Legacy Mechanisms as a Sustainable Partnership Tool: Lessons Learned for USAID Missions Approaching Phase-out
March 24, 2008

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USAID Missions in Bulgaria, Croatia and Romania

Executive Summary:

With the USAID Missions closing in Bulgaria, Croatia, and Romania, this paper looks at legacy mechanisms introduced in these three countries as potential models for Missions phasing-out in other E&E countries over the next few years. The working definition of a *legacy* for this paper is *a relatively long-term regional or bilateral program designed to ensure sustainability of gains made during USAID presence, particularly gains made with USG assistance.* A distinction is made between the broad sense of a legacy reflecting positive and lasting change brought about by USAID assistance ("small l legacy"), and a particular USAID-initiated program or mechanism that will continue without Mission presence ("large L legacy") that is the focus of this paper.

Part I. Legacy Inventory

Legacy mechanisms in the three countries include multi-million dollar Enterprise Fund reflows that will be available soon in Bulgaria and Romania; a major public-private partnership with the German Marshall Fund in Bulgaria; and a multitude of NGO partnerships in Bulgaria and Croatia. Croatia, in particular, has emphasized self-sustaining exchange programs among universities and local governments. A summary follows:

Bulgaria: Bulgaria is perhaps the most advantaged of the three in terms of available legacy mechanisms. Examples include:

- America for Bulgaria Foundation, a long-term permanent endowment of $200 million funded by the liquidation of the Bulgarian American Enterprise Fund.
- Bulgaria Fund, a short term public-private partnership providing NGO grants, managed by the German-Marshall Fund.
- American University of Bulgaria, a four-year liberal arts institution, poised to be sustained through ASHA grants and oversight from the US Embassy in Sofia.
- Indigenous organizations such as the National Institute of Justice (NIJ), which provides entry level training to all new magistrates and continuing legal education.
- "Partner legacy mechanisms," staffed by senior professional staff from former USAID implementing partners.

Croatia: Since USAID Croatia's legacy planning has not involved funded post-presence mechanisms, its methodology may be more easily replicated by other Missions. Examples include:

- The Legacy Program, a program providing technical assistance to seven organizations, both in the DG and EG sectors, designated to serve as legacy organizations.
- Bilateral partnerships between US and Croatian organizations to create a network of exchange between the two countries.

Romania: USAID/Romania's approach has been less to create post-presence legacy mechanisms, but to ensure sustainable partner organizations, institutions, associations, regulations, and laws in many sectors, such as child welfare, family planning, private sector growth, are made permanent. Like Bulgaria, Romania is the beneficiary of an Enterprise Fund.

- Total funds available from liquidation of the Romanian American Enterprise Fund are in the range of $150 million. RAEF reflows will be used to establish and fund a foundation focusing on guarantees for student loans, scholarships, education in economics, business and entrepreneurship, and workforce readiness in schools, as well as partnerships and exchanges with U.S. institutions and organizations.

Part II. Lessons Learned:

The experience of all three Missions is tapped to synthesize the following lessons-learned on the legacy mechanism process.

1. Among the most common gaps at closeout for the three missions were democratic reforms and second stage economic reforms. In particular, one of the biggest gaps in all three was in democratization, especially in the areas of judicial reform and governance (especially local governance) and corruption.

2. Legacy plans may have multiple components, taking advantage of sometimes divergent program circumstances to fill the remaining development gaps. In Bulgaria the development gaps seemed to fit well with the mission of the Balkan Trust for Democracy, leading eventually to the creation of the Bulgaria Fund. In Croatia, the gaps were especially notable in the area of local governance, leading to facilitation of partnerships with US and Croatian cities.

3. The E&E Bureau's Monitoring Country Progress (MCP) system is a useful empirical process to identify remaining gaps at the macro level and was important to all the Missions in identifying gaps during the close-out planning process, especially in Croatia. Missions also developed their own tools for specific, programmatic analysis. In Bulgaria, the Mission defined indicators for each priority area (SO and IR); followed EU monitoring reports; and organized meetings and discussions with donors, NGOs and other stakeholders.

4. When possible, legacy mechanisms should focus on an issue of strategic common interest with USG foreign policy objectives. In Bulgaria and Romania, phase out was conducted in concert with new assistance associated with the European Union Accession Process. The phase out in Croatia was colored by additional strategic considerations.

5. Assumptions on levels of funding available for legacies are likely to be challenged and altered. Throughout the phase-out process, downward adjustments had to be made regarding resources, impacting Romania especially. All three Missions had to scale back initial legacy plans

6. Public private partnerships, Global Development Alliances, and Development Credit Authorities are potential legacy mechanisms, but are not always central to the effort. The Croatia Mission cited several instances where it had entered into specific alliances. While USAID/Bulgaria examined GDAs as a tool for building partnerships, the Mission rejected them as a primary legacy mechanism due to time and level-of-effort issues. However, the Bulgaria Fund mechanism grew out of the regional GDA – Balkan Trust for Democracy. Through use of a DCA in Romania, and working with the Enterprise Fund and local partners, the Mission created mortgage lending and secondary mortgage markets. Although the DCA has ended, the legacy of this effort remains a cornerstone of the banking sector.

7. Planning for legacies should begin several years before actual implementation. Close-out planning for all three countries began around 2002.

8. There should be an understanding of how much "level of effort" is required to complete the planning process. The effort scaled up with the proximity of the close-out date. In Bulgaria, the Mission estimate is that two people worked for a month to a month-and-a-half during the first year. In the second year – two to three people worked at least two months each. In the third year – one person (the current CTO for the Bulgaria Fund) spent at least three months, and two more employees – two months.

9. Involve other USG stakeholders in legacy planning, especially the US Embassy, which will have an important role in handover issues. Missions met with other USG entities, USAID activity managers and implementers, local counterparts, and multilateral and bilateral donors to help identify priorities. As close-out neared, closer cooperation was necessary with US Embassy counterparts.

10. Missions should coordinate with other donors and stakeholders, especially the EU and the host government, to identify opportunities for legacy programs. The EU rather than the USG will be responsible for further work in the Bulgarian judicial sector. In Romania, EU pre-accession and structural funds are being managed by the Government of Romania directly and are being used to address many of USAID's legacy objectives.

11. Missions should examine the potential for long-term sustainability of a potential legacy mechanism. At the time of this writing, it is early to make judgments on results or long-term sustainability. There are some early signs of the sustainability of several mechanisms. However, for some programs, the issue is as much a matter of political will as it is a development issue.

12. Enterprise Funds have enormous potential for the creation of legacies. The Enterprise Funds were created by Congress to assist in the transformation of Eastern European and Eurasian economies from communist to free-market structures. They have been used by USAID Missions in Poland, Hungary, and the Baltics to provide post-presence legacy mechanisms and will do the same in Bulgaria and Romania. However, Enterprise Funds

are not present for all E&E Missions and these mechanisms will be only selectively available.

Introduction: For the first time in several years, three USAID Missions are closing – Bulgaria, Croatia, and Romania. All three have been preparing for several years for graduation from USAID bilateral assistance – including the establishment and strengthening of organizations intended to leave legacies that will remain behind after their offices are closed. Part I of this paper looks at these legacy mechanisms as potential models for Missions phasing out in other E&E countries over the next few years. Part II summarizes the lessons learned from the process of creating these legacy mechanisms with a focus on their potential value as examples for other Missions approaching phase-out.

Part I:

Definition: The working definition of a *legacy* for this paper is *a relatively long-term regional or bilateral program designed to ensure sustainability of gains made during USAID presence, particularly gains made with USG assistance.* [1]

When post-presence USAID funding is absent, a distinction must be made between the broad sense of a legacy reflecting positive and lasting change brought about by USAID assistance ("small l legacy"), and a particular USAID-initiated program or mechanism that will continue without Mission presence ("large L legacy"). Although many of USAID's project/activities have capacity-building objectives and leave important institutions and accomplishments that often last for decades beyond USAID assistance, this paper focuses more narrowly on "large L Legacies," which are actual ongoing programs rather than the more abstract accomplishment of a "small l legacy". With this in mind, the terms *legacy activity, legacy institution* and *legacy mechanism* are used interchangeably and refer to the operational aspects of maintaining a legacy.

Funded after close-out or not, appropriate legacy institutions advance USG objectives and are recognizable as U.S. assistance. Both USG-funded and unfunded legacy mechanisms are examined here; those with funding sources that will remain past closeout, such as the planned use of Enterprise Fund reflows; and those where the focus has been on increasing the capacity of potential legacy organizations prior to closeout with no expectation of post-presence USG funding.

Mission Close-out Plans: Planning for post-presence legacies usually begins with the Mission Close-out Plan. Some Missions find benefits in developing a close-out or graduation strategy as a major planning tool guiding the phase-out process. If there is such an option, it might be considered as well. According to USAID guidance (ADS

[1] According to Europe and Eurasia Bureau Operating Procedure (2003), a legacy activity is a "relatively long-term regional or bilateral *use of USAID funds* after close-out, designed to ensure sustainability of gains made during USAID presence, particularly gains made with USG assistance." This definition has been altered in this paper, since the 2003 version does not include sustainable programs for which USAID or other USG funds are not used after close-out.

527), Missions with phase-out target dates within five years are required to develop a Mission Close-out Plan. Upon approval of the Close-Out Plan in Washington, the Mission Director prepares an Operational Plan for closing out the Mission. Plans should describe any relevant legacy institutions or mechanisms. Bureau guidance specifies the criteria for justifying post-presence activity. Activities proposed for post-presence countries should meet a stricter test for approval than programs in presence countries. The operating unit making the proposal must demonstrate why priority is being given to any activity in a post-presence country. All the criteria listed below should be addressed to justify any post-presence activity through the standard procedures in USAID.

a. Relevance: Identify the problem addressed by the proposed activity and show how it impedes the transition objectives of the E&E Bureau. Relevance is usually defined in terms of the Strategic Objective served by the activity.

b. Results: Specify measurable results for the proposed activity, including what interim results are expected annually (for multi-year activities) and what final results would constitute success.

c. Accountability: Indicate what operational unit will provide financial and programmatic oversight of the activity. After close-out, activity results shall be provided to E&E/OM.

d. Endpoint: Give an expected time frame for achieving planned results and concluding the assistance activities.

e. Funding gap: Explain why USAID needs to address the problem rather than rely on any development partner, including USG funds outside of USAID, other bilateral donors, multilateral donors, private sector donors, host country governments, or private businesses.

f. Sustainability: Show that the proposed activity will achieve a result in support of transition that will be maintained after USAID assistance ends. Include reasonable expectations about conditions that will prevail at the time the activity will end. Elements of activity design that promote sustainability include a phasing out of assistance over time, and strong reliance on host-country partners during implementation.

g. Priority: Demonstrate why the proposed activity deserves priority over activities in presence countries. The following conditions are examples of arguments that may be compelling in showing that priority should be given to a proposal.

- The activity is necessary to ensure sustainability of previous USAID investments, i.e. to ensure that strategic objectives at the country or regional level will maintain acceptable performance after USAID presence.
- The activity is necessary as part of a regional effort to achieve a strategic objective in a country where USAID is present.

Backsliding: Another important consideration for the close-out Missions in the E&E Bureau is the possibility of backsliding. For a variety of reasons, backsliding on reforms and their implementation often occurs after a country obtains EU membership; particularly, in fighting corruption and strengthening the rule of law (RoL). Savvy corrupt interests have prepared for EU accession and have proven themselves to be nimble and proactive in circumventing reforms.

The EU structural adjustment funds, worth several billion euros, afford a tempting target. In the case of Bulgaria, the local government elections in the fall of 2007 were marred by vote buying and other election irregularities on a scale not seen in recent years. Reportedly, shady business interests are now represented on many Municipal Councils and positioned to influence public procurement as significant amounts of EU structural adjustment funds start to flow to the regions in the fall of 2008. The Bulgarian public has become increasingly cynical about the election process, mainstream political parties and government officials, opening the door for powerful, corrupt local oligarchs.

Addressing this problem requires a concerted effort leading up to EU accession. However, after accession, USAID cannot walk away and must stay engaged in those areas where it has a comparative advantage. This includes working in the regions to support civil society organizations (watch-dog NGOs and media) in demanding greater transparency and accountability. Close-out Missions should be vigilant about negative trends and plan and/or adapt their legacy mechanisms to address potential backsliding.

While planning should start at the time of developing the graduation strategy/plan, this is not a one time exercise. Bulgaria's experience is telling in this respect. As part of the strategic discussions, the Mission defined the need to continue to support some of the important reform efforts as well as some of the institutions established under the development programs during the final years of its presence on the ground and after the close-out. These ideas were reviewed two or three years later to make sure they were still valid, given the dynamic environment in the country, as well as to take into consideration what was still doable with substantially reduced resources. Another important factor that drives the need for continued updating of the plans is the progress the country has made during the years of the close-out. Sometimes the results are below the planned targets and it is important that the legacy mechanisms adequately address the real needs.

Legacy Inventory: The text and accompanying table below summarize the major legacy mechanisms in place at the time of graduation in Bulgaria, Croatia and Romania. The list is not exhaustive, but highlights the major programs in the various programmatic categories that constitute the post-presence legacies for each country.

Bulgaria:

Bulgaria is perhaps the most advantaged of the three in terms of available legacy mechanisms. The Mission has implemented a variety of legacies and legacy mechanisms that will contribute to strengthening the partnership relationship between the two countries: a short-term legacy support mechanism; a long-term legacy support mechanism; and numerous legacies (indigenous organizations).

A critical factor as to why Bulgaria stands out was its strategic and long-term approach to close-out. USAID Bulgaria developed a full-fledged five-year graduation strategy in 2003, focusing on the graduation (close-out) with the question: What can be achieved within the remaining years and limited resources? What is a realistic graduation goal? Where do we expect to see Bulgaria at the time of close-out? These questions were addressed by formulating the Mission's graduation's goal of Bulgaria as a country "securely grounded on a sustainable path toward democratic governance at all levels and its successful market economy will be better integrated in the international markets." At that time, it was clear not all reforms would be completed and that some of the institutions USAID planned to leave behind would still be fragile and in need of additional support. The Mission defined its graduation targets and budgeted resources to support the sustainability of important indigenous organizations that had been key partners and drivers of the reforms in the country. The strategy was supported by extensive discussion of legacies and the legacy mechanisms to support them. A major priority was the sustainability of indigenous organizations created with USAID support. The real shaping of the legacy mechanisms took place two or three years later with the development of the Close-out plan, which examined the progress in strategy implementation, among other things. At that time, the Mission had a more realistic idea of the resources available to implement the mechanisms.

In an effort to guarantee the sustainability of reforms, USAID/Bulgaria established two post-presence funding mechanisms to help ensure that still-fragile reforms and organizations receive support after USAID closes its Mission – a short-term and a long-term mechanism. The long-term mechanism was expected to become operational around the time of the close-out of the Mission. To meet immediate needs until the latter became operational, the Mission established the short-term mechanisms to help ensure Bulgaria's continued transition and progress.

Long-term legacy mechanism: For the long-term Bulgaria will soon have at its disposal the funds from the America for Bulgaria Foundation (ABF), a permanent endowment of $200 million made possible by the liquidation of the Bulgarian American Enterprise Fund. The Foundation should become operational in 2008. Due to the substantial resources (estimated at $200 million plus) that will be channeled to the new entity, projections are that it will continue to function in perpetuity. The priority areas of the Foundation will be: Private Sector Development, Entrepreneurship and Business Education; Leadership Development; Support for NGOs; and Support for Key Competitive Business Sectors - Tourism and IT.

Given the current congressional prohibition on using newly-appropriated funds for endowments, however, it is unlikely any Mission without an operational Enterprise Fund in its country would be able to duplicate such a mechanism.

Short-term legacy mechanism: For the near term, NGOs in Bulgaria will be able to apply for grants from the Bulgaria Fund, a public-private partnership managed by the German-Marshall Fund. The Bulgaria Fund is modeled on the regional Balkan Trust for Democracy (BTD). The BTD, often categorized as a Global Development Alliance, operates throughout the Balkan region and could offer a model for assistance in other countries.

The Bulgaria Fund will give targeted grants to NGOs, civil society organizations, and other groups that continue to work in areas which demonstrate the sustained impact of USAID efforts in the country. The ceiling of the fund is approximately $3 million for three years. The Bulgaria fund became operation in late 2007 with two major goals: (1) to continue the USAID reform agenda in specified program areas where reforms are ongoing and incomplete; and (2) to increase the sustainability of indigenous and historic USAID partner organizations working towards the completion of reforms following the Mission's close out. The Bulgaria Fund awards sub-grants to various entities to achieve the aforementioned goals in the areas of: <u>Good Governance, Transparency and Accountability in the three branches of government and at both the national and local level</u>; <u>Support to vulnerable groups; and Employment, Education, and Competitiveness.</u>

Key legacies: Perhaps the flagship legacy program in Bulgaria is the American University of Bulgaria - one of USAID's most prominent legacies in Europe and Eurasia. AUBG is a four-year liberal arts institution that has graduated over 2000 students from 29 different countries since opening in 1991. However, the AUBG is a well-established institution with roots going back 17 years, making it a model of limited transferability.

USAID Bulgaria has also created and sustained a number of indigenous organizations as part of its strategic approach to close-out. Among these now sustainable institutions is the National Institute of Justice (NIJ), which provides entry level training to all new magistrates (judges, prosecutors and investigators) and continuing legal education. It was founded with substantial USAID assistance in 1999 as an NGO, known as the Magistrates Training Center (MTC), and transformed into a sustainable governmental organization in 2004 so as to ensure adequate GoB funding and support.
Strengthening local government and facilitating fiscal decentralization represented one of USAID/Bulgaria's three priorities. To continue advocating and implementing reforms in this area, USAID/Bulgaria leaves behind several lasting legacy mechanisms: the National Association of Municipalities of the Republic of Bulgaria (NAMRB); nine Regional Municipal Associations; and the Foundation for Local Government Reform (FLGR) – an NGO/think tank. The Broadcast Training Center (BTC), which is a direct result of Mission's long-term efforts to promote independent media in Bulgaria, is a leader in professional media training, media advocacy, and the most important TV producer of investigative journalism programs in Bulgaria, thus supporting the transparency of the reforms in the country.

An important facet of the legacy organizations (i.e. the NIJ, NAMRB, FLGR and BTC) is their strong professional training component. All have Bulgarian trainers and training modules developed by Bulgarians with procedures in place to develop or modify modules as circumstances change. These organizations are programmatically and financially sustainable and there is plenty of demand for the training they provide. This ensures a continuous supply of properly trained magistrates, local government officials and reporters to meet the needs of a new Bulgaria.

Bulgaria has unique experience with a different category of indigenous organizations, the so called “partner legacy mechanisms”. Unlike NIJ, NAMRB, FLGR and BTC, these were not specifically planned legacy organizations. The five partner legacy mechanism organizations developed organically, usually with relatively little if any support from USAID. They are new organizations. Most are NGOs (although one is a for-profit organization) and are staffed by senior professional staff from former USAID implementing partners. In past years, as an USAID activity ended, some of its staff would transition to the follow-on activity or move to another USAID activity. But with USAID graduation looming, these were no longer options.

By planning to form a partner legacy NGO mechanism, Bulgarian senior staff could envision an attractive future in a post-USAID environment and stayed with the implementing partner until the end of the activity. If not for this, Bulgarian senior staff may have left the activity in the last year of the activity, making it difficult for the partner to complete the activity tasks -- especially in light of the early departure of several expatriates. Three examples of this legacy group are:

1. The Bulgarian Institute for Legal Initiatives (BILI) – BILI was created by the local staff of ABA/CEELI to continue the legal reform efforts supported by USAID. The organization has significant experience in drafting and implementing projects, primarily focusing on legal profession development, alternative dispute resolution, and legal education reform. It will continue to enhance the professionalism of attorneys, a quintessential element of any effectively functioning judiciary;

2. Program for the Development of the Judicial System (PDJS) - a legacy organization of USAID with unique expertise in the area of judicial reform and improving court administration, established by the implementers of USAID’s Judicial Strengthening Initiative;

3. The Bulgarian Center for Development and Training (BCDT) – BCDT was established by the staff of the U.S.-based World Learning (WL) NGO in Bulgaria in December 2005. BCDT is the local European partner through which WL will continue to support development in Bulgaria and Central and Eastern Europe. BCDT promotes international and intercultural understanding, democracy, social justice, and economic development through education and training projects.

These partner legacy organizations have demonstrated a great deal of enthusiasm and initiative in building on the work of the original partner organization and seeking to sustain the USAID legacies. While they are clearly Bulgarian organizations and advertise themselves as such, they proclaim their USAID heritage as a seal of approval. They have proven very entrepreneurial in attracting funds; some from the original partner organization, some from USAID (small grants or purchase orders), some from the GoB, and some from the EU. They do not receive direct grants or contracts from the EU since they have existed for less than two years and do not have an established track record. Instead they have partnered as sub-contractors/grantees with other Bulgarian organizations.

In 2006 and 2007 the Mission, with the professional involvement of the RFMC/Budapest staff, conducted audit reviews of a dozen of Bulgarian indigenous organizations, all of which are key USAID legacies in Bulgaria. The purpose of the reviews was to give a final boost to the sustainability of these entities by reviewing their strategic plans, financial system, and other internal systems. This was an iterative process going back to some of the organizations several times until they met the RFMC requirements.

USAID Bulgaria also has five loan guarantees through the Development Credit Authority that will continue to be operational after the September 2008 Mission close-out. The DCA portfolio is now being managed by EGAT in USAID-Washington. The DCA mechanism is a way to continue leveraging private capital in a country for a few years after Mission close-out and is available to a wide variety of Missions. However, DCAs are not legacy mechanisms designed to ensure the sustainability of gains made during USAID presence. Instead, they address specific business environment gaps in the country and might or might not still be active at the time of Mission close-out.

Croatia:

Since USAID Croatia's legacy planning has not involved funded post-presence mechanisms, its methodology may be more easily replicated by other Missions. As part of its Graduation Plan, the Mission in Croatia narrowed its programmatic focus in the final years before close-out to include: Entrepreneurship in Small and Medium Enterprises, Agri-Business, Local Government Reform and NGO Development – sectors where other donors were not active and USAID would have the biggest impact. The plan accelerated activities in these sectors in the years leading up to graduation, creating "catalysts for reform," which would be sustainable by the time of close-out.

The centerpiece was the Legacy Program, a program that utilized the participant training contract implemented by World Learning as an implementation mechanism. Beginning in 2005 and concluding at the end of 2007, it provided technical assistance to seven organizations, both in the DG and EG sectors, designated to serve as legacy organizations. The indigenous organizations, all of which had received USAID funding before, included - GONG; Coalition for the Protection and Promotion of Human Rights; Association of Management Consultants, Serbian Democratic Forum; National Foundation for Civil Society Development; and the Association of Family and Small Hotels of Croatia. World Learning was familiar with all of them from its Participatory

Training program and provided them technical assistance, including management issues such as fund-raising, and HR restructuring.

The work of the World Learning Legacy Program complemented the work of two of the Mission pillar programs, one in Economic Growth and one in Civil Society. In particular, the Legacy Program complemented the work of the CroNGO NGO-strengthening grant to AED, which had been operating in the country for years and had done much the build the capacity of Civil Society.

The Mission in Croatia has also focused on bilateral partnerships between US and Croatian organizations to create a network of exchange between the two countries. The Mission Director considered this “constant flow of Americans to Croatia” to be critical for USAID’s legacy. Partnerships between US and Croatian universities, government bodies, and courts are expected to be self financing. They will be monitored and encouraged by the US Embassy in Zagreb. The Mission also funded several seminars attended by the legacy organizations and other donors such as OECD and the World Bank on issues such as local governance and competitiveness.

Romania

USAID/Romania built legacy and sustainability concerns into its projects long before it began its phase-out plan. Its legacy activities, however, were more the “small l” variety, focused on providing for sustained impact beyond USAID assistance, rather then the “Large L” post-presence legacy mechanisms that are the primary focus of this paper.

Like Bulgaria, Romania is the beneficiary of an Enterprise Fund. Unlike Bulgaria, which will have liquidated much its fund prior to graduation, thereby making re-flow funds available for a legacy program, the Romanian American Enterprise Fund (RAEF) is not scheduled for liquidation until 2009, although initial funds will be available in 2008 to start a key pilot program in student loan guarantees.

Total funds disbursed to the RAEF totaled $61 million since 1994. RAEF submitted a plan for the liquidation of its assets on October 1, 2007, estimated to be in the range of $150 million. RAEF reflows will be used to establish and fund a new legacy entity with a long-term endowment with 501(c) (3) charitable tax status. When reflows become available, RAEF will distribute $25 million to the US Treasury (half the appropriated funds originally provided by USAID to RAEF). The remainder of the reflows will be distributed to the Foundation.

In order to promote private sector development and/or policies and practices conducive thereto, the Foundation will focus on education through activities such as:

- Guarantees for student loans, scholarships, counseling, and internships, to facilitate access by college and university students to higher education and training in areas such as business, economics and entrepreneurship, and in similar or related areas;

- Education in economics, business and entrepreneurship, and workforce readiness in schools, particularly in smaller cities and rural areas; and other support for private sector development, including partnerships and exchanges with U.S. institutions and organizations.

Legacy Inventory Matrix

Mechanism	Category	Country	Need Addressed	Partner/ Management	Funding Source	Scope
America for Bulgaria Foundation	Endowed Foundation	Bulgaria	Grant assistance to business groups and NGOs focusing on entrepreneurship, business education, leadership-development; key business sectors such as tourism and technology	USAID Europe and Eurasia Bureau will manage. US Embassy's Deputy Chief of Mission will be represented on Board	Liquidation of the Bulgarian American Enterprise Fund (BAEF) portfolio.	$200-million endowment. Funds begin flowing late 2008. Disbursement estimated to be $5 million a year.
Bulgaria Fund.	Public-private partnership	Bulgaria	Targeted grants to indigenous and Bulgaria-based international organizations, NGOs, and civil society organizations. Focusing on good governance, transparency and accountability in the three branches of government and at both the national and local levels.	Managed by the Belgrade-based Balkan Trust for Democracy (BTD). Partners include German Marshall Fund, and the Charles Stewart Mott Foundation.	USAID will give approximately $3 million over three years to German Marshall Fund (GMF)	Short-term legacy support mechanism. Became operational in FY 2007. Will award grants of approximately $25,000 each
American University in Bulgaria (AUBG):	University Partnership	Bulgaria	Four-year liberal arts institution, established with the objective to educate Bulgaria's and the region's future leaders.	Active oversight ended in 2007. Currently, there is an inactive post oversight period that will last for five years. The US Embassy will support a series of ASHA grants on behalf of AUBG as they continue to build out their campus. In a post-graduation environment, the role of supporting these applications will fall to the Ambassador's office. The Public Affairs Officer will serve as the liaison to AUBG and will coordinate with the USAID CTO in Washington the approval of ASHA grants after USAID closes.	The final disbursement of €4.14 million was made in 2006, at which time discussion with Washington began on the transfer of the CTO responsibilities. AUBG will continue to apply for ASHA grants in the next 3-4 years.	USAID Mission does not anticipate any management burden for any USAID offices. The Mission has transferred all oversight and/or post-oversight responsibilities to Washington.

Legacy Inventory Matrix						
Mechanism	**Category**	**Country**	**Need Addressed**	**Partner/ Management**	**Funding Source**	**Scope**
National Institute of Justice (NIJ)	Gov to Gov Partnership	Bulgaria	Entry level training to all new magistrates (judges, prosecutors and investigators) and continuing legal education.	Founded with USAID assistance in 1999 as an NGO. Transformed into a sustainable governmental organization in 2004 so as to ensure adequate GoB funding and support.	Government of Bulgaria	
Legacy organizations	Indigenous organization Capacity Building	Bulgaria	Various sectors.	Drive the reform efforts in key priority areas	EU, Bulgaria Fund, America for Bulgaria Foundation	Over 30 self-sustainable NGOs
Partner Legacy Mechanisms	Indigenous organization Capacity Building	Bulgaria	Various sectors.	Led by Bulgarian senior staff of former USAID partners	USAID grants and purchase orders; Subcontractors on projects funded by GoB, and EU	Five new organizations (4 NGOs and 1 private company)
Development Credit Authorities	Credit Guarantees	Bulgaria	Long term credit to local businesses.	All Development Credit Authority (DCA) Guarantee Agreements to be transferred back to USAID Washington (Office of Development Credit) prior to Mission closure. Per the agreement with the Ambassador and the DCM, the FCS attaché will assume the ground monitoring after September 2008, if required.	Credit Guarantees will continue until following close out dates: DCA-Private sector w FIB – September 10, 2008 DCA-MEEP w UBB – September 30, 2010 DCA-Regional Energy Efficiency Program: w UBB – May 24, 2011 DCA-Ag Sector w Post Bank – September 24, 2010 DCA-Ag Sector w Hebros Bank – September 24, 2010	Five of the six loan guarantee facilities currently active in Bulgaria will continue after September 2008.

Mechanism	Category	Country	Need Addressed	Partner/ Management	Funding Source	Scope
NGO “Legacy Program”	Indigenous Institution Capacity Building	Croatia	Assistance to 7 legacy institutions included technical assistance in fund development capacity, policy research, development of internal procedures, enhanced human resource management and restructuring, information management, information technology, project management and quality management and assurance. Staff development through formal training courses, professional certifications and participation in international conferences and study tours	GONG; Coalition for the Protection and Promotion of Human Rights; Association of Management Consultants, Serbian Democratic Forum; National Foundation for Civil Society Development; National Competitiveness Council; and the Association of Family and Small Hotels of Croatia. Implemented jointly by World Learning and USAID.	USAID funding	Assistance expired in 2007. NGOs now operating without USAID assistance.
CroNGO	Indigenous Institution Capacity Building	Croatia	NGO-strengthening program to develop local sustainability. Developed individual NGOs’ service capacity through small grants, and created networks among grassroots organizations and with local governments.	Managed by AED prior to phase-out. Developed “sustainable core” of nine sectoral and three grant-making NGOs to serve as legacy mechanisms. As part of the graduation plan, CroNGO was extended and expanded to focus more directly on financial viability of grant making NGOs, expanding training capacity, developing a code of ethics, promoting corporate responsibility and philanthropy, and improving the public image of the sector.	USAID funding	Expired 2007
University Partnerships	Partnership	Croatia	Public administration short courses and degree	Partnerships include: University of Rijeka collaboration with Paul Unger Foundation at Cleveland State University Pula Polytechni - Blue Mountain Community College (Professor Art Hill)	USAID funding	Self Financed

Mechanism	Category	Country	Need Addressed	Partner/ Management	Funding Source	Scope
Government to Government Partnerships	Partnership	Croatia	Adopt "best practices" in areas from financial management and budgeting to accessing international donor and private capital – and to do so through transparent processes which reflect citizen participation.	65 USAID-assisted municipalities and towns, including City of Dubrovnik - Monterey, California (Twinning) City of Karlovac - Kansas City, Kansas (Twinning) City of Umag - Port Townsend, Oregon (Twinning) City of Buzet - La Grande, Pendleton Northeast Oregon Economic Development District (Twinning) City of Labin - La Grande, Pendleton Northeast Oregon Economic Development District (Twinning) City of Pazin - La Grande, Pendleton Northeast Oregon Economic Development District (Twinning) Croatian National Parliament Washington State Legislature	USAID funding	Self Financed
Court Partnerships	Partnership	Croatia	Adopt "best practices" in judicial sector.	Istrian Bar Association - Pula County Kentucky County; Zagreb Commercial Court - Bankruptcy Court, Middle District of Tennessee	USAID funding	Self Financed

Mechanism	Category	Country	Need Addressed	Partner/ Management	Funding Source	Scope
Romanian American Foundation – Reflows from the Romanian-American Enterprise Fund (RAEF)	Endowed Foundation	Romania	Addressing the quality of and access to education as relating to the market economy; Addressing the education lag in development in rural areas.	Incorporated as a 501 c3 organization as an endowment in perpetuity. Governed by a Board of Trustees, including current RAEF directors and experienced Romanians.	Liquidation of the Romanian American Enterprise Fund (RAEF) portfolio.	$150-million endowment. Funds begin flowing around 2010.

Mechanism	Category	Country	Need Addressed	Partner/ Management	Funding Source	Scope
Balkan Trust for Democracy	Sinking Endowment	Regional	Civil Society Strengthening SEE,. Based in Belgrade, BTD supports the strengthening of democratic institutions, such as civic groups, indigenous NGOs, local and regional government, educational institutions, and media outlets.	Grant-making partnership with the German Marshall Fund and Mott Foundation. BTD works with a regional Advisory Board, comprised of experts from various sectors and countries,	Trust – Legal entity between USAID and partners	Marshall Fund of the United States ($10 million), USAID (€10 million sinking endowment), and the Charles Stewart Mott Foundation ($5 million). A €500,000 contribution from the Royal Netherlands Embassy in Serbia and Montenegro was USAID funding:
Black Sea Trust for Regional Cooperation	Sinking Endowment	Regional	The BST is a grant-making initiative that will focus on strengthening cross-border ties, civic participation, democratic governance, and rule of law in the Black Sea Region: Armenia, Azerbaijan, Georgia, Ukraine, Moldova, Bulgaria, Romania, Turkey, and the 2 oblasts of Russia that border the Black Sea.	In September 2007, USAID signed a cooperative agreement with the German Marshall Fund. While USAID does not have authority to approve BST grants, it has an advisory seat on the grant-making committee and the GMF will rely on USAID missions for feedback on proposals.	Trust – Legal entity between USAID and partners	10-year activity is a GDA alliance with GMF, with contributions of $10 million from USAID and $10 million from GMF and other donors, which may grow into a $30 million plus activity.

Part II

Lessons Learned:

Missions, Washington-based USAID staff and other stakeholders will likely have questions about the experience of Missions that have created legacy mechanisms as they approached close-out. Budgetary constraints in E&E since the early 2000s have precluded some ambitious plans for funded post-presence legacy mechanisms. However, Bulgaria, Croatia and Romania have all put in place legacies from which other Missions can learn.

1. Among the most common gaps at closeout for the three missions were democratic reforms and second stage economic reforms.

In 2002, an analysis of the E&E Bureau's *Monitoring Country Progress* indicators showed that Croatia, Bulgaria and Romania clearly led other southern tier countries in progress towards economic and democratic reforms. However, all three fell far short of the level of reform attained by the northern tier CEE countries at the time of graduation. One of the biggest gaps was in democratization. Although each country had shown solid progress in the basic elements of citizen participation including elections, NGO development, and independent media, great challenges remained in the areas of judicial reform and governance (especially local governance) and corruption.

In Croatia, the gaps were especially notable in the area of local governance. Historically, Croatia's central government was very strong and the rapid proliferation of local governments in the 1990s after the breakup of the former Yugoslavia offered little opportunity to new villages and towns to set up administrative structures. Efficient systems were not in place, and those that were, were not always responsive to local needs. USAID Croatia felt that supporting and developing local government was one of the best ways to: 1) ensure that those closest to the citizens had resources and means by which to meet community needs, and 2) to provide a counterbalance to centralized decision-making. In response, USAID-Croatia began to facilitate partnerships with US and Croatian cities.

While the pace of economic reform was more rapid than political reform, the three southern tier countries still lagged behind their northern tier counterparts in economic growth and in the "second stage" economic reforms that indicate a government's capacity to govern. In all three countries the small and medium enterprise sectors required stronger regulatory and institutional support and improved access to credit.

There was some difference in the way the three Missions approached these common problems. The Croatia Mission chose to focus on entrepreneurship, local government and Civil Society as keys to its legacy strategy – areas in which it had more expertise than other donors. Correspondingly, the Mission made the strategic choice to close out of other sectors that had lesser priority during the phase out period. Due to limited resources, (both, time and funding) Bulgaria also narrowed down and repackaged its strategic priorities, focusing on rule of law, entrepreneurship, and local governance. By contrast, the Romania Mission chose to stay engaged in most of its portfolios through the phase-out period.

2. Legacy plans may have multiple components, taking advantage of sometimes divergent program circumstances. Timing for the implementation of legacies can vary as well.

The legacy plan in Bulgaria included legacy organizations, as well as short- and long-term legacy support mechanisms. The legacy organizations were considered to be the primary tool for continuing the reform efforts in the country in the three priority areas formulated in the graduation strategy: rule of law, local governance, and entrepreneurship. These entities were viewed as USAID successor in advocating and driving the reforms in the country. The strategy identified potential legacy organizations in each priority area. A top priority for the Mission during the close-out period was helping these institutions to become sustainable. The development of the legacy support mechanisms was an iterative process in Bulgaria. It started with the strategy document in 2003, went through the development of the Close-out Plan in 2005, and was finalized with the approval of the close-out plan in late 2006. The strategic document set aside three different pots of money to take care of the sustainability of the reform efforts and the key indigenous organizations the Mission has been working with. However, the substantive budget cuts in 2005 and particularly in 2006 forced the Mission to give up most of the funding for the legacy support mechanisms and the residual amounts were repackaged into a single pool of money. As a result, Bulgaria ended up with the establishment of a single short-term legacy support mechanism.

The decision to model the Bulgarian short-term legacy mechanism along the Balkan Trust for Democracy BTD was not an instant one. The Mission explored different options from partnership with OSI, to channeling the funds through an indigenous entity, to the BTD. Each of these options was good enough to cover the identified priorities. However, procurement and operational considerations dominated the final decision. The Mission was interested in launching the short-term mechanisms as quickly as possible in order to avoid assistance gaps and to be able to test the new instrument prior to the closure. BTD, with its already functioning procedures, good image in the region, willingness to expand its activities, and readiness to cover the administrative costs of the program, turned out to be the best solution.

The decision to establish the long-term legacy mechanism was justified by the achievements of the Bulgarian American Enterprise Fund (BAEF). The idea to channel the proceeds generated from the liquidation of their assets to a Foundation was not new and was easily accepted by both the Fund and USAID. However, the implementation of the concept and the launch of the new entity took much longer than planned.

3. The E&E Bureau's Monitoring Country Progress (MCP) system is a useful empirical process to identify remaining gaps at the macro level. Missions developed their own tools for specific, programmatic analysis.

The E&E Bureau's Monitoring Country Progress process was important to all the Missions in identifying gaps during the close-out planning process. In Bulgaria, defining the gaps in country development has been an iterative process. Using the web graphs and sector assessments, the Mission considered the remaining issues at the macro level when the graduation strategy was developed and continued to monitor the gaps throughout the process of implementing the strategy. USAID/Bulgaria also developed its own tools for the process: defining indicators for each priority area (SO and IR); following EU monitoring reports; and organizing meetings and discussions with donors, NGOs and other stakeholders. The two iterations of the close-out plan further elaborated and specified some of the remaining issues. Finally, the assessment report, commissioned by the Mission in FY 2007, summarized the remaining gaps and priorities the country should focus on during the subsequent two-three year period.

In addition, as part of its close-out activities, the Bulgaria Mission developed the scope and conducted "sustainability reviews" of indigenous partners looking into their financial and management capacity, sustainability of their operations after the end of USAID and other donors' assistance, and provided recommendations for achieving long-term operational and financial sustainability. A joint team of RFMC/Budapest and the Bulgaria Financial Analyst conducted eleven reviews of indigenous partners in the period 2005 -2007. The team examined the existing policies and procedures of the partners and provided a critical look at the organizational strategic planning for the future. The reports with the findings and recommendations were shared and discussed between the Mission and the indigenous entities, and follow-up assistance was provided to some of them.

The Croatia Mission in particular identified the MCP system as crucial for its strategic decision making. Croatia's Mission Director "religiously" followed changes in the Economic Reform, Democratic Reform, Economic Performance, and Human Capital Indices to determine where more efforts would be necessary as graduation approached. The use of MCP in Croatia was informal – there were no formal review meetings conducted on the MCP findings – but the latest copy of the indicators were "always there" in any decision-making event.

When deciding whether to prioritize a sector for legacy activity, the Mission in Croatia assessed first whether there was a need in the country, whether there was a gap in the donor community, and whether USAID had the necessary expertise.

While the MCP identified the larger need in the area of civil society and NGO development in Croatia, the Mission utilized its own methodology to determine how to target its legacy development assistance. In 2005, as the Croatia Mission faced its final years, it chose seven Croatian organizations to receive additional technical assistance under its Legacy Program to increase their organizational capacity. The seven Croatian organizations were chosen after a contracted assessment of dozens of indigenous organizations that offered the prospect of becoming legacy institutions. The list was narrowed down to around 20 organizations that both fit the mission of USAID assistance and had demonstrated the promise of sustainability with additional USAID support. This list was, in turn, narrowed down to seven organizations that would "provide a catalytic and constructive role for citizen-led democracy and a stronger market-oriented economy over the next decade". The Croatian institutions chosen were GONG; Coalition for the Protection and Promotion of Human Rights; Association of Management Consultants, Serbian Democratic Forum; National Foundation for Civil Society Development; and the Association of Family and Small Hotels of Croatia. As a result of the questions asked and answered by the contracted study, assistance to these legacy institutions consisted of technical assistance in fund development capacity, policy research, development of internal procedures, enhanced human resource management and restructuring, information management, information technology, project management and quality management and assurance. Staff development through formal training courses, professional certifications and participation in international conferences and study tours was also provided to some institutions under the Program, implemented jointly by World Learning and USAID.

4. When possible, legacy mechanism should focus on an issue of strategic common interest with USG foreign policy objectives.

In the case of Bulgaria and Romania, phase out was conducted in concert with new assistance associated with the European Union Accession Process. EU Membership for these countries was a key foreign policy goal of the United States Government and the USAID legacy programs were a valuable tool to complete that transition. The priorities for the two legacy mechanisms in Bulgaria were defined based on the strategic objectives the Mission had been pursuing in the country: Enhanced Rule of Law, Effective and Accountable Local Governance, and Economic Growth and Increased Prosperity. In addition, they contributed to all five USG strategic objectives as outlined in FY 2010 MSP: (1) Strengthen Bulgaria's capacity to contribute to international security; (2) Strengthen ROL; (3) Project trans-Atlanticism, accelerate European integration, boost regional stability; (4) Expand U.S. trade and Investment; and (5) Build support for U.S. policies, interests and values.

The phase out in Croatia was also colored by additional strategic considerations. Continued reform and political stability in Croatia is critical to US foreign policy interests in Bosnia and Serbia.

5. Assumptions on levels of funding available for legacies are likely to be challenged and altered.

Throughout the phase-out process, downward adjustments had to be made regarding resources. The decision to begin phase out of the Bulgaria, Croatia and Romania Missions was made at a time when the FY 2003 budget was being reduced by $100 million. Budget cuts continued as the phase-outs progressed, forcing downscaled plans for post-presence legacies.

Bulgaria: Bulgaria's plans suffered due to budget cuts. Despite the robust nature of USAID Bulgaria's current legacy programs, they had to be scaled back as earlier budget assumptions were not realized. When discussions on the Graduation Strategy began in 2003, and later when the development of the close-out plan was initiated in early 2005, numerous options were considered. One specific proposal discussed at length was the idea of the Open Society Institute/Sofia to establish a Bulgaria Democracy Fund that would focus on "civic sector" participation in policy debate, watchdog capabilities, and societal issues. However, the assumption, based on a 2002 inter-agency agreement, of straight-line funding for Bulgaria at $28M for each of the fiscal years 2004 through 2006, did not materialize. A substantial cut of the FY 2006 SEED country level by $8 million (29%) from $28M to $19.8M forced the Mission to drop some of its initial ideas of utilizing a variety of legacy support mechanisms.

When the need for scaling back the legacy plans became clear, the Bulgaria Mission reviewed the pipelines of all currently active awards and decided to decrease the ceiling cost of those meeting their targets at lower burn rates. As a result, they eliminated the need for no-cost extensions and avoided the lengthy de-obligation process which could not guarantee the Mission access to the recoveries at that late point during the close-out. The major benefit of this decision was the immediate availability of funds that could then be used for legacy support. Based on these projections and the assumption that recoveries would continue to come to the Mission, USAID/Bulgaria settled upon the two major legacy mechanisms highlighted above.

Croatia: Early in the planning process, the Croatia Mission decided that the option of looking to fund a single large post presence mechanism was too costly and an ineffective option for them. Instead, the graduation plan outlined a number of sectors on which the Mission would focus, with the anticipation that these institutions would be largely viable by the FY 2008 graduation date. At the same time, the Croatia Mission decided to get out of lower priority sectors, such as social transition, banking, privatization, and fiscal policy.

Romania: In July 2005, EUR/ACE approved the Embassy's Phase-Out Plan for the SEED Program in Romania, with plans for an additional budget of $20 million for FY2007 that would fund legacy programs. However, in February 2006, the funding for Romania was not included in the President's FY 2007 Budget Request, forcing the Mission to scale back.

6. Public private partnerships, Global Development Alliances, and Development Credit Authorities are potential legacy mechanisms, but are not always central to the effort

By the time the close-out plans for the three Missions were being reviewed, the E&E Bureau had put in place a $15 million incentive fund in response to the Administrator's concerns that E&E and other Bureaus were not doing enough to utilize the global development alliance mechanism. The Balkan Trust for Democracy, a regional GDA with German Marshall Fund, later became the nucleus of USAID/Bulgaria's short-term legacy mechanism – the Bulgaria Fund.

Aside from the BTD, USAID/Bulgaria examined the opportunity for using GDAs as a tool for building partnerships during the close-out period. However, two major issues forced the Mission to give up the idea: the enormous time and effort needed for their setting up, as well as the long-term post-graduation management responsibilities that had to be taken by another office on behalf of the Mission. The Mission decided that GDAs might be appropriate only in very specific cases and was ready to consider concepts for new GDAs on a case by case basis submitted for review by the end of May 2005.

Bulgaria: The Bulgaria Mission financed GDAs that promoted Roma integration and renewable energy. It also developed GDA mechanisms at the local community level with community funds. Bulgarian Community Foundations proved a viable model of sustainable partnerships at the grassroots level as they combine the development efforts of local government, businesses and civil society. Based on the US model of community philanthropy, they have promoted the idea of local giving for various community development priorities – healthcare, education, youth initiatives, social assistance to vulnerable groups, etc. USAID helped establish ten community foundations and an Association of Community Foundations which raised $800,000.

As the USAID partner which implemented the Community Foundation activity neared the end of its grant in 2006, USAID recognized that while the Community Foundations had made dramatic progress, they fell short of full sustainability and would need some bridging assistance. The Mission obtained $150,000 in performance funds and leveraged these resources by entering into a partnership with the Mott Foundation and the Trust for Civil Society in Central and Eastern Europe (an NGO funded by the German Marshall Fund). USAID and Mott each contributed $150,000 for grant programming for the ten community foundations and Mott contributed an additional $80,000 to cover core operating expenses. The Trust managed the grant program. For each dollar USAID and Mott contributed to a Foundation, the Foundation matched it with 1-1.5 USD.. Since USAID was approaching graduation, the Trust disbursed all the USAID funds by 2008 and then the Mott funding will kick-in.

Development Credit Authority (DCA) activities were another way to engage private businesses in the Bulgaria Mission's programs. Bulgaria was among the first in the E&E region to launch DCA initiatives in 1998. Although the DCAs were not part of the close-out approach of the Mission, they have been a useful tool to improve access to credit, particularly for competitive sectors of the economy. By the end of FY 2007, the cumulative use of these guarantees exceeded $98 million. The current utilization balance for the four partner banks under five guarantee schemes exceeded $26 million in loans. These loans mainly supported SMEs and agricultural borrowers. A municipal credit DCA facilitated municipal access to infrastructure credit with loan guarantees for municipal infrastructure projects. The two USG microfinance legacy institutions continued to operate on a sustainable basis with no direct USG support. A new four-year portable guarantee agreement with one of these institutions will enable it to secure more favorable financing from local and international financial institutions and to meet not only the increasing needs for investment capital, but the demand for working capital from micro- and small enterprises in Bulgaria.

Croatia: For its part, the Croatia Mission noted during the review of the close-out plan that it was already partnering with a number of donors as well as members of the PVO/NGO communities. The Croatia Mission cited several instances where it had entered into specific alliances, namely (a) the Microsoft Center for Excellence in Varazdin; (b) the Unger Institute from Cleveland, Ohio with the University of Rijeka; and (c) a DCA initiative with local Croatian banks.

7. Planning for legacies should begin several years before actual implementation

Close-out planning for all three countries began in 2002. While Romania and Bulgaria had made significant strides in the political process of EU and NATO accession, none of the three countries were considered ready to graduate in terms of their progress on the Monitoring Country Progress indicators. While Bulgaria had accomplished much in terms of its first stage economic reforms, it was falling short on second stage economic reforms and in terms of macroeconomic recovery, poverty and living standards. Conversely, while Croatia's macro economic performance and living standards were better, its reform record was very recent and its politics volatile. Romania was the poorest performer of the three in economic reform. Nonetheless, progress was seen as sufficient in all countries to begin planning for phase-out. Planning for legacies began in 2002 and took shape in the 2003 graduation plans. The final form of the legacy plan took place with the 2006 Program Close-out plans.[2]

In Bulgaria, the legacy mechanisms planning process (especially for the Bulgaria Fund) took about a year. However, the Mission did not want to launch the mechanism prior to the expiration of key programs supporting the reform of the judicial system, tackling

[2] According to the ADS, a Program Close-out Plan should be prepared before or concurrently with the budget request for that appropriation of the final Mission funding. In the case of Romania, Bulgaria and Croatia, this was 2006. The budget request is normally prepared by E&E/PO in late autumn each year. Thus, FY 2009 funds would be planned by December 2007. The Program Close-out Plan should be prepared three years prior to the close-out date.

The last funds a Mission will obligate are appropriated to USAID at least two years prior to the date of close-out. For example, a Mission that will close in September 2010 will be using funds appropriated near the end of CY 2008. These are FY 2009 funds and must be obligated by the end of FY 2010 although they could be disbursed in FY 2011. Such funds would typically become available for use by the Mission in the late winter of 2009 corruption, promoting local governance, and improving the competitiveness of the Bulgarian economy. This gave Bulgaria enough time to carefully consider all the details and work in partnership with the BTD and the German Marshall Fund. The actual signing of an award agreement required an additional year.

The discussions with BAEF on the establishment of the new Foundation started some 20 months prior to the predefined end-date for active investments in the country, September 30, 2006. The Mission, the Ambassador and the Bureau were involved in the process, with Washington taking the lead. Going through the procurement procedures to modify the CA with the Fund and the establishment of the Foundation took longer than expected. Unfortunately, the Mission had almost no influence on the process. Nevertheless, the America for Bulgaria Foundation is expected to become operational in late FY 2008.

The Croatia Mission, noting that its strategic priorities consisted of moving Croatia to EU accession, and getting the country to where the Northern Tier states were at the time of their graduations, began the process in November 2002 when the EUR/ACE-administered Assistance Review provided the framework for the graduation plan. The Croatia Mission prepared a paper prior to the last year of funding in FY 2006 focusing on the entire range of post presence issues. In the paper, the Croatia Mission concluded that the country did not need an endowment and that a full year's budget allocation of $25 million would not begin to fund an endowment adequately. It also postulated that the EU would be funding the country in a significant way in the period running up to accession.

8. There should be an understanding of how much "level of effort" is required to complete the planning process.

Legacy planning was a small, but often complicated part of the Graduation Plan. During the early part of the planning process, Missions indicated they needed help in establishing endowments, partnerships, and alliances. In response, E&E/W noted that it was prepared to assist missions in developing such mechanisms. The E&E Bureau in Washington requested a list of such mechanisms in country which required strengthening so as to seek out post-presence funding via regional programs. As the first step in helping the missions, E&E/W convened meetings on these issues for Mission representatives while they were in Washington for the Graduation Strategy review and the question of legacy mechanisms was addressed in detail.

For the most part, legacy planning was folded into the larger question preparation for graduation and close-out and eventually became inseparable from it.

In Bulgaria, the effort scaled up with the proximity of the close-out date in September 2008. The Mission estimate is that two people worked for a month to a month-and-a-half during FY 2005. In FY 2006 – two to three people worked at least two months each. In FY 2007 – one person (the current CTO for the Bulgaria Fund) spent at least three months, and two more employees – two months. The number of people involved and time spent on the effort is just one aspect of the process. Another equally important consideration is who these people are. Bulgaria's experience shows that these initiatives should be driven by senior management. The involvement of the Mission Director has been crucial for the success of the planning process.

In Croatia, senior Mission staff was involved heavily in the decisions regarding the legacy programming contained in the Graduation Plan. Thereafter, the legacy activities were a key part of all programming decisions. The Croatia Mission talked extensively with the E&E Bureau, and the US Embassy in Zagreb – especially the DCM, and the Political and Economic Officers. The only reported costs of legacy planning in Croatia were the staff time and the contracted study which identified the legacy organizations.

9. Involve other USG stakeholders in legacy planning, especially the US Embassy, which will have an important role in handover issues.

In all three countries, the establishment of the legacy mechanisms was extensively discussed with the Embassy and American and indigenous partners.

Bulgaria: In Bulgaria, the Mission signed a MOU with the Embassy in Sofia to formalize the post close-out responsibilities USAID would transfer to the Embassy. The goals and responsibilities reflected in the agreement are a result of a series of informal discussions between USAID/Bulgaria and Embassy personnel detailing the specific duties that would be effectively and efficiently transferable from USAID to the Embassy. To prepare Embassy staff for their new responsibilities, the Mission organized special meetings to introduce them to some of the programmatic issues they might need to follow-up. In addition, the USAID contact data base will be transferred to the Embassy for future reference and invitations.

For some activities, such as DCAs, several USG agencies were stakeholders. For instance, the Bulgaria Mission negotiated with EGAT's Office of Development Credit to assume management responsibilities. It was agreed that EGAT would track reporting, fees, reviews, and the use of facilities. The Economic Officer in POLEC will be the in-country liaison for limited on-the-ground support after September 2008.

Croatia: After beginning the phase out process in 2002, the Croatia Mission met with stakeholders, including other USG entities, USAID activity managers and implementers, Croatian counterparts, and multilateral and bilateral donors to help identify priorities. By working with their Croatian and US Embassy counterparts, the Mission was able to agree on focus areas. With the stakeholder input, four specific criteria were utilized by the Mission, including (a) the amount of monies at its disposal, (b) its comparative advantage (now existing in the economic arena and civil society), (c) the speed with which activities could be implemented (given the limited time remaining before graduation), and (d) opportunities for collaboration. Subsequently, USAID Croatia has been including US Embassy staff on site visits and other events to "hand over" its contacts and to provide information about its program.

Romania: Liaison with the US Embassy is a key part of USAID Romania's legacy strategy. The Romania Mission is currently working closely with the Public Diplomacy (PD), Economic (ECON), and Political (POL) Sections of the Embassy to build their awareness of key issues and partnerships of the USAID program that will continue beyond the program end date. Fortunately, the Embassy has looked upon USAID as the Secretariat for Economic Foreign Assistance within the Embassy, so these relationships have been strongly developed over the years of SEED funding, and the issues are familiar to Embassy colleagues. For example, the Economic Counselor in Romania is a Board member of the Center for Entrepreneurship and Enterprise Development (CEED) that was recently launched by USAID/Romania under an EGAT mechanism. The ECON participated in discussions with the GoR about RAEF and the project CTO met with the ECON for discussions to lay the foundation for future collaboration.

USAID Romania has also been working closely with the ECON on issues regarding health sector reform which helped build a sound relationship between the Embassy and Romanian health authorities. The Embassy will work with the National Authority for Protection of Children's Rights on child welfare issues. In FY 07, USAID Romania transferred $450,000 of its recoveries to the Embassy so it can continue grants to support child welfare reform and children at risk.

10. Missions should coordinate with other donors and stakeholders, especially the EU and the host government, to identify opportunities for legacy programs.

Donor coordination has been a priority for the three Missions, particularly in the early years of the close-out period. For Romania and Bulgaria the close-out was tied to their EU membership, so cooperation with the EU has been an important part of their efforts. Collaboration with the World Bank, UNDP, and bilateral donors was an ongoing process as well.

Bulgaria: In Bulgaria, donor coordination was critical to an effective legacy strategy, given that post-presence activities would be limited to only a few sectors. The Bulgaria Mission, understanding how critical education is in meeting overall graduation targets, has been looking to the World Bank to take on the matter of education reform. USG post-presence education activity in Bulgaria will be limited to support for the AUBG.

The EU rather than the USG will be responsible for further work in the Bulgarian judicial sector. USAID Bulgaria's Close-Out Plan indicated that the capacity of the Supreme Judicial Council was an impediment to judicial reform efforts and stated that the judicial system is one area where reform would not be completed by the time of close-out. Although the Mission focused on the rule of law in the final years and will have several enduring legacies in this sector, including the now-sustainable National Institute of Justice, USAID opted not to set up a legacy mechanism to address remaining issues post-close out. The EU and other international organizations will continue to work in this sector.

Romania: In Romania, EU pre-accession and structural funds are being managed by the Government of Romania directly and are being used to address many of USAID's legacy objectives. Common interests between USAID and the EU, such as local government reform, privatization, economic growth, agriculture, civil society growth, child welfare and women's health reform and anti- trafficking, etc - suggest that some of the Mission's work will be continued with EU funding in the future.

In the past the GoR, with EU funding, supplemented several USAID-originated initiatives such as the Citizens Information Centers and non-banking micro-finance institutions. Other USAID initiatives were picked up by the World Bank or the GoR. For example, the distribution of free contraceptives is now being done by the GoR as a part of its national reproductive health strategy.

11. Missions should examine the potential for long-term sustainability of a potential legacy mechanism.

Leaving sustainable achievements in the E&E countries has been a priority for all USAID programs in the region. This has been discussed in the strategic documents developed by the countries during USAID presence on the ground. The sustainability of what USAID is leaving behind has been a key component of the close-out strategies/plans of the three Missions. All three increasingly concentrated their assistance efforts during the close-out years on building self-sustainable local capacity. The approaches applied varied, but the idea has been the same – make sure indigenous entities continue to apply market-based democratic approaches to development and reform initiatives in their countries. The goal was to leave organizations that were strong and viable enough to continue on their own after USAID departure.

Bulgaria: The sustainability of the AUBG is of primary importance for the Mission in Bulgaria. This has been the biggest USG investment in a single entity in the country and is an excellent example of the partnership between the two governments launched in the early 1990s. The success of the University will maintain this partnership's viability for the future. AUBG has a solid record of preparing the next generation of leaders committed to democratic principles and processes in a rapidly changing region. AUBG produced over 2,000 graduates from more than two dozen countries by 2007. Approximately 35% of alumni went on to graduate study in some of the best American and European universities. AUBG is accredited in Bulgaria and the United States and enrollment has grown from only 208 students in 1991 to over 1,000 in 2007.

The future for AUBG looks bright. A new campus, equipped to house and educate a student body of 1,200-1,400, is more than half completed. The University has been very successful in attracting ASHA funds and, with the support of the Post, this will continue. A USAID Financial Assessment in 2006 found that "AUBG has excellent prospects for financial sustainability due to its competent management, effective leadership, sound budgeting processes and well-designed financial systems." The effect of EU integration and the availability of subsidized education in many EU countries are yet to be measured. Clearly, AUBG will need to assure that it maintains the highest educational standards at reasonable costs to assure sustainability, and it will also have to be creative and diligent in fundraising efforts.

USAID/Bulgaria has developed a list of some forty legacy institutions that will continue to operate in the country after the close-out date. The Mission is confident of the long-term sustainability of such institutions as NIJ, NAMRB, FLGR, BTC, etc., which have been implementing partners for the past six-seven years. Most have already successfully applied for EU and/or other donor funding. Further, the Bulgaria Fund provides them with an additional funding option for the next three years, an opportunity to expand their operations and thus guarantee their sustainability.

As mentioned earlier, these Bulgarian NGOs are actively involved in training and thus shaping the next generation of municipal authorities, judges, prosecutors, journalists. The problem that remains is one of effective performance and accountability. Will these new Bulgarians adopt the bad practices of their predecessors? Will they be able to change the institutions they enter or will the institutions change them? Will the Bulgarian public demand that they do better or will the public quietly accept the status quo? The issue presented is as much a matter of political will as it is a development issue.

The Bulgaria Mission is optimistic that the partner legacy mechanisms will prove sustainable given their record of performance. However, the success of USAID assistance to Bulgaria will be determined less by their sustainability as by the success of legacy mechanisms such as the NIJ, NAMRB, FLGR and BTC.

Croatia: In Croatia, there are some early signs of the sustainability of USAID-promoted NGOs and associations, a key indicator for the success of that legacy strategy. In mid-2007, the Croatia Mission contracted an independent consultant to conduct an impact assessment of the Legacy Program. It found that the Program had had a significant impact on the long-term sustainability of the participant organizations.

The Association of Cities and Municipalities is promoting policy dialogue/reform and is a strong national-level advocate for local government interests. USAID has worked to strengthen the Association, which is beginning serve as an advocate in the continuing decentralization process and extend improved governance across Croatia.

The Mission has also built long-term partnerships between US and Croatian cities – a public diplomacy effort built on twinning Croatian cities: Dubrovnik, Karlovac, Umag, Labin, Pazin, Buzet, and Pula; with American cities: Monterey, CA, Kansas City, Pendleton Oregon, and Port Townsend, WA. In the case of Monterey and the City of Dubrovnik, the latter was badly in need of capital investment projects. Through its relationship with Monterey, Dubrovnik developed a Capital Investment Plan modeled after the Monterey plan. As the two groups worked out solutions to the investment needs, they found other areas of cooperation. Long term sustainability of these partnerships will be proven over the course of the next several years.

Romania: All of the Romania Mission's programs have been focused on sustainability since 2001. For USAID Romania, a key element of its legacy strategy was to move programs to the Government of Romania. The USAID local government program closed in December 2006, but the GoR has revived the decentralization process, ensuring that reform of the local government will continue without USAID direct influence.

The Ministry of Health oversees a national program on reproductive health that includes contraceptive distribution and a management information system. The GoR has steadily increased funding dedicated to family planning with the amount now standing at $2 million per annum. Family planning services will also continue to be provided through a national NGO. USAID implementers helped the Ministry of Health to develop a legal framework for contracting with NGOs for family planning services. In addition, the Romania Mission has trained NGOs so they can obtain more EU funds to support their work.

With regard to child welfare, partnerships are in place between NGOs and Romanian county councils. Public and private local funding supports services to children. The National Authority is committed to contracting for services with NGOs and continues its work in child welfare reform. In addition, USAID has supported Romania's new United Way chapter, which will be funding 15 NGOs to deliver services to children at risk. The second year of United Way's national fundraising campaign saw almost a doubling of payroll contributions from Romanian professionals.

In Romania, the reduced support to civil society made necessary by the elimination of FY07 funding (both in funding and implementation time) resulted in fewer NGOs benefiting from USAID assistance, as well as fewer grants, shorter implementation time for grants, and limited time for follow-on or repeats of training sessions. However, USAID has achieved many sustainable legacies unaffected with these changes. Examples of these legacies are the Special Olympics and United Way Chapter.

12. Enterprise Funds have enormous potential for the creation of legacies

The E&E region is unique in the ability of USAID to create legacy mechanisms given the potential access of several Missions to funds from the liquidation of Enterprise Funds. This was critical to the process in USAID Bulgaria and Romania and could be replicated in countries such as Albania, Russia and the Western NIS countries of Ukraine, Belarus and Moldova – all countries with established Enterprise Funds.

Enterprise Funds support development of small and medium enterprises through both equity and loan financing, create new financial institutions, attract foreign investment, and support the reform of economic and financial policies, laws and regulations. They are established as private, not-for-profit, 501(c)3 corporations each governed by a Board of Directors confirmed by the White House. While USAID provides oversight of the funds by the U.S. Government, they are highly autonomous organizations. Fund boards, not USAID, set policy. Funds alone make investment decisions. USAID grants from the SEED and FSA accounts have provided the initial financing for all enterprise funds, although a number, such as the Polish Fund, have now raised their own private capital.

Funding for post-presence activities come from the sale of enterprise fund assets to generate funds known as reflows, which usually arrive about 14 years from date of incorporation. It may require 5 years to liquidate enterprise fund assets. The figure below illustrates when the reflows are likely to arrive and the overall value of the assets.

Ten Enterprise Funds (EFs) were created in the E&E region beginning in the early 1990s. As the Enterprise Funds complete their investment cycles, investment proceeds are liquidated and used to establish long-term philanthropic or "legacy" activities that will continue to strengthen and promote private sector and civil society development. Accordingly, these endowments continue to advance USAID objectives without additional USG funding. For example, though the Polish-American Enterprise Fund [PAEF] was initially authorized $240 million, it successfully achieved investment earnings exceeding $360 million. Of this amount, the Fund returned $120 million to the U.S. Treasury and used the remaining $240 million in reflows to establish the Polish American Freedom Foundation. PAFF subsequently funded $22 million in legacy activities during its first five years of operation and will continue to provide a wide range of economic and development assistance in Poland for many years in the future. A similar legacy endowment operates in Hungary and several more are anticipated in the near future. This ensures USG influence in these countries long after the Enterprise Funds end their active investment phase.

Potential uses of enterprise fund reflows include, SME support, leadership development, business education, economic policy reform, local government reform, NGO support, or legal reform.

Given the timing and nature of the entire process, it is likely that the reflows may not be available immediately after the mission closes, as in the cases of Romania and Bulgaria. Nonetheless, given the probable amount of the reflows and the hoped-for convergence of views on the use of reflows, this can be a good source of legacy funding, especially for those legacies related to economic growth.

The following table shows the current status of the USAID.

Enterprise Funds Net Worth Update (Millions of Dollars) (Updated September 2007)

Country	**USAID Grant**	**Current Value of assets***	**Est. Liquidation Value**	**Termination Commencement Date**
Albania	$30.0	$182	$182	Feb. 2010
Baltic	$50.0	$50	$80	July. 2009

Bulgaria	$57.8	$244	$250	Sept. 2006
Central Asia	$106	$15.8	$15.8	Oct. 2002
Slovak	$63.8	$11	$15	Mar. 2008
Hungary	$72.5	$30	$32	Nov. 2003
Poland	$254.5	$358	$358	Aug. 1999
Romania	$61.0	$126	$150	July. 2009
Russia	$328.9	$266	$360	Sept. 2007
Western NIS	$150.0	$120	$180	Aug. 2009
Total	$1,174.5	$1402.8	$1622.8	

* Audited figures from 2006 annual reports or financials from most recent Semi-Annual Reports

Below are some of the highlights of the Bulgarian and Romanian Enterprise Funds before liquidation.

The Bulgarian American Enterprise Fund: In 1991, the Bulgarian-American Enterprise Fund (BAEF) was created with $58 million for investments. BAEF has been one of the primary lenders in Bulgaria, providing much needed long-term capital for hotels, homeowners, and small businesses. It decided to invest in private businesses with strong, capable management, a prospect for long-term growth, and access to export markets. Additionally, BAEF has played a major role in passing legislation, which has modernized Bulgaria's financial sector. BAEF has also provided technical support to promote private sector development in Bulgaria.

In order to accomplish its lending objectives, BAEF established its own bank, the Bulgarian American Credit Bank (BACB). The BACB, which now employs more than 100 people and has offices in every major Bulgarian city, has become BAEF's single largest investment.

BAEF also realized that there was strong consumer demand for high-quality commercial real estate development which could, in addition, attract Western investors to the region. BAEF built a real estate team and developed both commercial and residential properties, selling some and leasing others. They have also instituted, with the assistance of the BACB, construction-lending for the first time in Bulgaria. Since this activity began, many other banks have begun to offer construction loans as well.

Many of the accomplishments listed above signify more then just lending activities. BACB's efforts were instrumental to the passage of legislation that defined mortgage lending, mortgage backed securities and real estate investment trusts. It is clear that BAEF's impact on the Bulgarian economy will live on in the legislation that it helped create.

In December 2004, a partnership between the Bulgarian-American Enterprise Fund and outside institutional and private investors resulted in the formation of the Balkan Accession Fund (BAF). The BAF is a private equity fund that makes investments in mid-sized companies that are strategically positioned to capitalize on the economic growth of the second wave EU-accession countries in the Balkans.

The Romanian-American Enterprise Fund: In 1994, the Romanian-American Enterprise Fund (RAEF) was created with $61 million dollars authorized by Congress. RAEF has made a diverse set of investments, which include equity investing, leasing, investment banking, banking services, mortgages, and micro loans. To this day it is seeking good investment opportunities, for example, CERTINVEST, the oldest mutual fund company in Romania, which is allowing RAEF to take part in managing Romania's privatized pension plans.

RAEF became a leader in investment banking in Romania by partnering with other consulting groups and financial institutions to give the Romanian government advice on the privatization of the gas distribution sector. Its success working with utility companies attracted many new utility clients. In addition, it has also played an important role in other privatizations, including assisting in the privatization of Banca Agricola, the second largest bank in Romania, by restructuring its debts and assets.

In addition to investment banking and privatization, RAEF has been highly active in the lending community. After the Fund purchased Banca Romaneasca, it increased its branch locations and adopted a cash-flow approach to lending, positioning the bank for SME lending. The bank subsequently was purchased by the National Bank of Greece in one of the largest financial transactions in the history of Romania, earning the Fund a handsome return on its investment.

The Fund also has a strong track record with small loans disbursed through its Micro Loan Program, disbursing tens of million of dollars in loans and helping entrepreneurs to grow their small businesses.

RAEF has also become a major force in the business-leasing sector with an investment in Motoractive, which leases new trucks and cars to businesses.

The Fund has also continued to expand its range of financial offerings. Responding to opportunities it observed while working on Romania's mortgage legislation, RAEF launched Domenia Credit Mortgage, a non-banking institution designed to provide mortgage finance to the underserved mortgage industry. The diversified and successful loan products that RAEF provides continue, to this day, to support free enterprise development in Romania.

Managing the Transition to Liquidation of Enterprise Funds: The investment time horizon of the Enterprise Funds was central to their success. Giving the Funds a 10-15 year window of operation allows them to respond appropriately to market changes. Within this timeframe it is important to have a well-defined plan that spans the investment lifespan of a Fund. USAID, in cooperation with the Board of Directors and the Fund's management teams, should establish expectations and guidance concerning the use of investment reflows following the Termination Commencement Date. Due to the varying economic environments in the host countries and the differing degrees of success experienced by the Funds, decisions concerning the use of investment reflows should be determined individually for each Fund. Historically, a portion of the reflows have been returned to the US Treasury and the remainder has been used to establish legacy activities. Legacy activities allow the host countries to continually reap development benefits from USG funding and allow the US to maintain a presence in these countries after the Enterprise Fund investment cycle is complete. This strengthens ties between the US government and the host country, fosters goodwill between participant nations, and helps to continually improve economic opportunities and progress in the region.

The institutional legacy of the Enterprise Fund process includes the establishment of a team of seasoned investment professionals who continue to use their skills investing in the region. One of the major contributions of the Enterprise Funds is the transfer of knowledge and expertise to local investors. The Hungarian-American Enterprise Fund (HAEF) did just that with the establishment of a subsidiary called the Hungarian Innovative Technologies Fund, an investment team focused on cutting-edge technology firms; a new management company, MAVA; and a private fund called the Hungarian Equity Partners. These investment teams currently raise private capital and use the skills they gained as investment professionals over the 15 years lifecycle of the Fund. In Poland, the investment team formed the Polish Enterprise Investors (EI) to attract private capital to Poland, which is now considered to be the largest private equity fund in Eastern Europe.

Before liquidation, all EFs are expected to submit liquidation and re-flow use plans to USAID. These plans spell out how the EF wants to liquidate its assets and to use the reflows for activities in country.

Once submitted to the USG, EF plans are reviewed by USAID Washington in consultation with the USAID mission and State Department Coordinators Office. USAID has the approval right on these proposals without which reflows cannot be used. To avert disagreement over the plans, it is generally recommended that USAID interact with the EF board as it formulates its plans. This is an opportunity for USAID to present its vision for the use of the reflows.

There are some constraints on use of enterprise fund reflows. Congress must be consulted and negotiation with the Enterprise Fund Board is required. Agreement with OMB, NSC, and State may also be required. Importantly, the implementing legislation requires that one half of reflows go to U.S. Treasury – meaning only half the reflows will be available for assistance programs.

Case Studies: Creating Successor Organizations with Enterprise Fund Reflows
Poland: The Fund's legacy in Poland "lives on" through two dynamic successor organizations:

1. In 1998, several months before the liquidation of the PAEF in August 1999, Polish Enterprise Investors (EI) was formed as a private investment management company comprised of the employees of PAEF to attract private capital to Poland. Since

that time, EI has raised six new private equity funds and over $1.2 billion in new capital. EI is considered to be the largest private equity fund organization in Eastern Europe.
2. In 2000, PAEF established the Polish American Freedom Foundation (PAFF) as a perpetual foundation. PAEF provided $120 million in start-up capital (while returning $120 million to the U.S. Treasury). As it sells of its portfolio investments, PAEF adds new capital to PAFF, a total that is expected to reach $235 million. With over 1,500 projects funded since its inception, PAFF has followed its mission statement, supporting economic growth initiatives, promoting democracy, enhancing civil society, and providing educational opportunities. For example, one initiative, Training for Health Care Managers, seeks to modernize Poland's healthcare management. This program was implemented through 22 training centers and reached 2,000 postgraduates. It has also funded 400 scholarships to provide physicians from small towns and villages with continuing educational programs. In addition, PAFF's has been involved with many other philanthropic activities, including the development of an educational website, providing computers and distance learning to teachers, funding rural employment initiatives, and promoting transparency in government.

Hungary: As HAEF moved from investing activities into philanthropic or "legacy" activities, it established an extensive scholarship program known as the Hungarian-American Enterprise Scholarship Fund (HAESF). HAESF's mission is to provide talented Hungarians with learning experiences in America. The most prestigious program provides up to $50,000 for top professionals to further enhance their skills in the U.S. As an example, Dr. György Halmos, an accomplished doctor of otolaryngology, who has been recognized throughout Europe for his experimental research in hearing, was selected to broaden his expertise with a three-month fellowship at the University of Texas Medical Branch in Galveston. Other scholarship programs target top Hungarian university graduates, funding their participation in internships in the U.S. This legacy activity will yield dividends for years to come as Hungarian and American professionals continue to benefit from each other's expertise.

In the right economic and political circumstances, and with the assistance of a committed Board of Directors, the Enterprise Fund model creates the potential to transform weak economic environments, encourage democratization, and establish financing and banking institutions, while leaving in place significant legacy institutions.