental organizations active in private sector development. (3) Fees for Center services will be phased in beginning in the second year of the program, with the intent that the Center move toward financial self-sufficiency. (4) Center operational costs will be reduced progressively. Hungarian Fellows, whose expertise in private sector development will be developed at the Center, will ultimately manage the Center, obviating the need for expensive foreign management. Costs will also be reduced progressively through the use of video training. Once produced, the cost of duplicating and distributing videos is low, assuring maximum use of limited training dollars.

The institutional sustainability of the Center is virtually assured if the financial aspects can be taken care of. The Center's lean permanent staff and generally low overhead will make this possible. Associated with a group of the most prestigious universities and organizations in the country, it already enjoys credibility through these associations, and through its organizing activities. The university community in Hungary is highly respected as evidenced by the high percentage of academics and PH.D.s elected to the Parliament. The Center's network of Fellows will further tie the Center to existing organizations from which it will derive institutional support.

Because of the emphasis in this project on sustainability and the building of long-term Hungarian capability, the operational management of the project has been structured to facilitate shared responsibilities at each level of project activity. Specifically, at every level of activity each U.S. participant will be assigned a Hungarian counterpart, initially to serve as an assistant and eventually to assume the U.S. participant's full responsibilities.

It is primarily through this transfer of responsibilities from American to Hungarian staff that The Center will work to become financially self-supporting. The logic and process of building this self-reliance can be illustrated as follows:



The costs of developing and delivering services decrease with both time and frequency. This is due to the elimination of costly, one-time research and development expenses (which will be amortized over an increasing number of presentations). The cost of the event continues to decline as the Center increasingly becomes managed and staffed by less expensive Hungarian personnel. Direct charges to participants will be deferred entirely during the first year, and will gradually be phased in to eventually meet and cover the declining costs.

Because of the limited Hungarian experience with business development and operations and the absence of a private sector support infrastructure, a cadre of Hungarian providers of technical assistance will receive extensive training in the United States and Hungary prior to their being asked to work directly with clients. During the first year of the project, Hungarian consultants will work side-by-side with American experts. This approach ensures a direct transfer of skills, knowledge and technique between the expatriate consultants and their Hungarian counterparts. It is expected that within three years, the Center will be fully staffed and managed by Hungarians.

The American-to-Hungarian cost-savings process typifies the development and delivery of the Center's growing selection of short-course training programs. The course content and physical materials of these programs will be tailored to Hungarian needs and, at least initially, developed by U.S. experts brought to Hungary. However, course delivery will be turned over to Hungarians at the earliest possible opportunity.

The financial implications of this process are striking and are demonstrated in the cost analyses of an individual one-week training event at each stage of its presentation. As shown in Appendix P, in the event's development stage (with two expatriots) the single event cost is \$10,000; during successive presentations (with one expatriot) costs fall to \$6,500; and, when our Hungarian Fellows assume full presentation responsibility, the cost drops to less than \$300 per event.

Rec'd: 5/2/91 2pm

AID 13 (3 87) *PIO/	<b>APPROVED</b> 19-1-91 91	1. Cooperating Country <b>Eastern Europe Regional</b>	Page 1 of Pages																		
		2. PIO/T No. <b>180-0029-3-1183663</b>	3. <input checked="" type="checkbox"/> Original or Amendment No.																		
AGENCY FOR INTERNATIONAL DEVELOPMENT  PROJECT IMPLEMENTATION ORDER/TECHNICAL SERVICES		4. Project/Activity No. and Title <b>Management Training and Market Economics Education Project 180-0029</b>																			
<b>DISTRIBUTION</b> Initials: _____ Date Posted: <u>5/1/91</u> PFM/FM/A/PNP <b>OFFICE OF FINANCIAL MANAGEMENT</b> FUNDS RESERVED BY: _____	5. Appropriation Symbol <b>72-11X1010 (184-63-180-01-69-11)</b>		6. Budget Plan Code <b>QAIX-91-33180-IG-12</b>																		
	7. Obligation Status <input type="checkbox"/> Administrative Reservation <input checked="" type="checkbox"/> Implementing Document		8. Project Assistance Completion Date (Mo., Day, Yr.) <b>12/31/1993</b>																		
	9. Authorized Agent <b>SER/OP</b>		10. This PIO/T is in full conformance with PRO/AG No. <b>180-0029</b> Date <b>12/26/1990</b>																		
	11a. Type of Action and Governing AID Handbook <input type="checkbox"/> AID Contract (HB 14) <input checked="" type="checkbox"/> AID Grant or Cooperative Agreement (HB 13) <input type="checkbox"/> PASA/RSSA (HB 12) <input type="checkbox"/> Other		11b. Contract/Grant/Cooperative Agreement/PASA/RSSA Reference Number (If this is an Amendment)  <b>N/A</b>																		
	12. Estimated Financing (A detailed budget in support of column (2) is attached as Attachment No. _____)																				
<table border="1"> <thead> <tr> <th rowspan="2">Maximum AID Financing Available</th> <th rowspan="2">A. Dollars</th> <th>(1) Previous Total</th> <th>(2) Increase</th> <th>(3) Decrease</th> <th>(4) Total to Date</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td>1,117,417</td> <td></td> <td>1,117,417</td> </tr> <tr> <td></td> <td>B. U.S.-Owned Local Currency</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Maximum AID Financing Available	A. Dollars	(1) Previous Total	(2) Increase	(3) Decrease	(4) Total to Date				1,117,417		1,117,417		B. U.S.-Owned Local Currency						
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					1,117,417		1,117,417														
	B. U.S.-Owned Local Currency																				
13. Mission References																					
14A. Instructions to Authorized Agent <b>SER/OP is requested to execute a grant with <u>The Research Foundation of State University of New York</u>. Funding of \$1,317,517 is provided for expenditures during the first 12 months. This grant is awarded under Request for Application (RFA) No. SPO/EE-91-002 and is incrementally funded at \$1,117,417 initially. Depending on availability of funds and progress in the program satisfactory to A.I.D., an additional annual increment of funding will be considered.</b>																					
14B. Address of Voucher Paying Office <b>PFM/FM/CMP, Room 700, SA-2</b> Agency for International Development (A.I.D.) Washington, D.C. 20523-0209																					
15. Clearances—Include typed name, office symbol, telephone number and date for all clearances.																					
A. The Project Officer certifies that the specifications in the statement of work or program description are technically adequate <b>Thomas Chapman, ENE/TR</b> <i>TC 4/26</i> <b>Stephen French, ENE/EUR</b> <i>SF 4/24/91</i>		Phone No. (202) <b>647-3852</b> Date <b>4/24/91</b>	B. The statement of work or program description lies within the purview of the initiating office and approved agency programs. <b>Joseph Pastic, ENE/PD/EUR</b> <i>JP 4/29/91</i>																		
C. <b>Janet Rudasill-Bey, ENE/DP/F</b> <i>JRB 4/30/91</i>		Date <b>4/30/91</b>	D. Funds for the services requested are available <b>Rose Anderson, PFM/FM/A/PNP</b>																		
E. <b>Donald Pressley, ENE/EUR</b> <i>DP 4/30/91</i>		Date <b>4/30/91</b>																			
16. For the Cooperating Country: The terms and conditions set forth herein are hereby agreed to  Signature _____ Date _____  Title _____		17. For the Agency for International Development  <b>Robert Nachtrieb, Director, ENE/DP</b> Signature <i>Robert Nachtrieb</i> Date <b>5-1-91</b> Title _____																			

\*See HB 3, Sup A, App C, Att B for preparation instructions. Note: The completed form contains sensitive information whose unauthorized disclosure may subject an employee to disciplinary action.