PC-AAA-701

SEED Act Implementation Report

Fiscal Year 1994

January 1995

United States Department of State

Washington, D.C. 20520

January 31, 1995

This Report

Section 704 of the 1989 SEED Act (P.L. 101-179) requires a report on the United States Program of Support for East European Democracy (the SEED Program). This report is submitted in fulfillment of that requirement with particular emphasis on activities carried out in FY 1994 with funds appropriated for Central Europe.* SEED funds totaled $390 million in FY 1994, $400 million in FY 1993, $364 million in FY 1992, $369 million in FY 1991, and $285 million in FY 1990.

In this report, highlights of SEED activities immediately follow an economic and political summary for each country. This format emphasizes the responsiveness of the SEED program to ongoing economic and democratic transformations in each country. An annex contains a more exhaustive review of SEED programs organized by country. The annual report for FY 1994 also includes U.S. assistance programs not funded by SEED, such as OPIC, Eximbank, and Peace Corps programs. Brief summaries of other international assistance to the region from the International Financial Institutions (IFIs) and G-24 countries are also included.

I hope this report will be a useful tool to keep you abreast of the change continuing to shape Central Europe and the way the SEED Act program maximizes assistance in areas of comparative American advantage in the provision of that assistance.

Ralph R. Johnson

Ambassador Ralph R. Johnson
Coordinator for
East European Assistance

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*In view of the dramatic transformation in the region that includes countries formerly considered satellites of the former Soviet Union, the Department of State has changed the terminology used when referring to this region to Central Europe, a more accurate description of their geographic location in Europe. This report will use the new terminology, Central Europe, when referring as a whole to the countries covered in this report.

B

FY 1994 SEED ACT IMPLEMENTATION REPORT

TABLE OF CONTENTS

I. **INTRODUCTION** 1

II. **ECONOMIC, POLITICAL, AND SEED ASSISTANCE SUMMARIES**
Albania 15
Bosnia-Herzegovina 20
Bulgaria 23
Croatia 30
Czech Republic 34
Estonia 40
Hungary 44
Kosovo 49
Latvia 50
Lithuania 55
Former Yugoslav Republic of Macedonia 60
Poland 64
Romania 70
Slovakia 76
Slovenia 82

III. **OTHER U.S. ASSISTANCE INITIATIVES AND PROGRAMS**
Food Assistance and Credit Guarantees 87
Peace Corps 91
Small Business Enterprise 93
Bilateral Science and Technology Agreements 97
USIA Non-SEED Funded Activities 102
U.S. Department of Agriculture (USDA) 108
DOD Excess Property 113
Political-Military Cooperation 115
Office of Foreign Disaster Assistance 117

IV. **U.S. TRADE AND INVESTMENT INITIATIVES**
Most Favored Nation Trade Status 121
Generalized System of Preferences 122
Normalization of Trading Relations under GATT 122
Bilateral Investment Treaties 123
Textile Agreements 124
Overseas Private Investment Corporation (OPIC) 125
Export-Import Bank 125
U.S. Trade and Development Agency (TDA) 129

C

V. INTERNATIONAL INSTITUTIONS AND INITIATIVES
OECD 132
EBRD 132
IBRD and IDA 134
IFC 137
IMF 139
Polish Bank Stabilzation Fund 142
Debt Reduction and Rescheduling 142
G-24 Process and Cooperation 143

VI. ANNEXES
Albania 147
Bosnia and Croatia 155
Bulgaria 161
Czech Republic 169
Estonia 183
FYROM 194
Hungary 198
Latvia 216
Lithuania 227
Poland 239
Romania 263
Slovakia 270
Slovenia 285

VII. SEED ASSISTANCE BUDGET (Obligations) 289

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SUPPORT FOR EAST EUROPEAN DEMOCRACY

SEED Act Implementation Report for Fiscal Year 1994

I. INTRODUCTION

The people of Central Europe* in the fall and winter of 1989 achieved nearly peaceful revolutions in their countries with the hope and desire to establish democratic government and market economies in place of authoritarian, communist regimes. Notwithstanding the sacrifice and effort of the Central Europeans, it had long been a goal of United States foreign policy to liberate these peoples from Soviet domination. That liberation has occurred. The process of preparing society and government for democracy and free economies continues. Great effort and expense were poured into the struggle to keep Western Europe free while searching for a way to peaceably bring Central Europeans into the western family of nations. This report will show how the current effort to foster democratic government and free markets has been successful and where (and why) further U.S. assistance is necessary.

Sovereign, democratic countries, through elected officials, ultimately are responsible for the development of laws, democratic institutions and a system of governance. Central Europeans and their elected officials look to the West -- with particular attention to the special role of the United States -- to help guide them in the building of new societies and governing structures in Central Europe. That is why the Congress, in November 1989, established the SEED Act to lend Support for East European Democracy. This was to be done, according to the Act, to contribute to the development of democratic institutions and political pluralism, and a free market economic system. In the political realm, SEED was to support the adoption of constitutional, legal, and administrative measures that affect the powers of the executive and legislative authorities and the independence of the judiciary, affect the formation and operation of independent political parties and groups, and affect fundamental human rights and civil liberties. In the economic realm, SEED was directed to promote free market economies characterized by privatization of economic entities, the right to acquire and hold private property, simplification of regulatory controls regarding businesses, removal of trade restrictions, liberalization of investment and capital regulations, and dismantlement of wage and price controls. That is what Americans, working under the umbrella of the SEED Act, and independently, are doing in Central Europe.

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*In view of the dramatic transformation in the region that includes countries formerly considered satellites of the former Soviet Union, the Department of State has changed the terminology used when referring to this region to Central Europe, a more accurate description of its geographic location in Europe. This report will use the new terminology, Central Europe, when referring as a whole to the countries covered in this report.

Many factors affect the establishment of strong democracies in Central Europe. Recognizing the threat posed by crime and corruption to the process of economic reform and democratic institution building, the President announced a "Law and Democracy" initiative during his July 1994 visit to Poland and the Baltic states. FY 1995 SEED funds have been identified and training programs developed which will focus on the problems of organized crime, financial crime, and narcotics trafficking in the region. Law enforcement assistance will be tied closely to ongoing rule of law programs in order to ensure that such assistance is based on a solid democratic foundation.

The most critical element is a country's ability to implement necessary, usually difficult, reforms. Many countries have been successful. SEED will begin phasing out and closing programs in the most advanced in the next one to two years. Others have made progress, but require further support because of more difficult starting circumstances. While all the countries have made significant strides since 1989, with the exception of some parts of war-torn former Yugoslavia, some have not as yet demonstrated sufficient will in legislation and reform implementation to give democratic governance and free markets the underpinning necessary to thrive.

This report is designed to help make the assistance rendered to Central Europe through the SEED Act program readily comprehensible and accessible. A changed format places brief highlights of SEED Act developments immediately following each country-specific political/economic report. A new Annex provides detailed reports of SEED activities in each country. In 1994, U.S. assistance facilitated breakthroughs in improving the business climate, local government, the rule of law and other significant sectors affecting citizens' lives, the democratic environment, and the economies across the region.

The economic changes are most readily quantifiable and the numbers generally positive as the accompanying graphs illustrate. All but one of the countries registered a positive change in gross domestic product (GDP) in 1994 ranging from one to eight percent over the previous year. Poland, Albania, and Slovenia had positive growth rates for the second or third year in a row. This represents a major turnaround from 1991 when the best performing economy in the region had a GDP decline of 7.6 percent. Central Europe's economies have also benefited from large amounts of foreign direct investment by American and other investors.

An improving macroeconomic environment is important to creation of a healthy business climate. SEED programs provide assistance to guide governments in implementing macroeconomic reform in countries that make the political commitment to the reform process. Other donors, such as the International Monetary Fund and the World Bank, complement U.S. assistance with encouragement to undertake the economic changes necessary for a stable economic situation. A measure of success is the dramatically decreasing rate of inflation in nearly all of Central Europe. Reforms necessary to achieve this improving business climate are difficult to implement. They include, in many instances, privatization of large state enterprises, sometimes with a loss of employment as new private

owners cut positions to make businesses competitive. Despite the difficulty, progress in the region is unmistakable.

The Annual SEED Report for FY 1994 is a means of learning how U.S. assistance programs helped the leadership in Central Europe to transform their political, economic, and social environment in 1994.

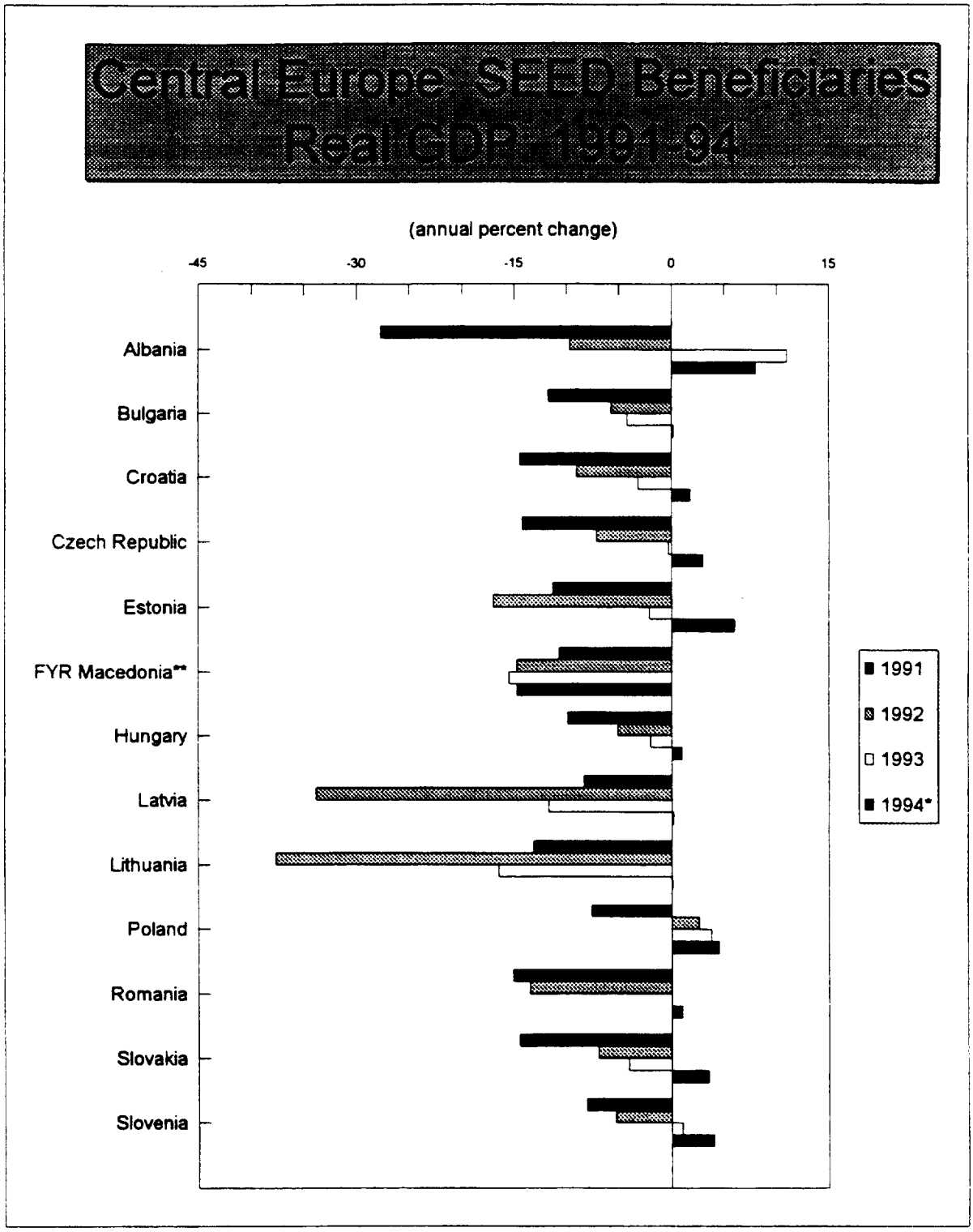
The SEED Rationale

The region's success in establishing democracy and free market economies is key to building a peaceful, democratic European order that assures security at lower cost to ourselves. Continued conflict in the Balkans, ethnic tension in various parts of Central Europe, and unrest and other uncertainties in parts of the former Soviet Union make successful, and solid reform in the region vital to U.S. interests. The successful transformation of these countries will serve as an example that democracy and economic prosperity can be built on the ruins of failed communist systems.

U.S. Assistance Objectives

Country-specific assistance strategies for the region vary in focus. SEED-funded programs in general concentrate on the following areas:

- Development of a market economy and strong private sector
  - through support for privatization, development of small and medium-sized business, policy and legal reforms, and key sector restructuring;
- Development and strengthening of institutions necessary for sustainable democracy
  - through support for the transformation of the public sector to better support democratic development, including assistance and training to improve public administration, promote decentralization, strengthen local government, parliaments, independent media and non-governmental organizations;
- Improvement of the basic quality of life in selected areas
  - through assistance to build cost-efficient health care and housing systems, labor retraining and employment services and environmental policy reform and enforcement measures, as well as assistance to individual firms on environmental control and management.



* Estimate.
** Until 1993, the data refer to GSP, the value added concept of former Yugoslavia which excludes government, financial and some personal services.

Sources: EBRD, IMF, OECD, State Department

Central Europe: SEED Act Beneficiaries
Real GDP
(Annual percent change)

Countries	Real GDP 1989	1990	1991	1992	1993	1994*
Albania	9.8	-10.0	-27.7	-9.7	11.0	8.0
Bulgaria	0.5	-9.1	-11.7	-5.7	-4.2	0.2
Croatia**	-1.6	-8.6	-14.4	-9.0	-3.2	1.8
Former Czechoslovakia***	1.4	-0.4	-15.9	-8.5	–	–
Czech Republic	n.a.	n.a.	-14.2	-7.1	-0.3	3.0
Slovakia	n.a.	n.a.	-14.5	-7.0	-4.1	3.5
Estonia	-1.1	-8.1	-11.3	-17.0	-2.1	6.0
FYR Macedonia****	n.a.	-9.9	-10.7	-14.7	-15.5	-14.7
Hungary	0.7	-3.5	-9.9	-5.1	-2.0	1.0
Latvia	6.8	2.9	-8.3	-33.8	-11.7	0.2
Lithuania*****	1.5	-5.0	-13.1	-37.7	-16.5	0.1
Poland	0.2	-11.6	-7.6	2.6	3.8	4.5
Romania	-5.8	-7.4	-15.1	-13.5	0.0	1.0
Slovenia	-1.8	-4.7	-8.1	-5.4	1.0	4.0

* Estimate.
** For 1989, the data refers to GSP, the value added concept of former Yugoslavia which excludes government, financial and some personal services.
*** Czech and Slovak Federal Republic in 1992.
**** Figures are for GSP until 1993, GDP thereafter.
***** Figures are for NMP until 1990, GDP thereafter. NMP excludes depreciation and the value added from most of the service sector.

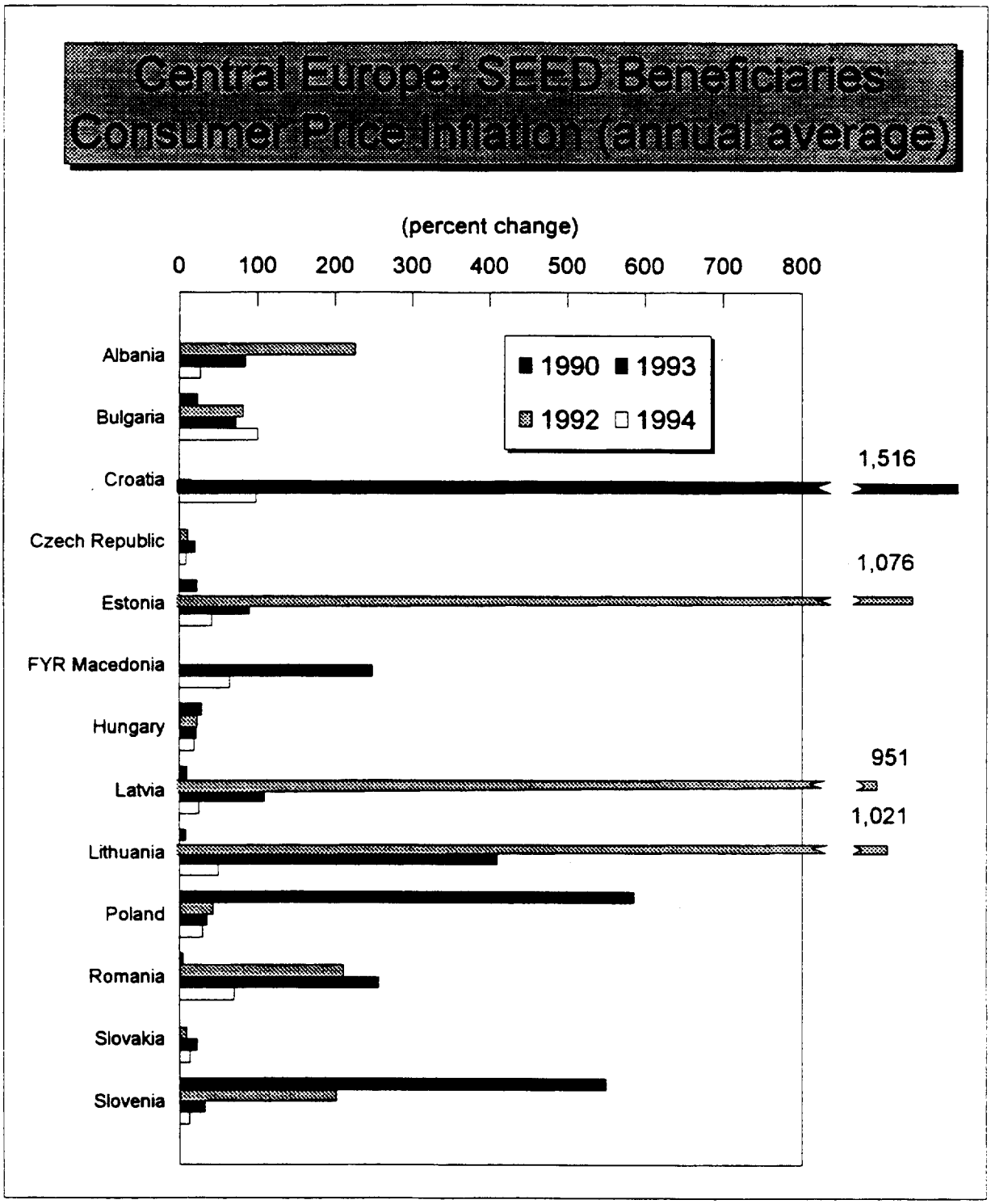
Sources: EBRD, IMF, OECD, State Department

Central Europe: SEED Act Beneficiaries
Inflation
(Annual percent change)

Countries	Consumer Prices (annual average) 1989	1990	1991	1992	1993	1994
Albania	0.0	0.0	36.0	226.0	85.0	27.0
Bulgaria	6.4	24.0	334.0	82.0	73.0	100.0
Croatia	n.a.	n.a.	n.a.	n.a.	1,516.0	98.0
Former Czechoslovakia*	2.3	11.0	59.0	11.0	–	–
Czech Republic	n.a.	n.a.	56.7	11.1	21.0	9.0
Slovakia	n.a.	n.a.	61.1	9.9	23.2	14.0
Estonia	6.1	23.1	210.5	1,076.0	89.8	42.0
FYR Macedonia	n.a.	n.a.	n.a.	n.a.	248.0	65.0
Hungary	17.0	28.9	35.0	23.0	22.5	19.0
Latvia	4.7	10.5	124.4	951.2	109.0	25.0
Lithuania	2.1	8.4	225.0	1,021.0	410.0	50.0
Poland	251.1	585.8	70.3	43.0	35.3	30.0
Romania	1.1	5.1	174.5	210.9	256.1	70.0
Slovenia	1,306.0	549.7	117.3	201.3	32.3	13.0

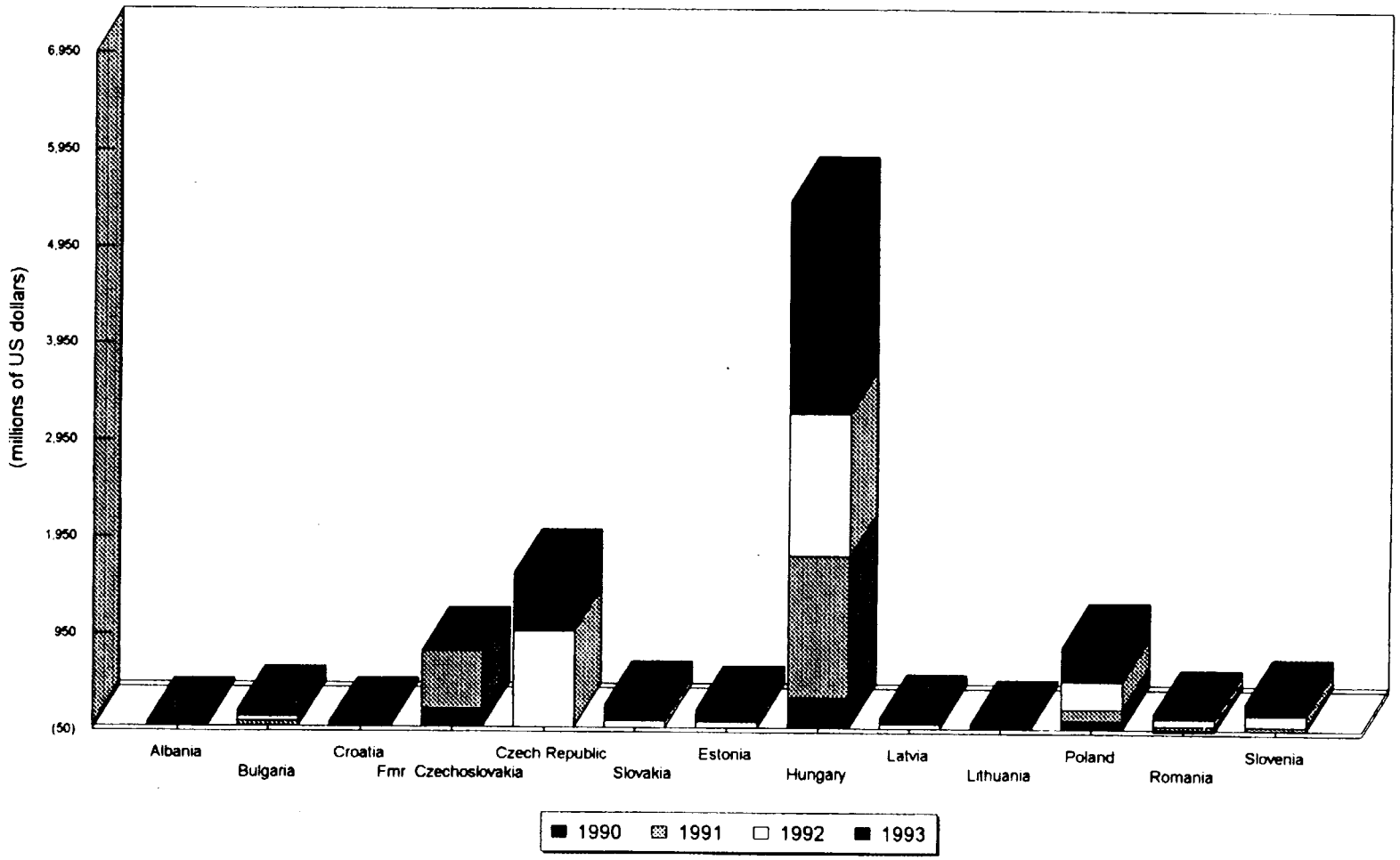
* Czech and Slovak Federal Republic in 1992.

Sources: EBRD, IMF, State Department



Sources: EBRD, IMF, State Department

Central Europe SEED Beneficiaries Foreign Direct Investment



Source: EBRD

Central Europe: SEED Act Beneficiaries
Foreign Direct Investment
(millions of US dollars)

Countries	Foreign Direct Investment 1990	1991	1992	1993	FDI Per Capita (US $) 1990-93
Albania	–	–	19	20	12
Bulgaria	4	56	42	62	18
Croatia	–	–	16	30	10
Former Czechoslovakia*	188	592	1,054	–	–
Czech Republic	–	–	983	606	154
Slovakia	–	–	71	160	44
Estonia	–	–	58	122	113
Hungary	311	1,459	1,471	2,200	528
Latvia	–	–	43	60	38
Lithuania	–	–	5	40	12
Poland	88	117	284	350	22
Romania	-18	37	73	48	6
Slovenia	-2	41	113	123	138

* Czech and Slovak Federal Republic in 1992.

Source: EBRD

Central Europe: SEED Act Beneficiaries
Private Sector Share of GDP
(in percent)

Countries	Private Sector Share of GDP 1990	1991	1992	1993	1994*
Albania	n.a.	n.a.	n.a.	<50	50
Bulgaria	15	n.a.	n.a.	20	27
Croatia					40
Former Czechoslovakia**	5	n.a.	15	–	–
Czech Republic	–	–	–	60	65
Slovakia	–	–	–	30	40
Estonia	n.a.	n.a.	n.a.	<50	60
FYR Macedonia	n.a.	n.a.	n.a.	25-40	35
Hungary	15	n.a.	40	50	55
Latvia	n.a.	n.a.	n.a.	n.a.	55
Lithuania	n.a.	n.a.	n.a.	n.a.	55
Poland	32	38	45	50	55
Romania	16	n.a.	25	31	35
Slovenia	n.a.	n.a.	n.a.	9.5***	35

* Mid-1994 estimate.
** Czech and Slovak Federal Republic in 1992.
*** Official estimate believed to substantially underestimate the true figure.

Sources: EBRD, RFE/RL Research Reports, State Department

The U.S. does not by itself do everything that needs to be done in lending assistance to Central Europe. To increase their impact, U.S. efforts are combined with those of other G-24 donors and the international financial institutions. There are other areas, also worthy of attention, which fall outside of the SEED Act's basic mandate to use U.S. assistance to promote democracy and market economic reform. Thus, the SEED program is not intended to address some important areas of U.S. cooperation with Central Europe, including political-military cooperation and the development of export licensing regimes. For the convenience of the reader, this report includes brief descriptions of some of these additional areas in order to provide a more complete picture of U.S. involvement in the region.

Noteworthy about the U.S. assistance program is its high proportion of grant assistance, which does not contribute to the indebtedness of the recipient countries, as opposed to credits or loan guarantees. According to latest available G-24 figures, the U.S. is the largest donor of grant assistance to the region -- ahead of all other bilateral donors and even the EU.

Organization of the Program

The SEED Act of 1989 called for the President to name a "Coordinator within the Department of State" to oversee an interagency effort in Central Europe. The original reasons for organizing U.S. assistance under senior political leadership still apply:

- Importance of the region for U.S. interests;
- Revolutionary character of the transitions (and their role as models for the NIS);
- Need to coordinate an interagency effort.

USAID is the lead implementing agency for the SEED program and all SEED funding for projects carried out by other agencies is transferred through it. The original SEED Act, in referring to the role of other agencies in the process, endorsed the interagency nature of the U.S. assistance program in the region. The program makes use of the comparative advantage and expertise of other USG agencies, putting Treasury, for example, in the lead in the area of financial sector assistance. Non-SEED funded activities carried out by the Peace Corps, the U.S. Trade and Development Agency, USIA and others support the goals of the SEED Act, as do U.S. foreign policy initiatives, such as the Trade Enhancement Initiative. The interagency nature of the program has been one of the strengths of the U.S. effort. While complicating coordination at times, it has nonetheless produced an unusual level of interagency cooperation and sharing of responsibilities.

The overwhelming need in the region continues to be the transfer of knowledge and expertise. This, combined with fiscal realities that limit U.S. ability to provide large financial transfers through assistance programs, resulted in a focus on providing technical assistance where it was needed most in Central Europe -- often in the nascent private sector.

Regional framework. The SEED program was developed in FY 1989 as a regional program, without specific country allocations. This allowed us the flexibility to shift resources quickly to address the fast changing situation in the region. Early on, we put a premium on getting programs up and running as quickly as possible.

Greater country-specific emphasis. In the fourth year of the SEED program, it became more apparent that the transition of each Central European country, while similar in the objective of creating a market-oriented democracy, was proceeding along a unique course according to widely varying circumstances.

Several steps were taken in 1993 to make the SEED program better adapted to the local reality. Working with our Embassies and USAID offices in the region, we developed country-specific assistance strategies to be responsive to the evolving situations among the countries in this transition. The strategies specify shared priority objectives and the programs we have to advance those objectives. These steps helped us achieve greater rigor in our programs, enhanced host country involvement, and better communication among Washington agencies and between Washington and the field. Regional programming has been maintained as well and the greater country-specific emphasis has not adversely affected our efficiency.

Contribution of the Enterprise Funds The Enterprise Fund concept continues to be an important experiment in harnessing private-sector talent to assist in the economic transformation of Central Europe. Set up as non-profit corporations with high level private-sector boards, the Funds are given maximum flexibility to promote the development of small and medium sized businesses through equity investments, loans, and grants.

In 1994, the U.S. Government created two new Enterprise Funds -- the Baltic-American Enterprise Fund for Estonia, Latvia, and Lithuania, and the Romanian-American Enterprise Fund. Both Funds are currently setting up operations and are expected to begin full scale lending/investment activities in 1995. We also expect to formally set up the Albanian-American Enterprise Fund in 1995.

Since their inception, the Enterprise Funds have provided $270 million in financing to thousands of small and medium sized enterprises (SMEs) employing more than 30,000 people in Central Europe. Because of their flexibility and private sector orientation, Enterprise Funds have been able to start up quickly and have proven more effective at providing financing to SMEs than other donor program. Among the most successful of the Enterprise Funds' activities have been their small loan programs, most notable the Enterprise Credit Corporation of the Polish-American Enterprise Fund, which has made almost 2,800 loans worth $65 million with a default rate of less than 3 percent. A team has recently completed an evaluation of all the Enterprise Funds. The report is being completed as the SEED Report for 1994 is going to press. The results of the evaluations will be published along with comments from the Funds.

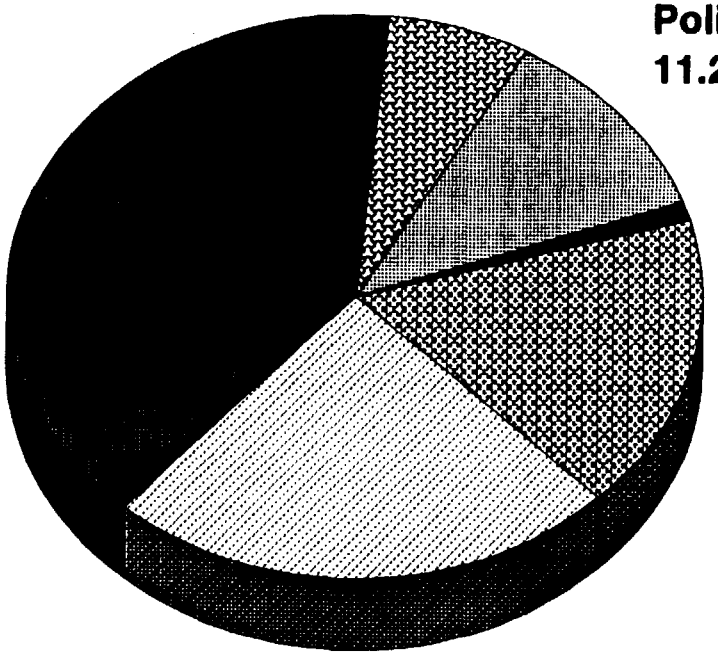
Duration of the SEED Program

The SEED program is a temporary assistance program, designed to see Central European countries through transitions to democracy and a market economy. Individual countries will be phased out of the program, according to the progress each has made. In Estonia and the Czech Republic respectively, for example, FY 1996 and FY 1997 will see the termination of almost all program funding and the close-out of the respective USAID Representative's office in-country. This process will continue throughout the region. The shift in resources generally from northern countries to countries in the south of the region will be done carefully, mindful of the importance to see that democracy and market economies are adequately rooted in the more advanced areas.

SEED ASSISTANCE TO CENTRAL EUROPE

Cumulative Obligations, FY 90-FY 94

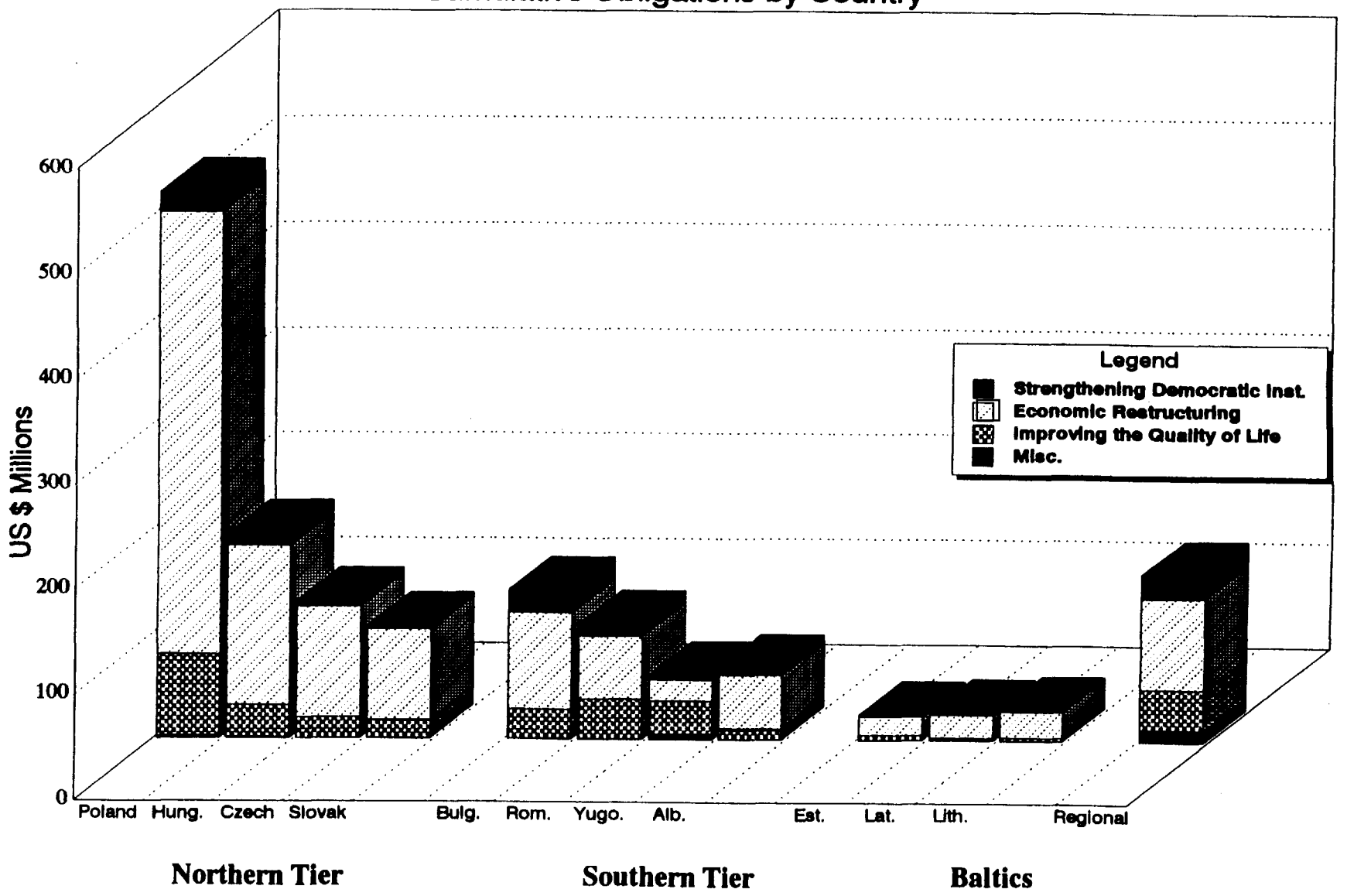
$ 1,772 Million



of which **Enterprise Funds**
(23.9% of Economic Restructuring)

SEED Assistance to Central Europe

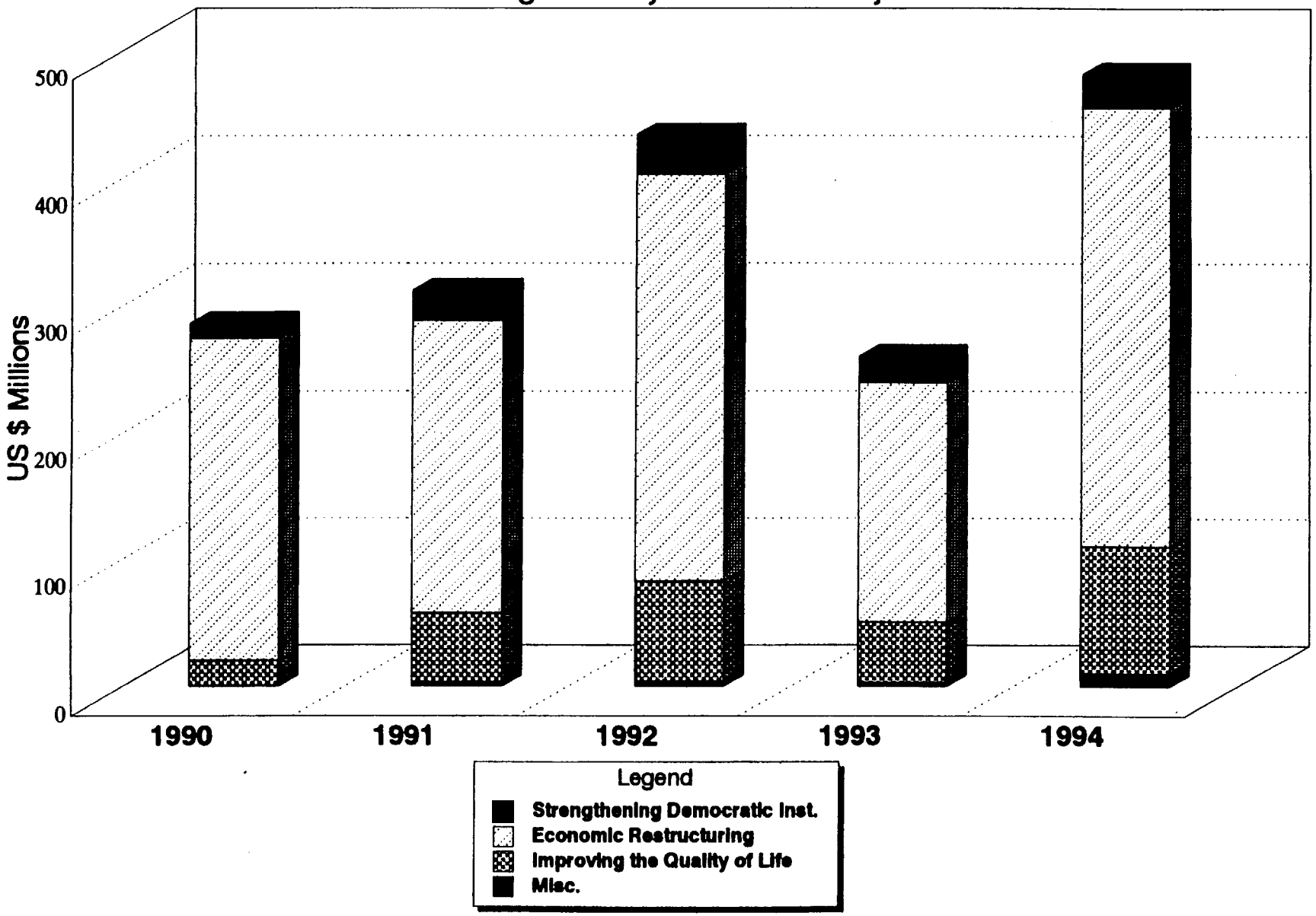
Cumulative Obligations by Country



*: Note: 1. Countries are presented in order of program initiation
2. Obligations for Poland do not include $199.1 mill Polish Stabilization fund.
3. Reflects cumulative obligations as of 9/30/94

SEED Assistance to Central Europe

Annual Obligations by Assistance Objective



II. ECONOMIC, POLITICAL, AND SEED ASSISTANCE SUMMARIES

ALBANIA

Economic Developments:

Albania had one of the most centralized and repressive regimes in the world from the mid-1940s until late 1990. The collapse of communism in Albania came later and was more chaotic than in other Central and Eastern European countries. Attempts at reform only began in early 1992 after real GDP had fallen by over 50% from its peak in 1989.

The democratically-elected government, which assumed office in April 1992, quickly launched a courageous and ambitious economic reform program to halt the economic deterioration and put the country on the path toward a market economy. Key elements included price and exchange system liberalization, fiscal consolidation, monetary restraint and a firm incomes policy. These were complemented by a comprehensive package of structural reforms including privatization, enterprise and financial sector reform, and creation of the legal framework for a market economy and private sector activity. Most prices have been liberalized and are now at or near international levels. Privatization of agriculture, state housing and retail shops is virtually complete, while substantial progress has been made in the privatization of transport, services and small and medium enterprises. An enterprise restructuring agency was created to restructure or close a number of large firms; however, progress in this area has lagged.

Results of Albania's efforts have been encouraging. Led by the agricultural sector, real GDP grew by an estimated 11 percent in 1993 and by eight percent for 1994. Annual inflation was approximately 30 percent in 1993, down from rates of 250 percent in 1991 and early 1992. Inflation in early 1994 was less than 2 percent per month. For the first eight months of 1994 the cumulative change in the Consumer Price Index was 11.4 percent, most of which was attributable to increases in administered prices. The lek remained stable and actually appreciated against the dollar in 1994. Albania is no longer dependent on massive amounts of food aid. The speed and vigor of private entrepreneurial response to Albania's opening and liberalizing was much better than expected, and in the last two years the Albanian cities and countryside changed considerably. Farmers' small plots are being intensively cultivated, there are large numbers of new shops in the cities, and rural-to-urban migration is underway.

The extent of poverty remains a serious concern. Under the previous regime, the low level of income across the board was to some extent compensated for by good overall access to basic health and education. Access to, and to some extent the quality of, these services has deteriorated and pockets of extreme poverty have emerged, especially in remote rural areas.

Albania is in effect building a new economy. It abandoned central planning without the institutions, expertise or infrastructure required for a well-functioning market economy. The needs for reform are enormous and encompass all sectors of the economy. At the same time, reforms are constrained by limited administrative capacity and low income levels, which makes the population particularly vulnerable to loss of employment, price increases and other actions which negatively affect income. Despite Albania's positive accomplishments, considerable challenges remain.

Political Developments:

Once the most repressive and isolated of Eastern Europe's Marxist-Leninist states, Albania has now established an impressive reform record. Although starting from a more disadvantaged point than the others, Albanians have seen significant economic restructuring and political reform. President Sali Berisha's government made progress in guaranteeing respect for fundamental human rights and freedoms for the Albanian people, establishing rule of law, operating under a system of free elections, creating a pluralistic political and social culture, and establishing a broad range of democratic institutions. Nonetheless, serious challenges remain for Albanian democracy.

Elections for the People's Assembly (parliament) in 1991 were Albania's first multi-party elections in more than two generations. Opposition parties won approximately one-third of the seats in the elections, which were flawed by instances of harassment and intimidation. By the end of the year, the communist-led government had given way to a mixed "unity" government, then a caretaker government to fill the gap until the March 1992 elections. The 1992 elections -- judged to be free and fair by international observers -- resulted in a landslide victory for President Berisha and his Democratic Party. Local elections held in July 1992 gave about half of the contested positions to the Socialist Party (renamed communists). In June 1994 elections were held in several towns and some irregularities were reported, but independent observers did not call the election results into question. A referendum on the draft constitution was defeated in November, presenting another setback to the ruling party. However, the next elections are not required until April 1996, and a mandate for democratic pluralism and a market economy is still the predominant political force in Albania.

Following rejection of the draft constitution, the country's political forces are negotiating methods for drawing up and ratifying a new constitution. The interim Law on Major Constitutional Provisions remains the foundation for democratic government based on the rule of law. A network of laws including statutes on property questions, civil and legal rights, the government's rights and responsibilities, and commercial rules and regulations are being enacted and implemented. A new Civil Procedures Code has been adopted, and the Penal and Penal Procedural Codes are scheduled to be taken to parliament before the end of 1994. In general, these laws are consistent with western concepts of human rights and commercial practice. The judicial and law enforcement

systems are moving toward reform, though the process is slow. Serious gaps in understanding and implementing judicial procedure remain throughout the legal system. There are also considerable allegations of the emergence of corruption as a significant problem. This was a principal cause of a government shakeup and streamlining of ministries announced in December.

Observance of human rights continues to improve, although there are still serious violations. All political prisoners were freed by the summer of 1991. Freedom of speech, press and assembly are respected, although the publishing and distribution system remain under state control and the electronic media -- except for one experimental radio station -- are state monopolies. A 1993 press law has been uniformly criticized. There is no mechanism to ensure that editorial and programming decisions are independent of the government. In 1994 the government tried Albanian journalists for defaming public officials and for revealing alleged state secrets, although the President later pardoned those journalists. Police continue to beat detainees, sometimes causing deaths.

Ethnic tensions were exacerbated by the arrest of five members of the ethnic Greek political organization Omonia on charges of treason and illegal weapons possession and their sentencing to prison. The mechanics of the trial and the investigation were in some respects questionable by western standards. The ethnic Greek community complained of discrimination, particularly in education, public employment and religious matters. Workers now have the right to associate freely, and have formed trade unions of their own choosing. There are no longer any restrictions on freedom of movement within the country and regulations on foreign travel and emigration are now in accord with international norms. Freedom of religion has been established in law and practice.

A sustained effort will be needed to complete the transformation to a fully functioning democratic, free-market country. Special attention must be paid to perfecting the rule of law, an independent judiciary, the free press, a workable body of commercial and property law, and maintaining good relations with and fair treatment of minorities.

SEED ASSISTANCE SUMMARY

Program Overview

In response to the economic and social collapse attending the fall of communism in Albania in 1992, the U.S. sent substantial food, medical, and other emergency assistance. In the past 18 months, as a democratically-elected government took responsibility to lead the country, U.S. assistance principally under the SEED Act has shifted to facilitate economic restructuring and development of democratic institutions that will result in the rebuilding of economic, political, and societal well-being.

Today, U.S. assistance efforts emphasize:

- *promotion of agricultural development* through policy reform, creation of a land market, stimulation of agribusiness and improvements in agricultural production;
- *development of a market economy* through help in implementation of key structural reform measures, privatization, small business development, management training and technical training;
- *advancement of democratic institutions* by encouraging citizen participation, improvement of technical and institutional parliamentary framework, support for judicial and legal reform;
- *improvements in the quality of life* through support for improvements in health care and other societal needs.

SEED programs in Albania have had an impact on the country's development, nowhere more apparent than in the agricultural sector. A complementary side of these efforts are SEED activities implemented by USAID to strengthen the institutional reform undertaken by Albania to achieve the sustainability and efficiency required for a market economy and a democratic society. Total SEED obligations in Albania totaled approximately $100 million at the end of September 1994, of which $70 million was SEED-funded and the value of emergency food assistance was $30 million provided in 1992.

PROGRAM HIGHLIGHTS

U.S. assistance in Albania contributes to the country's economic and political transformation. Key elements of the USAID-administered SEED program provide assistance for price- and exchange-system liberalization, fiscal consolidation, monetary restraint and income policy. Complementing this is assistance to support structural reform through privatization, financial sector reform, enterprise restructuring leading to privatization, and the creation of the legal framework necessary for a market economy and private sector activity.

Privatization of agriculture, state housing, and retail shops is virtually complete. Substantial progress has been made in the privatization of transport, the services sector, and small and medium enterprises. A key program in the effort to privatize agriculture is the Support for Agricultural Restructuring in Albania (SARA). In cooperation with the University of Wisconsin, a system to create a fluid land market was developed and approved by the Parliament in July 1994. The resulting property registration system began as a pilot project in three counties. The technical assistance afforded by this innovative SARA project is now combined with EU and World Bank support to introduce the system nationwide.

Under other SARA activities, dairy industry investors have been identified and assisted in making investments, local four mills have received support to meet new quality standards and adjust to free market conditions. Curriculum in agricultural

economics at the University of Tirana is being upgraded and professors are being trained in how to teach the new subject. Timely, accurate data on livestock and crop production is provided to entrepreneurs.

USAID programs have an impact on privatization of major industry in Albania. Under a team effort led by SEED-funded KPMG Peat Marwick, the U.S. Embassy in Tirana, and the Albanian Privatization Office, Albania is privatizing Albchrome, the company that controls Albania's chrome assets, seven percent of the world's proven reserves. The lead investors are currently from the U.S. mining industry. The mining firm will also work to revitalize the Albanian chrome industry, not simply purchase raw materials.

SEED is helping to build a judicial system for the future. The American Bar Association's Central and East European Law Initiative (ABA/CEELI) works to strengthen the new Albanian Bar Association and a new judges' association. ABA/CEELI provides assistance to improve legal education. It lends technical assistance to Albania's effort to reform the judicial system. A U.S. Assistant Attorney working under USIA's Rule of Law program helped the Ministry of Justice on a project to reform criminal law, administrative law, and government ethics.

Under the medical partnerships program, the Bronx Municipal Hospital Center has established ties with the University Hospital Center of Tirana to improve quality of health care in Albania. The program includes exchanges of personnel, internships, and donations of medical equipment and supplies to the Tirana facility. The programs are proven cost-efficient means of transferring technique-based medical improvements without need for high-tech, and expensive, equipment upgrades.

PROGRAM CHALLENGES

The great majority of Albanians are better off today than they were before the transition to democratic government took place. Frustrations continue, such as water and electricity shortages and relatively low wages in the face of increasing prices for consumer goods. The confidence of society in democracy and the free market economy is key to continued economic reform that leads to long-range benefits for all.

Following defeat of the referendum on a new constitution in late 1994, institutionalization of the rule of law, an independent judiciary and an independent media become increasingly important.

BOSNIA-HERZEGOVINA

Economic Developments:

Bosnia-Herzegovina remains a war zone with very little economic activity beyond smuggling and distribution of humanitarian supplies. Bosnia also once contributed substantially to the industrial output of the entire Yugoslav federation but now, U.S. Embassy estimates place the remaining industrial activity, which primarily supports the war effort, at 5% of the 1991 level. In a region which once boasted world-class resorts, there are now destroyed factories and burnt-out villages.

Bosnia-Herzegovina receives its natural gas by pipeline from Russia via Hungary and Serbia. Adequate gas supplies were restored to Sarajevo in February 1994. The situation remains unstable, however, due to maintenance problems, war damage, and Bosnian Serb control of areas through which the pipeline passes. Electric energy supplies for greater Sarajevo fell from a pre-war level of 250 MW to about 50 MW in 1993. With international assistance, the daily electric energy supply in Sarajevo averaged 68 MW by mid-1994.

Bad weather, fighting, and Bosnian Serb blockades often block supply lines into Bosnia-Herzegovina, Sarajevo, and the eastern enclaves of Gorazde, Zepa, and Srebrenica. Sarajevo and the eastern enclaves remain under siege and are currently experiencing shortages of food, water, electricity, fuel, and many other basic necessities. Humanitarian aid has been intermittent and insufficient to meet full requirements. Bosnian Serb sniper activity regularly halts use of the Sarajevo airport. In the winter months, when the need is greatest, land supply routes become impassable and airports often close.

The economic outlook for Bosnia-Herzegovina remains bleak. Even if hostilities ended at once, the infrastructure is heavily damaged and a large part of the most productive segment of society has been dislocated or eliminated. No financial reserves exist with which reconstruction could begin. In March 1994, the U.S. and United Kingdom launched a joint initiative to restore essential public services to Sarajevo. While this has resulted in some success, it will take many years for Bosnia-Herzegovina to recover from the current crisis, and massive donor support will be needed to continue the process.

Political Developments:

Progress towards greater political freedom in the Republic of Bosnia-Herzegovina remains subject to the on-going conflict between the legitimate Bosnian government and its Serbian opponents vying for the Republic's control. Nearly seventy percent of Bosnia remained under Serb occupation in 1994. In spite of these direct threats to its continued

viability, Bosnia continued to take steps in support of wider political freedom and the implementation of democratic principles.

The most significant political development in 1994 was the establishment of the Federation of Bosnia and Herzegovina, pursuant to which Bosnia's mostly-Muslim government and Croatian leaders, backed by the Croatian government, pledged to form a united government. A Federation constitution was subsequently adopted guaranteeing a right to a free trial, freedom from discrimination, rights of privacy, rights to property, freedom of speech, and freedom to change governments. Implementation of this constitution has been hampered both by the conflict and by internal disagreements. Additionally, the Republic of Bosnia-Herzegovina maintains its powers under the previous constitution "until a final peace agreement is reached and implemented."

Efforts to conclude a peaceful settlement of the conflict in Bosnia and its neighbors intensified in 1994 with the "Contact Group" plan, drawn up in June and July by the U.S., Britain, France, Germany and Russia. Under the plan, the Bosnian government would retain control 51 percent of the Republic's territory, with Serbians holding the balance. Evidencing its readiness to have peace, the Bosnian government accepted the plan, despite the loss of territory. The plan also won the public support of Serbian president Slobodan Milosevic, who initiated the Bosnian Serb assault against the Sarajevo government in 1992. However, Bosnian Serbs, voting in an August referendum, rejected the plan. Contact Group countries continue diplomatic efforts to pursue a peace accord in line with the Contact Group plan.

While democratic values have remained generally intact in areas under Federation control, that part of Bosnia under the control of Radovan Karadzic's "Serb Republic" continues to suffer an oppressive, dictatorial regime. Despite the referendum, this illegitimate regime demonstrates little adherence to democratic principles. It will take a major effort in Bosnia, including efforts by the international community, to reintegrate the displaced moslem community. Yet "ethnic cleansing" is still being practiced against non-Serbs in an effort to harass, intimidate and ultimately eliminate Bosnians not affiliating with the "Serb Republic."

In sum, real progress toward the values in the SEED Act will not likely be made until peace comes to Bosnia. The establishment of the Federation and the adoption of its constitution offer hope that those values will survive the wrenching war that has left nearly 250,000 dead and displaced more than half of the country's pre-war population.

SEED ASSISTANCE SUMMARY

Program Overview

U.S. assistance in Bosnia-Herzegovina has been restricted to humanitarian

assistance since the outbreak of war in 1991. Emergency assistance from all USG sources for victims of the conflict in the former Yugoslavia, including food, medicines and equipment, blankets, heating stoves, winterization material, transport and technical assistance to date exceeds $780 million. The bulk of that assistance has gone either to Bosnia-Herzegovina or to support for refugees from that country. At the end of FY 1994 the first steps were taken to begin rehabilitation assistance, and in early FY 1995 the provision of assistance to strengthen the Bosnian-Croat Federation was begun.

Program Highlights

The provision of emergency humanitarian assistance has been critical to saving lives in war-torn Bosnia and to alleviating the suffering of refugees. The dire predictions of tens, even hundreds of thousands of people dying of hunger and/or exposure during winters in 1992 and following were averted through the relief efforts of the USG and others.

In 1994, $9.5 million in SEED funds were made available for the restoration of essential public services in Sarajevo. Under a cooperative agreement with the International Rescue Committee, $5.5 million was made available to rehabilitate central heating systems in Sarajevo and to repair dangerous domestic gas connections. An additional $3.0 million was made available to Project Hope for the procurement of medical supplies and spare parts for medical facilities in Sarajevo. Finally, $1.0 million was made available to the United Nations (UN) for a trust fund to benefit Sarajevo. These resources will be used by the UN to fund activities that rehabilitate essential public services in the city.

In fiscal year 1995 it is anticipated that approximately $20 million will be made available to support the nascent Bosnian-Croat Federation. This assistance will include activities that promote ethnic reconciliation such as repair of public infrastructure, school, community centers and possibly war damaged homes. In addition, public administration training and micro and small enterprise lending programs will be developed.

Program Challenges

Ongoing conflict in Bosnia-Herzegovina makes it extremely difficult to project future activities. The situation changes on a daily basis. For the foreseeable future, SEED programs will continue to be a mixture of emergency humanitarian and rehabilitation assistance.

BULGARIA

Economic Developments:

The shift in Bulgaria's economic policy since the fall of communism in 1989 has been dramatic, but reform has not moved forward smoothly. Economic reform has advanced in stages, influenced by a shifting mix of internal and external political factors and buffeted by several sharp trade shocks. While macroeconomic stabilization has largely been achieved, structural transformation has proven far more difficult. The rapid pace of the early stages of Bulgarian economic reform (1991 to mid-1992) received high marks from the IMF, but the political crisis that led to the fall of the Dimitrov Government slowed progress considerably later in 1992. Economic reform and the collapse of CMEA trade (once 80 percent of total trade) led to a decline of 12 percent in GDP in 1991, with a concomitant decline in living standards and sporadic labor unrest. Most of the impact was felt directly by state owned enterprises, contributing to a buildup of bad debts in the banking system. For 1992, GDP fell an additional six percent from 1991; GDP fell by 4.2 percent in 1993 and in 1994 the figure is estimated at around zero growth. This indicates growth is likely in 1995.

In April 1994, Bulgaria rescheduled its 1993 and 1994 maturities with the Paris Club (official creditors). In June, it restructured 8.1 billion dollars in commercial (London Club) debt, resulting in a 47 percent reduction. The government and the IMF agreed on a Standby Agreement/Systemic Transformation Facility for approximately 300 million Special Drawing Rights (about 410 million dollars).

Bulgaria's economic reform program gathered steam in early 1991 as the government liberalized most prices, leaving controls on energy prices and public utilities. These were adjusted to reduce their subsidy burden on the government budget (petroleum prices are now at international levels). In order to create the conditions for a market economy and to obtain an IMF stand-by arrangement, the Bulgarian Government passed sweeping legislation that liberalized wages and prices, foreign exchange transactions, and foreign trade, and imposed fairly restrictive monetary and fiscal policies. The March 1991 Stand-by set performance criteria in the areas of fiscal and monetary policy and reserve accumulation. The Bulgarian Government made a good faith effort to comply with the performance criteria, but fell short in regard to fiscal policy and the related area of domestic credit expansion.

Trade liberalization measures included the elimination of import quotas, except for a few items. Export quotas were largely abandoned, and all export taxes were eliminated. While the tariff regime has been simplified and harmonized with international standards, the harmonization had the effect of raising average tariff levels. The Government also negotiated an Association Agreement in 1992 with the EU which went into effect in early 1994. Bulgaria's strong desire for EU membership will in the long term determine the direction of its remaining economic reforms.

The Constitution adopted in mid-1991 established the right to private property, and sanctioned economic initiative by private agents. The Agricultural Land Law of 1991 established the legal foundation for the return of agricultural land to private hands; its implementation is continuing. Other measures promoting private enterprise included the 1992 law on privatization, a revised commercial code, and laws on competition, accounting, banking, land reform and foreign investment. The enactment of an up-to-date Bankruptcy Law in 1994 was an important step in bringing Bulgaria's commercial environment up to international standards.

Late in 1992, the newly-formed privatization agency announced ambitious plans to privatize about 100 state firms by mid-1993. In addition, then incoming Prime Minister Lyuben Berov proclaimed his intent to preside over a "privatization government." Despite these announcements, there was little progress on the privatization front in 1993-1994; it is estimated that only five percent of state enterprises have been privatized so far. Berov announced a mass privatization plan early in his administration, but this quietly died in Parliament. Personnel shuffles in the privatization agency in 1993 also reduced the agency's ability to drive privatization forward.

After prolonged wrangling, Berov announced in June 1994 a "mass privatization plan" closely patterned on the voucher system employed in the former Czechoslovakia. Parliament approved the "demand side" program, but had not yet approved the "supply side" (including the list of 360 firms to be privatized in the first wave) when it was dissolved on October 17. Implementation of the mass privatization program now must await the formation of a new government, probably in early 1995. Meanwhile, caretaker Prime Minister Indjova took tentative steps in late 1994 to speed up small-scale and municipal privatization.

On the bright side, the grassroots private sector has been steadily expanding. It is now estimated to contribute between 25% and 30% of GDP. As elsewhere in the region, the private sector consists largely of reclaimed urban shops, small-scale traders, and a growing amount of privately-held farmland.

Tax reform, another high priority item for the Berov Government, fared somewhat better than privatization. Tax legislation moved gradually through Parliament in 1993. Tax administration and tax proceedings laws were passed in July and the Value-Added-Tax (VAT) in October. The VAT was successfully implemented in April 1994 and has produced better-than-expected results.

Beyond the impact of reform measures, a new shock hit the Bulgarian economy in 1992, emanating from the collapse of Yugoslavia and the war in Bosnia. The Bulgarian Government estimated that the cost of complying with UN sanctions against Serbia and Montenegro exceeded 2.0 billion dollars by 1994. Much of the disruption caused by the sanctions hit Bulgaria's export trade with Western Europe, most of which formerly transited Yugoslavia and had to be rerouted via costly alternative routes.

Bulgaria received MFN status and GSP privileges in 1991, and a Bilateral Investment Treaty (BIT) went into force in 1994. SEED assistance for FY 94 will equal about $33 million, and decline to about $30 million in FY 95, reflecting poor Bulgarian performance in some areas. A Bulgarian-American Enterprise Fund will eventually receive $55 million.

Political Developments:

Five years after the overthrow of Communist dictator Todor Zhivkov, Bulgaria is a constitutional republic ruled by a democratically elected government. Its President is Zhelyu Zhelev, former chairman of the anti-communist Union of Democratic Forces (UDF), who was elected in January 1992 to a five-year term in the country's first direct presidential elections. Despite continuing concerns about the adequacy of constitutional protection for members of minorities, we regard Bulgaria as essentially a free country.

From November 1991 to 1992, Bulgaria's first full year of government by the UDF, the National Assembly enacted over 200 basic reform laws and resolutions, ranging from privatization and property restitution to new statutes on foreign investment, banking, labor, and the confiscation of totalitarian property. In October 1992, the UDF cabinet resigned, after losing a self-initiated vote of confidence, and was succeeded in December 1992 by the non-party government of centrist economist Lyuben Berov, under the nominal mandate of the mainly ethnic Turkish party (MRF -- Movement for Rights and Freedoms). During 1993 and 1994, the Berov government depended for parliamentary support on the formerly communist Bulgarian Socialist Party (BSP), the MRF, and breakaway UDF deputies. Progress on democratic and market reforms government was slow under Berov, due to stiff opposition from hard-line elements of both the UDF and BSP, combined with the collapse of the state sector of the economy and exogenous shocks brought on by the loss of traditional markets and imposition of U.N. sanctions against Serbia/Montenegro.

The Berov government resigned in October 1994 and, with no party able to form a new government, elections were held on December 18. The Bulgarian Socialist Party (BSP) won 44% of the popular vote, which gave them a slim majority of the parliamentary seats under Bulgaria's proportional voting system. It is not clear what policies the new BSP-led will follow; BSP politicians have called for increased social spending and subsidies to state enterprises, as well as renewed emphasis on mass privatization. BSP leader Zhan Videnov has also called for constitutional amendments which would in effect reduce the power of the President.

Despite a constitutional prohibition against political parties based on race, religion, or ethnicity (and legal challenges based on this provision), the mainly ethnic Turkish Movement for Rights and Freedoms (MRF) has functioned freely as a major force in Bulgarian politics, and was unhindered in the December 1994 elections. However, in 1990, the courts denied registration to a small group of militant, self-described

Macedonian nationalists, known as "Ilinden-UMO," on the grounds that it advocated breaking up the Bulgarian state; Ilinden-UMO's appeal was denied in 1991. Also in 1991, the ethnically based Roma Union, dedicated to protecting the rights of Gypsies, was denied registration as a political party. Although the stated aim of the constitutional prohibition described above is to forestall the kind of ethnic and religious conflicts to which the Balkan countries are especially prone, its effect is to limit the rights of minority groups to form associations which could enable them to participate meaningfully in the political process. Other ethnic organizations with non-political aims were registered with the courts.

The Government generally respected freedom of speech, press, association, assembly, and travel, but xenophobia, nationalism, and anti-ethnic expression grew in 1994. Government actions and the rising level of public intolerance significantly interfered with the activities of non-Eastern Orthodox religious groups. Parliament, over President Zhelev's objections, passed a judicial reform bill which could have resulted in removal from office of the sitting Chief Prosecutor and Chief Justice of the Supreme Court, a move eventually blocked by a Constitutional Court decision. Trade union activity continued to thrive throughout 1993 and 1994, as guaranteed under the constitution, with no impediment from the Berov government.

SEED ASSISTANCE SUMMARY

Program Overview

SEED programs to promote Bulgaria's transition to a pluralistic democracy and market economy are among the largest in the Balkans. Early assistance aimed at privatizing the electronics and food industries. Other activities supported initiatives to help Bulgaria achieve its potential in agriculture and agribusiness. Experience from the early years indicated that a decentralized approach emphasizing local initiatives yields the best results.

Today, U.S. assistance efforts emphasize:

- *strengthening democratic institutions by building public participation at local levels* through civic, trade union and non-governmental organizations in a long-term effort to strengthen local government and facilitate governmental decentralization;
- *helping to develop private enterprise and free markets* by promoting small and medium-scale private business development through loan and investment programs, municipal privatization and a business program of training plus financial and technical assistance, all reinforced when possible by an enabling legal environment for private sector growth;
- *establishing a long-term vehicle for leadership development* through several

training programs as well as through support to the only American university in Central Europe;

- *improving the quality of life in Bulgaria* by supporting comprehensive environmental policies and a more efficient energy sector (areas where the Government of Bulgaria has been a good partner for change,) and developing pilot safety net programs with the Ministry of Labor and Social Welfare.

Current fiscal year funding of $30.95 million closely reflects these priorities, with over 93 percent of obligations planned in the four areas noted above. The largest program will be in private business development, with over $12 million or 39 percent of the budget.

Program Highlights

American assistance to Bulgaria began in early 1990 with over $2 million in grants to support democratic institutions and a devastated environment. Through September 1994 more than $23 million of assistance has been directed to develop a strong democratic foundation that will support and sustain economic development.

Recent accomplishments in this effort include a rapid build-up of a flexible and responsive delivery mechanism for grants under $25,000 for local NGOs, supportive development of municipal associations of mayors who are a major voice for strong local government in discussions with regional and national leaders, creation by independent judges of a grass-roots NGO which will develop continuing education for the legal community, and key support to a "get out the vote" campaign for the 1994 national elections conducted by the Bulgarian Association for Fair Elections and Civil Rights through its 26 local chapters.

In order to help establish a private, free market in Bulgaria, SEED finances a wide-ranging business development program, including direct loan and investment activities as well as technical assistance and training; initiatives to help create a conducive legal and regulatory environment; promotion of privatization and investment; and help to develop a modern, competitive financial sector. Over $80 million has been made available to Bulgaria as of September 1994 towards achieving these goals, plus nearly $16 million for agriculture and agribusiness development.

Recently, Treasury and IRS advisors have played an important role in implementation of the Bulgarian Value Added Tax; the Bulgarian American Enterprise Fund (BAEF) concluded a debt and equity investment with an American partner to establish a processing facility for cherries and cherry-related products for export; a municipal auction program began to privatize municipal facilities (eventually to cover some 22 smaller cities); Bulgarian private companies have already opened the first Kentucky Fried Chicken and McDonald's restaurants with a Pizza Hut opening soon; Sofia's Institute for Market Economics (established with SEED support) became

self-sustaining and independent of US government financing; the newly incorporated Bulgarian Meat Processors Association held their first trade show with SEED support; an export market in the Middle East for Bulgarian dairy products opened up with SEED assistance; and over 200 loans have been made to small entrepreneurs under the BAEF.

SEED programs assist Bulgaria in building tomorrow's leaders for a democratic, free market society. Attracting more than 600 students with an American curriculum emphasizing critical analysis and open discussion of ideas, the American University in Blagoevgrad will graduate its first class in 1995. The University of Delaware has established several local partnerships to sustain its programs. To train tomorrow's business and professional leaders, SEED initiated the participant training program in April 1993. By October 1994, 76 Bulgarians had received training in the U.S. in public administration, agriculture, tax administration, banking, health, statistics, labor, housing and environment. More than 75 others were identified for future training programs in these areas.

Bulgaria's great biodiversity and traditional public commitment to historic preservation failed to influence Communist industrial policies, which showed little or no regard for their impact on the environment. The National Environmental Action Plan, updated during 1994 to meet the criteria of the Environmental Action Program (EAP) for Central Europe, is the basis for an extensive environmental program, including support for the Third Ministerial Conference under the EAP, to be held in Sofia in late 1995. Another international effort, the Global Environmental Facility, has also received a long-term commitment for development of market-based nature protection programs.

SEED assists Bulgaria in improving the functioning of the health system in the face of diminishing resources. Through training and technical assistance in developing a health care data base, medical practitioners have initiated management and policy changes. A pediatric trauma care unit and an ophthalmology center have opened with SEED assistance.

SEED has also worked for improvements in the housing sector in Bulgaria. The most notable achievement of this assistance has been the success of the housing development demonstration program in the municipalities of Bourgas, Rousse, and Stara Zagora. The program utilized a public-private partnership approach and has resulted in construction starts of 300 units in these cities.

Program Challenges

The long-term effort to strengthen local government and facilitate governmental decentralization is dependent upon the enactment of laws transferring significant taxing and administrative powers to local and regional governments. Other programs, especially those supporting private business initiatives, depend on successful macroeconomic stability and growth. The

Government of Bulgaria must come to grips with these realities. Strong partnerships with the World Bank, IMF, and European Bank and Union, as well as the U.S., would do a great deal to facilitate badly-needed progress in these areas.

CROATIA

Economic Developments:

In 1994 Croatia's economy showed tentative signs of recovery from the disruption it suffered after the breakup of the former Yugoslavia. But the scars of war remain highly visible as Serb forces still occupy one-fourth of Croatian territory. With 25-30 percent of its agricultural capacity destroyed, Croatia's 1993 GDP remained around half of its 1990 level. Due largely to the war and the collapse of intra-Yugoslav trade, industrial production remained at 30-40 percent of Croatia's 1991 production level. Despite these figures, a bold economic stabilization program initiated by the government in October 1993 has shown promising results.

The ongoing occupation of Croatian territory by Krajina Serbs continues to retard Croatia's recovery. The Krajina Serbs continue to cut a key railroad link to the coast as well as the Adria pipeline, although the December 1994 signature of an agreement on economic confidence building measures held the promise of eventual progress on these issues. Energy production suffers while oil fields in Slavonia remain occupied. The war crippled Croatia's profitable tourist industry, which in the summer of 1994 operated at only one third of the pre-war level. Nonetheless tourist activity improved, especially in the Istrian peninsula; in October 1994 Hina reported a 55% increase in tourist activity over the previous year's level. Intermittent hostilities and U.N. sanctions deny trade with Serbia, a major pre-war market.

The three-phase stabilization program which the government adopted in October 1993 has improved Croatia's economic situation. The unemployment rate continued its three-year decline; yet at 15 percent remains well above the pre-war level of 9 percent. Inflation dramatically fell by the summer of 1994 to a monthly rate of 1-2 percent, one of the lowest in the region. Croatia had increased its hard currency reserves to $1.68 billion by July 1994 and is working to regularize its situation with external creditors.

With the signing of the Washington Accords in March 1994, Croatia won key support for multilateral assistance. The World Bank approved a $128 million Economic Recovery Loan n June. Another $100 million for agricultural support and private family support are in the pipeline for approval. In October 1994, the IMF approved a Stand-By Arrangement and Systemic Transformation Facility totalling $192 million. The EBRD pipeline for late 1994 included two additional infrastructure project proposals: $46.7 million for electricity network reconstruction and $76.3 million for roads and bridges.

Croatia's economy supports over 400,000 refugees and displaced persons from Bosnia and occupied Croatian territories. An estimated 80 percent of refugees have found shelter with families in Croatia; this situation is untenable in the long term. Refugees continue to occupy hotels and fill refugee centers. In September 1994,

refugees continued pouring into Croatia at a rate of nearly 500 per week. While the international community has provided the bulk of the food needed for the refugees, the Croatian government pays for medical care and utilities at an estimated daily cost of $1.2 million. Even with such expense, the conditions in many refugee camps are inadequate with a lack of warm water, health care, schools, and other basic necessities.

Political Developments:

The first multiparty elections in Croatia since World War II were held in 1990, and the new government organized a referendum that lead Croatia to declare independence from the Socialist Federal Republic of Yugoslavia (SFRY) on June 25, 1991. Croatian democracy has made significant progress since then, but the country's development has been stunted by the ongoing conflict in the Balkans.

As a result of the war Croatia fought in 1991 to defend its territory against the Yugoslav National Army (JNA) and Serbian paramilitary forces, a fourth of pre-war Croatian territory is under Serb military control. The country also suffers from the burden of caring for nearly 400,000 displaced persons and refugees driven from their homes in Croatia and neighboring Bosnia by ethnic cleansing and military hostilities. Consequently, the quest to settle the conflict and restore Croatian sovereignty dominates the national political agenda.

Constitutionally, Croatia is a parliamentary democracy headed by a Presidency invested with considerable powers. The President appoints the Prime Minister and chairs the 23-member Council on Defense and National Security, Franjo Tudjman was elected President for a five-year term in August 1992. The political party that he leads, the Croatian democratic Union (HDZ), won a majority of seats in the 138-member House of Representatives. The HDZ also won a majority in 1993 elections for the Chamber of Counties, the other house of the Sabor (the Croatian Parliament), whose legislative role is more limited. Foreign observers' estimates of the fairness of these elections varied, but most concluded that the results reflected the opinion of the majority. The country has seen a flowering of political parties and interest groups.

The Croatian legal system consists of municipal and district courts, a supreme court, and a constitutional court. In addition a six-court military judicial system has broad jurisdiction under national security provisions, and many cases involving civilians are handled in these courts. One example was a trial against opposition party leaders accused of bombing their own offices. The underfunded Croatian judiciary has made progress in adapting to a constitutional, multiparty, democratic system. The judiciary remains in transition, however, and concerns persist about its vulnerability to ethnic bias and political manipulation.

Croatia's Constitution is committed to human rights for all citizens. Concerns remain, however, about housing discrimination and government control of the press. A

particular concern is the lack of investigation and prosecution of crimes against members of ethnic minorities. In addition, there has been little follow-up to cases of human rights violations that occurred during hostilities in Croatia in 1991. In the Serb-held areas, arbitrary detention and mistreatment of prisoners are widespread, and the Serbian "authorities" have demonstrated a flagrant and systematic disregard for human rights.

Political-military Developments:

A stable cease-fire and separation of forces in Croatia was mediated by the U.S., Russia, EU, and UN in March 1994. It has largely held, and shooting incidents between the Croatian Army and Serb forces have declined by over 98 percent. While political settlement negotiations have yet to be launched, an agreement on economic confidence-building measures was signed on December 2, 1994. By year's end, the major highway in eastern Croatia was re-opened, but other aspects of the agreement aimed at restoring water, electricity, and oil supplies for many communities remained unimplemented. Zagreb's decision not to consent to continued UNPROFOR operations in the UN Protected Areas (UNPAs) after March 31 increases the risk of hostilities between Croat and Serb forces. Escalation into renewed wide-scale fighting would further retard Croatia's economic and political development.

The United States and Croatia signed a Memorandum of Cooperation in Defense Relations in November 1994. U.S. International Military Education and Training (IMET) programs are envisioned for FY 95 aimed at improving the defense establishment of Croatia in terms of management, professionalism, democratic orientation, and civilian control of the military.

SEED ASSISTANCE SUMMARY

Program Overview

Following the outbreak of war in 1991 in Croatia, most U.S. assistance has been humanitarian, targeted for Bosnian refugees and Croatian displaced persons. By supporting private and public Croatian institutions assisting these refugees, such as hospitals, schools, and voluntary organizations, the assistance has fostered the development of democratic institutional systems in Croatia.

In 1992, the U.S. established diplomatic ties with Croatia as most hostilities ceased. A modest SEED program ($1 million for FY 1993) for democracy building began. In addition, SEED provided an additional $3 million for trauma-related assistance for war victims. In FY 1994, the funding level grew to $2.8 million for democratic initiatives and training. An additional $12.6 million funded humanitarian and trauma assistance, including emergency repairs, micro-enterprise activities, non-governmental organization (NGO) development, and conflict resolution activities. In FY 1995, SEED money will

provide modest technical assistance for the banking and financial sector.

Program Highlights

The SEED-funded American Bar Association/Central and East European Law Initiative (ABA/CEELI) Representative at the University of Zagreb Law School provides expertise on: legal education, the development of an independent Croatian Bar Association, criminal code reform and the drafting of a new judicial code. The International Media Fund supports the Media Resource Center of Zagreb University, strengthening the journalism curriculum at the University, sponsoring workshops and seminars on the role and workings of independent media, and assisting two independent magazines of political comment and opinion.

Under a $6.0 million cooperative agreement, the International Rescue Committee provides financial, technical and organizational assistance to over 25 Croatian NGOs. These NGOs include voluntary organizations serving the psycho-social needs of civilian war victims, especially trauma victims in refugee and displaced populations, professional associations and women's groups. The current program is concentrated with local NGOs who will continue to serve people affected by the war long after SEED funding ceases.

USAID hospital partnerships link American medical centers with counterpart institutions in Croatia. The U.S. institutions transfer technology, provide models of care and offer technical assistance in clinical and management areas. Under a cooperative agreement with the American International Health Alliance (AHA), SEED has provided $2.6 million for partnerships with Croatian medical facilities.

Program Challenges

Humanitarian needs in Croatia remain high while the conflict in Bosnia-Herzegovina continues. These needs will increase if the cease-fire in the Krajina, the Serbian occupied portions of Croatia, breaks down. If an overall settlement is reached, the international community will receive requests for substantial reconstruction assistance in Croatia.

Democracy building programs will be emphasized in the coming years to address political parties' and trade unions' attempts to democratize internally as well to strengthen pluralism in the political process.

CZECH REPUBLIC

Economic Developments:

The Czech Republic has made remarkable progress in reforming and stabilizing its economy since 1991. Tight fiscal and monetary policies, the liberalization of trade and prices and excellent progress on the privatization of state-owned enterprises have gradually overcome the initial shocks of the transformation from a centrally-planned economy, the collapse of the CMEA trading system and Czechoslovakia's own split into two nations.

As a result, after sharp contractions in 1990-92, the decline in real domestic production leveled off in 1993 and, in 1994, the economy is expected to resume its growth, at a rate of about 3 percent. Inflation, which rose moderately in 1993 to an average annual rate of 18 percent in the context of the imposition of a new value-added tax, settled in 1994 to rate between 10 and 12 percent. Unemployment, finally, remained low throughout both years, at a remarkable 3.5 percent.

Performance within the Czech republic's external account was equally good. In 1993, a solid export performance, increasing tourism receipts and strong private capital inflows (largely in the form of loans to Czech enterprises) helped boost gross official reserves by more than $3 billion to five times their year earlier level. By year-end 1994, gross official reserves are expected to reach $6.1 billion, setting the stage for the anticipated elimination in 1995 of all restrictions on current account transactions.

The Czech republic's integration into the world economy has also moved forward rapidly. Exports to OECD nations rose to more than half the Czech Republic's total exports in 1993; and foreign private capital flows have been substantial. The Czech Republic has already concluded an Association Agreement with the EU, free trade agreements with the members of the European Free Trade Area (EFTA) and its partners in the Central European Free Trade Area (CEFTA), and applied for membership in the OECD. It is also a member of GATT, the IMF, the World Bank, the EBRD and other international institutions.

Looking ahead, prospects for the Czech Republic are very good. A strong industrial tradition, progress in privatization and prudent fiscal and monetary policies augur well for strong, non-inflationary growth. Real GDP growth in 1995 is expected to be between 3 and 5 percent; inflation approximately 10 percent and unemployment somewhat higher at approximately 5 percent.

However, there are potential problems. Fiscal adjustment is still incomplete. Overall government expenditures (at 47 percent of GDP) are excessive; corporate and individual income tax rates are among the highest in Europe; and the forecast 1994 fiscal surplus reflects one-time privatization proceeds that cloak an underlying deficit

equivalent to 2 percent of GDP. In addition, serious moves on enterprise restructuring have yet to begin. The low rate of unemployment, low number of bankruptcies, declining productivity and poor (and, in cases, deteriorating) financial situation of many Czech enterprises, testify to the limited effect on enterprise performance of the wide-spread privatizations that have taken place in recent years. Finally, there may be problems buried within the Czech banking system and elsewhere in Czech financial markets. The reluctance of Czech banks to exercise their rights under bankruptcy laws hint at problems, as does the pricing of Czech investment funds, which traded at discount to the value of their underlying stocks throughout most of 1994.

Political Developments:

In the five years since the Velvet Revolution that ended communist rule, the Czech Republic has undergone a radical political and economic transformation and returned to the ranks of free-market democracies. Given the success of this transition, the Republic will be graduated from the SEED assistance program beginning in 1997.

The Czech Republic is a fully functioning parliamentary democracy whose citizens enjoy the rights of free speech and free assembly. It has an independent legislature and a vigorous, free press.

Prime Minister Vaclav Klaus's ruling four-party, center-right coalition was elected in June 1992. There are also four left-of-center opposition parties and one radical right-wing party. The Czech Constitution mandates Parliamentary elections at least every four years; early elections appear very unlikely at this point.

Independent candidates won a majority of local council seats in nationwide local elections held in November 1994; among the national parties, Prime Minister Klaus's Civic Democratic Party (ODS) garnered the most votes, followed by the Communists (KSCM) and Christian Democrats (KDU-CSL).

The Constitution also calls for a Senate, which has not yet been constituted. Two draft constitutional amendments to abolish the Senate have failed in Parliament, but no clear consensus has developed on when -- or whether -- to hold elections for the upper chamber.

President Vaclav Havel, elected by the Parliament in 1993 to a five-year term, has limited constitutional authority but can veto legislation and return it to Parliament, which has the power to override it.

Opposition groups, including political parties, function openly and without hindrance. Individuals speak out on political and other issues and freely criticize the Government and public figures. Print and electronic media also publish without censorship or fear of government persecution, though the Constitutional Court in December 1993 upheld a

provision in the Criminal Code forbidding defamation of the state or presidency. The law was not applied at any time in 1994.

The government is continuing a thoroughgoing reform of the judiciary and law enforcement bodies and has reasserted civilian control over military and intelligence organizations. The judiciary is impartial and independent.

The Czech Republic also encourages the activities of domestic and international human rights organizations. President Vaclav Havel was formerly a dissident and human rights monitor. This is an encouragement to similar groups, who are now free to work without government restriction.

Nonetheless, there are some areas of concern. The main human rights problem continues to be discrimination against the significant Roma minority, estimated at around 200,000, which suffers disproportionally from poverty, crime, and disease. Moreover, the citizenship law adopted after the separation from Slovakia has denied Czech citizenship to large numbers of Roma.

The Constitutional Court in December 1993 upheld a law defining the former Communist regime as criminal and lifting the statute of limitations for crimes committed by the Communist Party of Czechoslovakia. Though rarely invoked, the law has drawn criticism for adopting the principle of collective guilt. The 1991 Lustration Law, which bars former Communist officials, secret police and collaborators from holding a wide range of elected and appointed positions for 5 years, also remains largely unenforced. Nevertheless, it has opened the Czech Republic to criticism for appearing to embrace employment discrimination and the concept of collective guilt. In perhaps the most celebrated lustration case, the Government in September 1994 dropped charges against former federal parliamentarian Jan Kavan.

. SEED ASSISTANCE SUMMARY

Program Overview

USAID began assistance programs to Czechoslovakia in August 1990. Anticipating a possible split between the Czech Republic and Slovakia, implementation of U.S. assistance to the country began at the level of the two republics. The strategy permitted minimal disruption when the Czech-Slovak separation occurred. In January 1993, the USAID office in Bratislava assumed separate program management and budget operations for Slovakia.

The Czech Republic has enjoyed a successful and relatively stable macroeconomic transition with regard to monetary and trade policy, and to a lesser extent, structural reform. As a stable macroeconomic environment matures, microeconomic policies, and

more importantly, the public and private institutions that are the fabric of society in democratic market economies, require renewed attention and support.

Today, U.S. assistance efforts emphasize:

- *building the private sector and free markets* by developing workable systems to privatize state enterprises, improving banking and financial services and training business managers;
- *improving the quality of life* by increased energy efficiency and helping industry make environmentally sound improvements;
- *strengthening democratic institutions* by helping reform the legal, regulatory, institutional, and administrative structures.

As of September 30, 1994, approximately $130 million of SEED assistance had been obligated for the Czech Republic. Current fiscal year funding of $15.4 million reflects the program priorities. The Czech Republic is in a new stage which requires greater attention to building democratic structures. The SEED program is shifting its focus to these priorities, even as graduation from the program is being planned.

Program Highlights

Since 1990, SEED has provided a wide variety of technical expertise, legal advice, training, financial support and voluntary services across virtually all areas of reform in the Czech Republic. Most prominent however, remains the work on privatization and economic restructuring by which SEED has played a central role in a record transfer of assets and productive capacity from the public to private sectors: since 1989, over 80% of the economy has been shifted from public to private hands.

In 1994, the USAID advisory team continued to play the central role in advising the Ministry of Privatization in its final phase of privatizing the Czech economy. Hundreds of privatization plans have been reviewed by this team of bankers, accountants, and lawyers, and over 120 transactions have been completed by the Czech government on the advice and negotiation of this team. The monetary value of these transactions, significantly increased through the work of the advisory team, is approximately $2 billion. Of greater importance, this work has helped create a fair and transparent process in which US investors have been increasingly willing to compete and win. US investments continue to account for some 40 percent of this total dollar amount. The team has now been asked to concentrate their work on industrial restructuring, which remains at issue despite the shining success of Czech coupon privatization.

SEED funding has had significant impact on the quality of life. In the heavily polluted city of Ostrava, the largest steel factories have applied economical investment recommendations of Department of Energy consultants that reduce factory pollution up

to 50 percent. The World Environmental Center helped the largest refinery and petrochemical plant in the Czech Republic minimize the risk of catastrophic explosion and reduce cancer-causing emissions by 85 percent with a $20,000 investment that yields over $100,000 a year in savings. The Nuclear Regulatory Commission's assistance has resulted in new Czech regulations that mirror U.S. nuclear safety standards. The Commission work also helped provide better trained safety inspectors.

Technical assistance is responsible for helping to strengthen democratic institutions on the national and local level of government. As part of decentralization, the city of Liberec received responsibility for the large stock of state housing. Housing sector assistance provided by the ICMA/Urban Institute joint effort helped the city to inventory its housing stock and design and implement housing management contracts. The result was greater competition among management enterprises that improved services for citizens. The project now is assisting in the privatization of the public housing in Liberec.

Program Phase Out and New Priorities

After another year of steady progress in the Czech Republic towards a fully democratic and market-based society, the Country Assistance Strategy was amended in May 1994, accelerating the phaseout plan, ending new obligations, with few exceptions, after FY 1996.

Completing the major portions of the privatization program and establishing the basic infrastructure for sustainability of US-supported reforms are essential elements in the time remaining years for the assistance program. Five priorities for the phase-out period, affirmed by Czech authorities, will increase the likelihood of the sustainability of the transition and the institutions it engenders. The five priorities are: 1) continued economic transformation, including privatization and restructuring; 2) strengthened human resources, focusing on financial and managerial skills; 3) improved quality of life through cross-sectoral work in energy, environment and health; 4) strengthened local governments and municipalities through support for public administration reform, municipal financing and management; and, 5) support for development of civic society. These priorities have the overriding goal of assuring that viable, sustainable institutions are created to maintain the momentum of reform. Three major new initiatives exemplify this new focus: the first, supporting local government empowerment and public administration reform; the second, providing technical assistance and financial support for municipal finance, and the third, helping to build strong and sustainable civic society by training, technical assistance and grants for non-governmental organizations and educational reform.

Program Challenges

As the program begins its phase-out, challenges remain that may inhibit the success of some activities. Foremost, although the Czech Republic has enjoyed impressive progress in the face of difficult reform, a legal and administrative framework suitable for a functioning democracy is not necessarily in place and may not be recognized as a high priority by current Czech authorities. Future problems in managing the pressures within a competitive market economy could contribute to a political backlash that might threaten both future reform and the gains made to date. SEED will be working to improve local governments' abilities to respond to their constituencies, as well as finance long neglected public investment, to help counter this risk.

ESTONIA

Economic Developments:

Estonia is well on the road to economic recovery after its economy bottomed out from post-Soviet shocks in mid-1993. Sound fiscal and monetary policies, combined with a firm incomes policy and the introduction, under a currency board regime, of a new currency in mid-1992 have helped reduce inflation from 90 percent a month in early 1992 to less than three percent a month in 1993 and 1994. These policies have also produced consistent surpluses in the government's fiscal account and a rapid increase in the banking system's international reserves.

Estonia has also made excellent progress in regard to structural adjustment. Prices have been freed and virtually all tariff and non-tariff barriers to trade have been eliminated, leaving behind one of the most liberal trade regimes in the world. In addition, the convertibility of Estonia's currency, the kroon, has been guaranteed for all valid current account transactions since its introduction in June, 1992. The kroon is stable and fixed to the German mark at an 8:1 exchange rate. Trade continued to expand in 1994, although Estonia fell into a deficit position with imports outpacing exports by approximately ten percent.

The privatization of state assets has also made commendable progress. In 1992, the Estonian Government enacted legislation permitting the sale of all small enterprises held by the state. Small and medium-scale privatization is now virtually complete. The Estonian Privatization Office has succeeded in privatizing about fifty percent of larger state enterprises.

On the downside, Estonia has made a relatively slow start in establishing a legal framework compatible with a market economy. It did enact basic bankruptcy legislation in 1992, which was used effectively to treat emerging banking system problems. However, laws to streamline the privatization process, facilitate the transfer of real property, privatize housing and establish a commission for the enforcement of competition and anti-monopoly laws were enacted in late 1993, but have not yet been fully implemented. Housing privatization is just beginning and is moving relatively slowly. The same circumstances apply in regard to agricultural privatization, which has caused severe problems in the agricultural sector. Estonia has made some headway in introducing vouchers into its privatization scheme and in creating mutual funds markets for voucher holders.

Estonia has paid a very high price in terms of lost output for the changes it has undertaken over the past four years, but it now is reaping the dividends from its "shock therapy." After having declined for four consecutive years by a cumulative total of more than fifty percent, Estonia's GDP increased by nearly six percent in 1994. Estonia was the first country from the former Soviet Union to experience such a spectacular

turnaround. The IMF predicts similar growth for Estonia in 1995. During that four-year period overall, employment declined fifteen percent and average real wages and real disposable income declined sixty percent. In 1994, by contrast, real wages actually increased by about five percent and unemployment, while much of it is hidden, appears to have stabilized.

Externally, Estonia has made a determined effort to reorient its trade toward the West. Trade with Russia, which once accounted for the overwhelming majority of Estonia's imports and exports, now totals less than fifteen percent, while nearly 80 percent of Estonia's trade now is directed towards Western Europe. In 1994, Estonia signed a free trade agreement with the EU, with associate member status anticipated by the end of 1995. With the United States in 1994, Estonia signed agreements on trade and intellectual property protection, investment, and science and technology cooperation. Given this and Estonia's preferential free trade agreements with prospective EU members Sweden and Finland, U.S. firms should consider Estonia for significant investment and re-export opportunities.

Estonia's phased graduation from AID's assistance programs, which is not expected to be completed until 1996, recognizes Estonia's position at the vanguard of reform in the region.

Political Developments:

Estonia was an independent nation from 1918 to 1940, when it was forcibly incorporated by the Soviets. This illegal incorporation was never recognized by the United States and ended when Estonia re-declared its independence in the wake of the unsuccessful August 1991 coup in the Soviet Union. On September 2, 1991, the U.S. formally reestablished diplomatic relations with Estonia. Estonia is a member of the United Nations, the Council of Europe, the Organization for Security and Cooperation in Europe, Partnership for Peace, and numerous other international organizations.

The continued presence of at least several hundred Russian officers demobilized in Estonia after the July 1994 troop withdrawal agreement is an irritant which the Estonian government is trying to resolve quietly with the Russian Government. Up to 210 additional Russian military remain by agreement at the former Russian naval nuclear training center at Padkiski to defuel two reactors and to help secure the facility. They are scheduled to hand over the reactor facility and to depart by August 31, 1995.

In 1992, Estonia passed a constitution and citizenship law in accordance with OSCE standards, and that autumn held free and fair parliamentary elections, electing a right-center coalition government which has dedicated itself to implementing free-market economics and following U.S. policy leads.

The next round of parliamentary elections is scheduled for March 5, 1995.

While the current Government is not expected to win, it is anticipated that any new coalition will continue to pursue economic reforms, but at a more modest pace on agricultural and social issues.

SEED ASSISTANCE SUMMARY

Program Overview

The SEED programs to promote Estonia's transition to a pluralistic democracy and market economy are substantial. Total U.S. assistance to Estonia from all sources through Fiscal Year 1994 was over $41 million. Significant accomplishments in building democratic institutions and a market economy are indicative of Estonia's increasing maturity and stability. Consolidating the USG program over the next couple of years will result in a more highly focused program of greater impact. Until phase-out of the SEED program in Estonia is complete after FY 1996, the U.S. program will address specific assistance needs.

Today, U.S. assistance efforts emphasize:

- *advancing democratic reform* by supporting strengthened local governments and improving management of the national government;
- *strengthening economic reform* by assisting the completion of privatization of state enterprises, promoting small and medium enterprises, and encouraging trade links with the west;
- *improving the quality of life* through assisting with the privatization of the health sector and improvement of the environment.

Program Highlights

The U.S., through the SEED Act, assisted the GOE in drafting the fundamental privatization statutes and reorganizing the government's privatization agency, supervising the sale of state enterprises, creating a model voucher system, and privatizing agricultural cooperatives and food industries. SEED also helped to create a vibrant small business sector with the support given to the Estonian Small Business Association, restructuring enterprises, promoting regional trade, and strengthening the banking industry. U.S. assistance supported campaign building for municipal elections, and organization of indigenous political parties and civic groups to strengthen democratic pluralism. To facilitate these reforms, SEED assisted the Government draft the very legal and regulatory framework by which made these democratic and economic reforms possible.

U.S. assistance in Estonia to alleviate environmental problems is designed to complement economic restructuring as well as to reduce threats to health caused by heavy industrial pollution. The program has assisted in natural resource pricing and

taxation policy for water, mining and forestry. Another part of the program has targeted the oil shale mining and refining industry in northeast Estonia to help introduce low cost changes in production, management and training that result in lower pollution levels.

Program Challenges

Estonia's rapid progress toward a market economy and a democratic society is a good reflection of how assistance and local determination can achieve stated national objectives for political and economic reform. During the phase-out and graduation of the SEED program in Estonia, coordination with other donors will be a factor in maintaining the momentum of, and ensuring the continued success of, the reform process. Regional Baltic stability is also important to establishing democracy and a market economy.

HUNGARY

Economic Developments:

After leveling off in 1993, Hungary's economy began a modest recovery in 1994. Real GDP for the year is now expected to grow by one to two percent, while relatively tight monetary policy held inflation to about 20 percent. Unemployment fell from 13 percent in 1993 to 10.3 percent in 1994.

Unfortunately, this recovery may be shortlived, as massive budgetary and current account deficits continue to threaten Hungary's macro-economic stability. For 1994, Hungary's fiscal deficit could reach 7.0 percent of GDP, while its current account deficit in the balance of payments could exceed 9.0 percent of GDP, i.e., around $4.0 billion.

Since winning the May 1994 elections, the new government led by Prime Minister Horn has acknowledged the daunting economic challenge it faces, but has made only limited headway in addressing these critical imbalances. In December 1994, the parliament did approve the government's proposed budget for 1995, which projects a modest reduction in the budget deficit to about 5.5 percent of GDP. That deficit estimate, however, relies on the questionable assumption that the Horn Government will collect nearly $1.5 billion in privatization revenues in 1995. Without those privatization revenues, the budget deficit projection would jump to as high as 8.5 percent of GDP.

International financial markets have so far been very generous with Hungary. As of year-end 1994, Hungary had borrowed a total of $27 billion in international markets, giving it the highest per capita debt of any country in Central Europe. It had also become a prime target for foreign direct investment, attracting a cumulative total of $7.5 billion, including $3.5 billion from U.S. investors alone. These capital inflows, in fact, have become a major factor in maintaining Hungary's external balance. Should they stop, for any reason, or should they be reversed, the result would likely be severe financing difficulties for entities of every kind in Hungary, including the government itself.

The IMF in December 1993 suspended its $480 million Standby Arrangement with Hungary because of the large 1993 budget and current account deficits. The Horn Government and the IMF have not yet agreed on a new program. The World Bank has also placed a hold on further disbursements of its 1991 Structural Adjustment Loan because of its concerns about Hungary's economic situation.

On a more positive note, the private sector in Hungary has expanded rapidly since 1989. In 1994, it generated about 60 percent of GDP and employed more than 40 percent of the labor force. The government has also privatized almost all shops and small firms, though privatization of the nearly 1,900 large and mid-size state-owned enterprises has moved more slowly. As of November 1994, the State Property Agency

(SPA) and the State Holding Company (AVRT) had privatized about 600 large and mid-sized firms and liquidated about 500 more. The Horn Government has also submitted to the parliament legislation to merge the SPA and the AVRT and to accelerate privatization efforts. In addition, the Finance Ministry has privatized the Foreign Trade Bank, the best-capitalized of the state banks, and intends eventually to reduce its holdings in or privatize the remaining state banks.

In addition, Hungary has successfully reoriented its trade from the East to the West. In 1994, approximately two-thirds of Hungary's trade was with Western Europe. This compares with the pre-1990 period, during which 90 percent of Hungary's trade was directed towards its COMECON partners. Hungary is also seeking full membership in the European Union (EU) and signed, in December 1991, an Association Agreement with the EU which will afford it duty-free entry for most non-sensitive industrial products beginning on January 1, 1995.

In 1994, the Hungarian Parliament also ratified the Uruguay Round GATT Agreement, which paved the way for Hungary to become a founding member of the World Trade Organization. In addition, Hungary, the Czech Republic, Slovakia and Poland agreed to speed up implementation of the 1992 Central European Free Trade Agreement (CEFTA) and to open the door for Slovenia and others to join. Finally, Hungary applied for membership in the OECD in 1994 and participates actively in the OECD's Partners In Transition program.

Political Developments:

In 1994, Hungarians showed that democracy has taken root in their country. Political stability, already evident last year when Peter Boross replaced the late Jozsef Antall as Prime Minister, was further demonstrated by parliamentary elections held in May and a subsequent smooth, constitutionally-valid transfer of power. The reformed Hungarian Socialist Party (MSP), which won a plurality of the vote and an absolute majority in Parliament, assumed power in coalition with the liberal Alliance of Free Democrats (SzDSz) in July. The MSP has committed itself to continue economic and political reform.
The SzDSz campaigned on a platform of fiscal responsibility.

Observers judged the elections, which offered voters a broad variety of choices across the political spectrum, free and fair. A change in the law raised the minimum requirement for a party to enter Parliament from four to five percent of the votes cast, but did not affect Parliament's composition, as all of the parties that passed the old threshold exceeded the new one as well. Although the campaign focused largely on economic issues and the substantial decline in living standards since 1990, extremist politicians continued to be marginalized; unreformed communists took 3.3 percent and ultranationalists only 1.4 percent of the vote.

Despite government's parliamentary majority, the challenge of achieving a consensus within the coalition on how to address Hungary's budget and current accounts deficits should not be underestimated. While agreement appears to have been reached on the 1995 budget, most controversial issues await action.

The coalition could not agree on a media law. Although some private radio and cable broadcasters exist, major ground-based television and radio stations that serve the territory of the entire country remain under government control. During the election campaign, moves by government-appointed television and radio managers raised concerns that the electronic media was being restricted for political purposes. Since the change in government, rumors of politically-motivated dismissals have again resurfaced. Generally, there appears to be agreement that the media must be insulated from political pressure but the modalities for achieving this goal have not yet been implemented. The press, in contrast, is free and unrestricted.

Political institutions established by Hungary's 1989 constitution have worked well, including the separation of powers. The government is headed by the Hungarian Socialist Party, Parliament's largest political party. President Goncz serves as Head of State and is elected by the Parliament. Public opinion polls consistently identify the President as the country's most popular politician. During the previous administration, President Goncz used his position liberally to question government policies. The President also plays an important role in ordering Constitutional Court review of parliamentary legislation if the need arises.

The Constitutional Court has the authority to rule on the constitutionality of laws and statutes brought before it. The Court's members are elected by Parliament to a 9-year term and no member of the Court may belong to a political party or engage in political activity. According to a 1994 amendment to the Constitution, the size of the Court has been reduced from fifteen to eleven members; four unfilled positions were abolished.

A law on ethnic and minority rights passed in July 1993, established the concept of collective minority rights and explicitly permits local self-government in areas where ethnic groups constitute a majority. In areas where ethnic groups are in the minority, minority councils, parallel to the local government, were authorized. The law also attempts to protect the right of ethnic groups to use their own language and to safeguard minority schools and newspapers. Hungary is proud of this legislation and has offered it as a model for the region, although its effect in practice has not been demonstrated. However, this will soon change, as a number of councils were elected in December municipal elections.

Although the government does not systematically repress the Roma (gypsy) population, police continued to harass and abuse Roma and societal discrimination against Roma is widespread. However, there were fewer anti-Semitic and racist incidents and skinhead

attacks, largely due to the decrease in the number of foreign students in the country.

SEED ASSISTANCE SUMMARY

Program Overview

U.S. government assistance to the Republic of Hungary is based on helping it meet a series of strategic objectives in areas of democratic governance, economic restructuring, and quality of life. These objectives will be realized by the sustained efforts of the Hungarian people with the donor community playing a supporting role. U.S./SEED assistance obligations to Hungary totaled $194.670 million as of September 30, 1994.

Economic restructuring programs account for approximately 75 percent of the USAID Office's obligations since 1991, primarily for privatization, financial sector reform, and the Hungarian American Enterprise Fund (HAEF). As Hungary's reform process evolves, U.S. assistance will change in response over the next several years.

Today, U.S. assistance efforts emphasize:

- helping to speed economic reform through *privatization* of state-owned companies, assistance to *strengthen nascent small and medium-sized private businesses* and expediting *financial sector reform*;
- strengthening democratic reform efforts of *local government* to improve administration, the environment, and social services; facilitating *education* reform; building the ability of indigenous *NGOs* to promote a democratic society; promoting an *independent media* by providing technical support and training; and
- improving quality of life through efforts to *ameliorate effects of economic dislocation* and technical assistance for the *conversion of public sector housing* to the private sector.

Program Highlights

SEED assistance has helped the government of Hungary to develop the capacity to manage the privatization process and implement innovative programs that have accelerated privatization, increased Hungarian participation, and made the process more transparent. Investors acknowledge the important role played by USAID-contract SEED advisors in helping the State Property Agency (SPA) staff in selling state-owned companies.

An example involved the April 1994 sale of the Oroshaza Food Company, producer of poultry products. Following ten months of tough negotiations, a German-led consortium of western companies purchased the Hungarian enterprise for $2.6 million,

promising an additional $1.8 million investment to enhance long-term commercial viability, benefiting the company's 1000 employees. Another major impact on the privatization process has been USAID support for translating the concept of Employee Stock Ownership Participation schemes (ESOPS) into a highly successful financing technique. From January 1993 to March 1994, 46 percent of all privatization sales by the State Property Agency included an ESOPS component. By July 1994, 168 companies had been privatized through ESOPS conveying ownership to some 50,000 employees and thereby increasing grass roots support for the privatization process.

Local administration in Hungary has been overwhelmed with newly acquired responsibilities such as housing, infrastructure maintenance and revenue generation. The SEED Housing Program provides technical assistance to rationalize housing finance and production through the introduction of competition while strengthening the capacity of local government to assume its new responsibilities. Under the Housing Program, the Ministry of Finance has reduced and better targeted housing subsidies and introduced alternative mortgage instruments. The U.S. Department of Labor is providing technical assistance to address the problem of worker layoffs; another program trains mediators from government, business, and labor in labor management and dispute resolution. Ohio State University conducts an entrepreneurial training program to facilitate displaced workers reentering the market place as entrepreneurs.

USAID programs respond to health needs in Hungary to improve the quality of life, helping to maintain support for the reform process. The result of a University of Kansas Medical Center partnership with Hungary's pediatric oncology department at Semmelweis Medical University is a dramatic decrease in pediatric mortality rates from cancer in the first year after diagnosis. Three years ago, 18.5 percent of all children with cancer died within the first year, most of secondary causes introduced by non-sterile techniques used in treatment. In 1994, the mortality rate among children diagnosed with cancer had dropped among first-year patients to just 4 percent.

Program Challenges

The ability of Hungary's government to implement a social restructuring program compatible with a market economy is a concern. Economic transformation in the region is accompanied by social dislocation. Social services infrastructure inherited from the communist era is inadequate. Many social programs are large and poorly targeted, resulting in large expenditures on benefits that do not effectively reach those most in need.

KOSOVO

Political and economic conditions continue to deteriorate in the Serbian province of Kosovo. Its autonomy was removed unilaterally by Serbian authorities in 1989, who have subsequently forced most ethnic Albanians out of their jobs and severed them from government services and the formal economy. Serbs are responsible for extensive human rights violations and severe repression in Kosovo, including extra-judicial killing and torture. The province is firmly under the thumb of the heavily armed Serbian police.

As a result, ethnic tensions remain extremely high. Rejecting any restoration of autonomy, ethnic Albanian leaders seek international support for Kosovar independence which the Serbs vehemently oppose. Most recently, over 200 ethnic Albanian former policemen were arrested arbitrarily, one of whom appears to have died in custody.

Kosovo remains one of the primary obstacles to a comprehensive settlement in the Balkans. The United States supports the return of political autonomy and full human rights, but opposes independence or a UN protectorate for Kosovo.

As a Serbian province, Kosovo suffers along with the rest of Serbia-Montenegro the full effects of UN sanctions. While these sanctions have not blocked humanitarian assistance or imports of food and medicine, they have cut sharply into the income Kosovo residents generate domestically or are allowed to legally repatriate from abroad. This situation has produced additional pressure on the already rock bottom incomes of the ethnic Albanian population, and driven significant numbers abroad in search of employment.

SEED ASSISTANCE IN KOSOVO

No SEED-funded activities in the areas of democracy building, economic restructuring or improving the quality of life took place in Kosovo in FY 1994. It was not possible to establish the kind of permanent oversight presence required of these activities in this county under the control of Belgrade. The Office of Foreign Disaster Assistance (OFDA) was able to distribute substantial amounts of disaster relief. See Heading under Office of Foreign Disaster Assistance.

LATVIA

Economic Developments:

Latvia continues to stabilize its economy and pursue market-oriented reforms. Its freely-traded currency, the lat, was introduced in 1993 and has held steady, or appreciated, against world currencies. For the past two years, inflation has been held under a monthly rate of 2-3 percent. Latvia's economy had contracted substantially since 1991 but appeared to have steadied and even grown modestly by late 1994. A booming private sector, especially in trade and services, accounted for about half of economic activity. As of September 1994, real unemployment was estimated at 8 percent. Privatization proceeded fairly quickly in the rural sector; by mid-1994, over fifty percent of Latvia's farmland was in private hands, the rest in stock or government-owned companies. In the industrial sector, especially medium and large enterprises, progress was slower. The first mass privatization of firms is expected to be offered for stock purchase with vouchers in early 1995.

Latvia has made steady progress toward replacing the centrally-planned, socialist system imposed during the Soviet period with a structure based on free-market principles. Latvia's growing private sector is estimated to account for as much as 50 percent of the country's GDP. Latvia essentially balanced its state budget in 1993 and projected a deficit of just under two percent of GDP in 1994, and 1.7 percent in 1995. Economic separation from the Soviet Union, collapse of central planning and privatization of agriculture contributed to Latvia's economic output shrinking by 34 percent in 1992 and 20 percent in 1993. Official statistics tend to understate the booming private sector, suggesting that the Latvian people and their economy are doing much better than is reflected statistically. Led by recovery in light industry and a boom in the commerce and finance, the IMF expects the economy to expand in 1995.

Latvia reported a trade surplus of 36.4 million lats in 1993, with exports of 675.6 million lats and imports of 639.2 million lats. Russia remains Latvia's largest trade partner, accounting for 29 percent of exports and 28 percent of imports. Also, Latvia remains heavily dependent upon Russia and the NIS for about ninety percent of its energy needs. Invisible flows and net official transfers were positive in 1994, and Latvia likely experienced another balance of payments surplus in 1994. Assuming the lat remains relatively strong, Latvia is expected to record stronger balance of trade deficits in 1995, as imports outpace exports. In January 1994, direct foreign investment reportedly amounted to $140 million, of which the United States appears to be the largest investor. In 1994, Latvia signed a free trade agreement with the EU, with associate member status anticipated by the end of 1999. In 1994, Latvia signed agreements with the United States on trade and intellectual property protection, investment, and science and technology cooperation.

Structural reform has proceeded most rapidly in agriculture and in the

privatization of small enterprises. Over 58,000 private farms have been established and most remaining collective farms transformed into private joint stock companies. However, many of Latvia's new farmers are operating at subsistence levels stemming from a lack of financial resources and credit. Control over urban and rural property is being returned to former owners, but the legal mechanisms for title registration, sale and mortgaging of real property are not yet fully developed. Other than privatization of the food processing and dairy industries, the pace of privatization of large industrial enterprises has been slow. Only about a dozen of Latvia's largest industrial enterprises have been privatized. Recovery in light industry and Riga's emergence as a regional financial and commercial center are offsetting shrinkage of the state-owned industrial sector and agriculture. Foreign investment in Latvia is still modest compared with levels in North-Central Europe, but is expected to expand as stabilization takes firmer hold.

Political Developments:

Latvia regained independence in 1991 after 50 years of Soviet rule. A parliamentary democracy, Latvia held free and fair elections for a parliament (saeima) in 1993 and for local councils in May 1994, both dominated by right-center parties. Following the resignation of Prime Minister Valdis Birkavs of the ruling Latvia's Way party in mid-1994, the saeima endorsed a new government headed by Maris Gailis of the same party. The prime minister and the cabinet manage day-to-day government operations. President Guntis Ulmanis continued to serve his three-year term as head of state, to which he was elected by the saeima. A 1991 constitutional law, which supplements the 1922 constitution, provides for basic rights and freedoms.

On April 30, 1994 Latvia and Russia concluded agreements providing for Russian troop withdrawal, continued Russian operation of an early-warning radar in Latvia for four years, and social guarantees for certain ex-Soviet military retirees. Russia completed its troop withdrawal as scheduled August 31, but the Latvian Government says 4,000 demobilized Russian officers have remained in violation of the agreement.

A key development in 1994 was the adoption of a law on naturalization and citizenship, which was favorably evaluated by the resident OSCE mission, established in 1993. If implemented, the law will allow most of Latvia's approximately 700,000 noncitizens to seek naturalization over the next eight years. The main requirements are knowledge of the Latvian language, history and constitution as well as a pledge of loyalty to Latvia. Russia and some noncitizens criticized the law; however, most independent experts deemed it a compromise consistent with international norms. By year's end the Latvian government was expected to introduce a national program for protecting individual rights and parliament was preparing to adopt a law specifying the rights of noncitizens.

Comprising 48 percent of the populace, non-Latvians are primarily urbanized and control an estimated 80 percent of the economy, making economic, not political reform a

key issue to Latvia's future ethnic harmony.

SEED ASSISTANCE SUMMARY

Program Overview

Assistance to the Republic of Latvia through the SEED Act began in October 1991. Initial support consisted of emergency humanitarian assistance and energy programs that responded to immediate needs. The program quickly evolved into a comprehensive technical assistance system supportive of the Government of Latvia's development objectives. As of September 30, 1994, cumulative obligations to Latvia under the SEED Act totaled $22.5 million.

Today, U.S. assistance efforts emphasize:

- *supporting the economic transition through open market reforms*, including private sector development, banking reform, energy efficiency and environmental protection;
- *supporting development of democratic institutions* through the strengthening of local and national government and nongovernmental organizations.

Latvia's impressive economic accomplishments, including the successful introduction of a fully-convertible national currency, continuity in economic policy reform during a time of political change, and rapid reintroduction of democratic institutions have led to a sharpened focus of SEED activities.

Program Highlights

In 1994, U.S. Treasury advisors played a key role in the preparation of a general budget law, passed in April 1994, which establishes many western budgeting and spending accountability practices. Treasury short-term advisors operating under an interagency agreement with USAID advised the Latvian Ministry of Finance and Bank of Latvia on macroeconomic policy, tax policy and administration, monetary policy developments, budget implementation and commercial banking. A long-term Treasury advisor to the Bank of Latvia assisted with implementation of monetary policies aimed at stability of prices and currency. The resulting conservative monetary policy has given the country a stable, fully convertible national currency, the Lat. Interest rates are declining to levels affordable by some businesses.

Another advisor to the Bank of Latvia helped in the design of a major bank privatization program, enabling Latvia to create a two-tier banking system, facilitating the implementation of monetary policy and regulation of the banking sector. Twenty-one of the Bank of Latvia's 48 branches have been transformed into commercial banks. The

remaining weaker branches have been combined into a Universal Bank being prepared for early privatization.

Privatization assistance under the SEED program has helped the Ministry of Agriculture achieve several strategic successes with the privatization of the dairy sector as well as a number meat processing plants and bakeries. Assistance included asset valuation, restructuring of accounting systems, business plan development, and legal documentation. The International Executive Service Corps (IESC) sent volunteers with management and marketing experience to assist businesses and newly-privatized enterprises. IESC volunteers served as consultants in areas including pharmaceutical, medical administration, trade, fiberglass, and craft industries.

President Clinton's announcement of the Baltic American Enterprise Fund board in July 1994, and the subsequent availability of the first tranche of financing for the Fund represent significant commitments in support of the rapidly-developing private sector.

Assistance for the energy sector in Latvia targets two critical areas: energy efficiency and pricing and power sector restructuring and management. Regional cooperation in electricity contracting is supported at the Baltic Dispatch Center in Riga. A pilot industrial energy efficiency program demonstrated the potential for cost and energy savings with the adoption of low-cost energy efficiency measures. The Latvian Electric Company is receiving demand-side management training to promote the adoption of energy efficiency measures across a more diverse spectrum of customers. In 1994, the Baltic Dispatch Center promoted regional consultations and technical seminars to advance regional planning to adopt least-cost solutions to energy issues.

During 1994, just one facet of the SEED program to enhance environmental protection in Latvia was the World Environmental Center's efforts to lessen industrial pollution and minimize waste. It initiated waste minimization projects in five industrial plants and studies in another six firms. Using the findings, plant management identified cost-effective measures that in all cases led to significant reductions in wastage and cost savings. In some cases, savings were achieved through introduction of new management practices without any appreciable capital investment.

The June 1994 completion of the House of Representative's Special Task Force on the Development of Parliamentary Institutions (the "Frost Task Force") in support of Latvia's *Saeima* (Parliament) was an important contribution to the effective functioning of the country's democratic institutions. USAID and USIA provided technical assistance and training in public administration and local government management as well as constitutional and civil law reform to appropriate national and local government leaders. Latvian-speaking American city prosecutors went to Latvia under USIA's Rule of Law program as Professionals-in-Residence to advise the Parliament, Supreme Court, Ministry of Justice, Prosecutor General, and the Latvian Judges Association on the

development of a new criminal code and to assist in the country's general legal reform.

Program Issues

Rapid development in the region has earned the Baltics the distinction of being transit countries for economic and organized crime activity; such corruption risks undermining the progress of reform. In coordination with the GOL, the U.S. is working to identify appropriate responses.

Given that enterprise privatization is an important underpinning for sustained economic progress, and in view of the country's disappointing performance in large-enterprise privatization, implementation of the Latvian Privatization Agency's mass privatization program, assisted by USAID, will be closely followed. In the event the program falters, resources may be redirected.

LITHUANIA

Economic Developments:

Lithuania has been hit hard by the economic decline afflicting the countries of the former Soviet Union. Output in the state sector continued its steep decline, falling roughly 30 percent in 1994, although at a reduced rate from previous years. Although a Most Favored Nation (MFN) agreement with Russia was signed in November 1993, Moscow has linked its implementation to Lithuanian agreement to conclude a bilateral Kaliningrad military transit accord. As a result, trade between the countries remains subject to heavy tariffs.

Lithuania has made an effort to reorient its trade toward the West. Trade with Russia, which once accounted for the overwhelming majority of imports and exports, now totals about 50 percent, while the other 50 percent of Lithuania's trade now is directed towards Western Europe. In 1994, Lithuania signed a free trade agreement with the EU, with associate member status anticipated by 1999. With the United States in 1994, Lithuania signed agreements on trade and intellectual property protection and science and technology cooperation. Lithuania had maintained a small trade surplus in recent years, but recorded a $300 million deficit in 1994.

The government also took additional steps in regard to structural adjustment. It instituted a currency board which fixed the litas at four to one to the dollar and has achieved significant success in reducing inflation. The yearly inflation rate declined to less than 40 percent in 1994, compared to 183 percent for 1993. Banking system credit remained under tight control and the government continued to show a small surplus in the general government accounts. The trade regime established in 1993 abolished most export taxes, and the Government in 1994 established an 18 percent VAT.

Meanwhile, Lithuania is gradually transforming a centrally-planned economy into a market-oriented system. Nearly all housing and small businesses are now privately owned, but large enterprises continue to operate essentially as state firms. Over 142,000 new private farms have been established which cover well over one-third of the country's total arable land. Newly-created small firms (114,452 have been registered) are rapidly growing in number and steadily expanding the range of products and services that are on offer to Lithuanian consumers. It is estimated that the private sector now employs slightly over half of the total workforce, thereby helping to cushion the effects of declining production in the state sector. Output, having dropped 37 percent in 1992 and 16 percent in 1993, actually appears to have bottomed out at zero growth in 1994.

Although the official statistics indicated that 3.2 percent of the workforce was looking for work in 1994, hidden unemployment is a massive phenomenon in the state sector economy, which is running at less than half capacity. Wages have gone up in real terms and now average about $93 per month, compared to $50-60 per month in 1993.

The IMF has extended stand-by credits to Lithuania and strongly endorsed the Government's opposition to an indexation of wages and investments sponsored in a failed August 1994 referendum by the left- and right-wing opposition.

The transportation infrastructure is adequate. Lithuania has one ice-free seaport with ferry services to German ports. There are operating commercial airports with scheduled international services at Vilnius and Kaunas. The road system is good but border crossings may be difficult due to inadequate border facilities at checkpoints with Poland. Telecommunications have improved greatly since independence as a result of heavy investment. The banking/financial sector is weak but improving.

Lithuania's severe financial difficulties preclude any large-scale efforts to combat environmental degradation. With the help of multilateral financial institutions and individual donor countries, however, modest progress has been made in constructing water-purification systems in Klaipeda, the country's port, and Palanga, a seaside resort in northern Lithuania.

Political Developments:

Lithuania, a parliamentary democracy, regained independence in 1991 after more than 50 years of illegal Soviet annexation. The Constitution, adopted by referendum in 1992, established a 141-member unicameral legislature, the Seimas; a directly elected president, who functions as Head of State; and a government formed by a Prime Minister and other ministers, appointed by the President and approved by the Seimas. The Government exercises authority with the approval of the Seimas and the President.

In free and fair elections in late 1992, the Lithuanian Democratic Labor Party (LDDP)--the successor to the Communist Party of Lithuania, which in 1989 broke away from the Soviet Communist party--won a majority of parliamentary seats and formed the Government, replacing the nationalist Sajudis coalition which had been in power since Lithuania regained independence. In early 1993 voters elected Algirdas Brazauskas, the then Chairman of the LDDP, as President.

Lithuania's liberal "zero-option" citizenship law and the current Government's policies have substantially erased tensions with its neighbors. Lithuania and Poland signed a Friendship Treaty in spring 1994, and a similar agreement with Belarus nears signature. Russia withdrew its troops from Lithuania in 1993, but military transit to and from the Kaliningrad enclave still remains unresolved. It appears that Lithuania and Russia have agreed for the present to abide by ongoing informal terms of transit.

SEED ASSISTANCE SUMMARY

Program Overview

Assistance under the SEED Act began in the Republic of Lithuania in October 1991. Immediate needs were for rapid-delivery humanitarian and energy programs. Almost immediately, the Government of Lithuania (GOL) engaged in efforts to transform the economy into a full-fledged market system; U.S. assistance has kept pace with the developments to offer timely help in the fulfillment of this goal. As of September 30, 1994, total U.S. assistance to Lithuania was approximately $29.6 million.

Today, U.S. assistance efforts emphasize:

- *developing the newly-privatized business sector*, with emphasis on financial sector reform;
- *addressing the need for energy efficiency and the safety of the Ignalina nuclear power plant*; and
- *strengthening democratic institutions*, both governmental and non-governmental.

A recent review of strategic objectives has resulted in an increased emphasis on environmental efficiency investment and improving the role of formerly state-owned agro-industries in the economic transformation process. Special emphasis will be given to production, pricing, and infrastructure support services.

Program Highlights

The greatest achievement of U.S. assistance in the last three years is in the strengthening of Lithuania's financial sector. The programs help to facilitate the conversion of the command economy in Lithuania into one based on the private sector. SEED-funded advisors consulting directly with Government of Lithuania ministries and departments have helped to produce new legislation and policies in the areas of tax administration, budget policy, bank training, and management. Assistance to the Central Bank's bank supervision department has been particularly effective in promoting fiscal reform by developing a more effective bank supervision and regulatory system in Lithuania. In addition, experts have provided ongoing education to government officials formulating practical applications for a market economy. In late FY 1994, funding was provided to the newly-established Baltic American Enterprise Fund. The Fund will provide much needed small loans to, and equity investments in, small- and medium-sized businesses.

Under USAID, the World Council of Credit Unions is responsible for a project to establish a network of agriculturally-based credit unions in Lithuania. A project has begun to open 15 credit unions, increasing the efficiency of financial markets and improving the availability of personal financial services in the country. KPMG Peat

Marwick carries out a number of technical assistance projects including privatization of dairy industry producers and technical assistance to enterprises wanting to access a new $25-30 million credit line for agriculture from the World Bank. The International Executive Service Corps has completed almost 40 projects for industry and banking. Projects included computerizing accounting systems, implementing budget controls, providing marketing guidance and instruction for bankers about foreign exchange operations.

SEED programs are helping Lithuania reform the inefficient energy sector. Arthur Anderson assisted the Lithuanian State Power System (LSPS) develop an internationally accepted accounting system. Another USAID contractor provided assistance for the modernization of the LSPS dispatch center, qualifying it for inclusion in a planned World Bank power sector loan. A partnership program with Alabama Power Company provides technical assistance to improve several areas including utility management and organization, financial and cost-benefit analysis techniques, and information technical systems that will result in more efficient use of electricity both in Lithuania and in the region.

A variety of assistance projects are ongoing to improve the safe operation of the Ignalina Nuclear Power Plant. Brookhaven National Laboratory installed plant and reactor monitoring equipment and provided hands-on training for staff. An agreement signed with the Nuclear Regulatory Commission will increase cooperation for improving the plant and reactor and ensure a continuing exchange of technical information. The agreement also covers research reactor safety.

The American Bar Association's Central and East European Law Initiative (ABA/CEELI) has provided a variety of services to strengthen the country's democratic institutions in the field of law. CEELI was instrumental in helping Vytautas Magnus University to develop a new three-year legal curriculum. The First Fridays Legal Club provides a forum for lawyers to learn from each other and multiply the effects of regional conferences for judges, lawyers, and other legal professionals.

In June 1994, the House of Representative's Special Task Force on the Development of Parliamentary Institutions (the "Frost Task Force") fulfilled its objectives to provide technical equipment, reference materials and a Parliamentary seminar to support democracy in Lithuania.

Program Challenges

Though most private dwellings and agricultural entities have been privatized, over 65 percent of state-owned enterprise capital set aside for hard currency privatization is still unprivatized. The Lithuanian Parliament's veto of legislation to create a Privatization Agency and State Property Fund raises questions about the Government's

commitment to complete privatization of these state-owned enterprises. U.S. assistance is therefore shifting to developing those private and public enterprises and institutions in the post-privatization phase which need business and financial expertise.

FORMER YUGOSLAV REPUBLIC OF MACEDONIA (FYROM)

Economic Developments:

War in nearby Bosnia has severely hurt the FYROM economy and complicated efforts at economic reform. The FYROM has suffered a breakdown of trade and capital flows. The fledgling nation lacks the resources to shore up a weakened, inadequate infrastructure, and cannot finance new east-west links that will be needed for long-term development. The Greek embargo, imposed in February 1994, compounded the country's economic woes by cutting access to the region's main port of Thessaloniki. There has been limited success in efforts to reroute trade along existing east-west routes. Going around the Greek embargo and loss of access to the port of Thessaloniki had a negative impact on the FYROM's industrial competitiveness. Input costs soared as FYROM shippers were forced to use overcrowded alternate transport routes.

Despite a harsh economic climate, the FYROM government put into place a modest economic stabilization program in early 1992 that won praise from IMF officials for its effectiveness. Inflation recently dropped to 2 percent per month. The average monthly salary was $126 by the end of 1993 -- less than the cost of food for the average family -- but still considerably more than the average monthly salary in Serbia.

Industry and mining, still the largest sectors of the shrinking economy, contributed about 40 percent of GDP, while agriculture made up about 15 percent of GDP. Most of the FYROM's agricultural sector is in private hands, while the industrial base is largely socially owned. The existing private sector, which is small but growing and service-oriented, has also suffered. Although the number of private businesses increased significantly in 1993, many only exist on paper. Tourism has virtually disappeared as a result of the conflict in Bosnia and the Greek blockade. The transport sector, which is heavily geared toward north-south transit from Greece to Serbia, has been severely disrupted.

The U.S. contributed $5 million to a multilateral effort to clear the FYROM's arrears with the World Bank in early 1994, which in turn unlocked the country's first Economic Recovery Loan. The June 1994 World Bank Consultative Group meeting only partially succeeded in filling the projected 1994-1995 Balance-of-Payments gap of $110 million. This gap must be met for the IMF and IBRD to move ahead with their planned programs in 1995.

Political Developments:

FYROM is the only former Yugoslav republic to have gained independence peacefully and without bloodshed. The United States recognized the FYROM on February 8, 1994, using the FYROM provisional name, pending resolution of the dispute

between Greece and the FYROM over the latter's name. All members of the European Union, except Greece, have established full diplomatic relations with the FYROM. The President decided to withhold establishing diplomatic relations until progress had been made in settling the FYROM/Greece dispute. The President appointed a Special Envoy, Matthew Nimetz, in March 1994 to bring both parties back to stalled UN-sponsored talks led by Cyrus Vance.

The FYROM is a parliamentary democracy that declared its independence from Yugoslavia in September 1991 after a public referendum on the issue. The FYROM held its first parliamentary and presidential elections as an independent nation in November 1994. President Gligorov, first elected president by Parliament in 1991, was re-elected by direct popular vote in 1994, as mandated by the constitution, with the support of 53 percent of all registered voters. He has broad authority, particularly in international relations, despite his limited constitutional powers.

Although there were procedural problems, the 1994 elections were declared free and fair by international observers. Sixty political parties were registered and ran their candidates in the first round. To the detriment of the democratic process, two major opposition parties (both with ultra-nationalist leanings) boycotted the second round of elections to protest technical irregularities noted during the first round. CSCE and Council of Europe observers ruled that the irregularities were not widespread enough to have affected the outcome of the first round. President Gligorov's three-party coalition garnered more than a two-thirds majority in Parliament, while Albanian parties and independents occupy the rest of the seats. The Albanian PDP (Party for Democratic Prosperity), which lost seats in these elections due to the splitting off of less moderate members, was granted four ministerial positions in the new government, one less than in the last government.

Fundamental human rights are provided for in the constitution and appear to be generally respected, although hard data and systematic records are lacking. Ethnic Albanians and other minorities have raised various allegations of human rights infringements and discrimination at the hands of the Macedonian ethnic majority. Most recently, an attempt to open illegally an Albanian-language university in Tetovo attracted disproportionately harsh intervention by local government authorities in Tetovo, including the bulldozing of the building that was to house the university. Despite the frustrations of the Albanian community in the FYROM, the Badinter Commission concluded in 1991 that the FYROM fulfilled all the human rights requirements for recognition, including acceptance of the UN Charter and CSCE agreements and guarantees of the rights of ethnic minorities. The FYROM continues to be locked out of full CSCE membership by Greece's opposition.

There are no restrictions on freedom of the press, though the central printing facility is controlled by a government board. Television is still controlled by the government, but there are several different radio broadcasting groups around the

country. Broadcast licensing laws are under parliamentary consideration. The primary obstacle to the development of greater media diversity is the FYROM's dire economic situation, though like other ex-Yugoslav republics the FYROM has a strong tradition of state-controlled news dissemination. Foreign newspapers, books, and periodicals are available but expensive.

The FYROM Interior Ministry currently oversees the country's security apparatus, including uniformed police, border police, and the domestic and foreign intelligence services. Ministry branch offices in the country's 13 precincts are in charge of security at the local level.

SEED ASSISTANCE SUMMARY

Program Overview

The FY 1994 SEED assistance program focused on providing technical assistance in two key areas: support to the stabilization program through financial and economic restructuring, and democratization. Early efforts addressed a broad spectrum of financial activities: the national budget, macroeconomic policy, taxation, the pension fund, banking, and privatization. The objective then was to assist in creating the financial infrastructure necessary for a successful transition to a market economy. Over the course of the year, as the international financial institutions began to take a more active role in the FYROM, U.S. assistance was narrowed to focus on specific and related areas of concern.

Today, U.S. assistance efforts emphasize:

- the *building of a democratic and civil society* through programs that encourage broad citizen participation;
- *developing the private sector and free markets* working through pilot privatization programs, technical assistance to the banking industry, and management training.

Program Highlights

FY 1994 was the first full year of operation in FYROM. There were several notable accomplishments. In the area of the development of financial and economic systems, SEED consultants assisted the government in drafting new laws on taxation (sales, inheritance, customs, personal income, corporate profit, and property.) Advice provided by the National Democratic Institute was incorporated into the proposed electoral law. Technical assistance given to the Central Bank has provided long-term advisors to improve bank management in a program backed by SEED and the IMF. SEED-funded USAID contractors completed audits of two major banks, as part of a

World Bank effort to strengthen the banking sector. Our assistance began to alleviate export and import barriers by improving facilities and capabilities at the borders through work with customs officials.

The National Democratic Institute assisted in the creation of an indigenous civic organization which then provided 900 domestic monitors for the fall presidential and parliamentary elections. The International Republican Institute provided training to political parties in election financing and techniques, and also served as international monitors in the recent elections.

During the year, project designs were completed to provide a team of experts to the Privatization Agency to assist in acceleration of the privatization process; to assist the electric utility in identifying options for privatization; to encourage the development of parent/teacher associations in ethnically diverse areas; to establish a regional network for women's civic organizations; and to encourage networking among indigenous non-governmental organizations, with an emphasis on environmental groups.

Program Challenges

FYROM is limited in its ability to successfully achieve economic growth and political stability. On the economic front, FYROM is squeezed between the U.N.-mandated economic sanctions on Serbia and the embargo against itself unilaterally imposed by Greece. On the political front, the instability in Bosnia and the potential for spillover creates a great deal of uncertainty. Given the current situation, assistance has limited impact on the economic situation. A sizable ethnic Albanian minority has participated in the government and has worked with the ethnic Macedonian majority to iron out potential ethnic flashpoints. Nonetheless, external problems and internal economic difficulties could lead to inter-ethnic tension so far avoided.

POLAND

Economic Developments:

In 1990, Poland embarked on a program of economic reform and stabilization that has few historical parallels in terms of both its pace and scope. Monetary and fiscal policy were both tightened considerably; the national currency, the zloty, was made convertible for most current account transactions; prices were freed; trade restrictions were lifted; and public subsidies were reduced from more than 15 to less than 2 percent of GDP. State enterprises were, in individual cases, privatized; wage increases were limited through an aggressive incomes policy; and the first steps were taken towards the reform of the nation's social welfare system.

All of these steps had costs. Output dropped by approximately 20 percent of GDP in 1990 and 1991, unemployment rose to 16 percent of the labor force, and living standards plunged. At the same time, however, inflation was tamed, dropping from almost hyperinflationary rates in 1989 and 1990 to a still high, but no longer accelerating rate of 37 percent in 1993. More importantly, Poland became the first Central European country to turn the corner on growth, registering an overall increase in real GDP of 1.5 percent in 1992 and 3.8 percent in 1993.

In 1994, these trends continued. Real GDP growth accelerated to a rate of approximately 4.5 percent and strains which had appeared within Poland's trade account in 1993 were largely eradicated by continued sharp improvements in Polish productivity and a one-off step devaluation in August 1993. Exports now appear likely to increase by approximately 15 percent in value terms in 1994, reducing both Poland's trade and current account deficits and helping produce a net increase of international reserves in excess of $2.5 billion.

On the other hand, inflation (as measured by the consumer price index) continued high and now appears likely to average between 30 and 35 percent for 1994 as a whole, as a rapid increase in international reserves, a consequent rapid expansion in the broad money supply and cost-push factors (increased wages and higher agricultural prices) all tended to place upward pressure on prices. Unemployment in 1994 also remained high (at approximately 16 percent of the labor force) as state-owned enterprises in particular continued to shed workers. In contrast, in the private sector, productivity and employment both increased, raising the private sector's share of employment and output in Poland to more than 50 percent.

There were also few changes in the government's reform program, despite the election, in September 1993, of a center-left coalition government, whose election rhetoric promised adjustment "with a human face". If anything, the new government has accentuated the fiscal austerity already evident under previous governments, holding the

central government's deficit to only 3.7 percent of GDP. It has also continued privatization efforts, albeit with a new emphasis on the prior "commercialization" of public enterprises, and clear intent to use the privatization process as a budget financing tool.

In 1994, the Polish government also completed negotiations that will regularize its relations with all significant external creditors, clearing the way for new private capital flows. In October, it concluded a debt reduction arrangement with its commercial bank creditors that will reduce the value of commercial bank claims against it (originally $14.4 billion) by slightly less than half. Combined with its continued strong financial performance under its IMF program, that agreement also qualified Poland for the second tranche of debt reduction under the agreement signed in 1991 with its Paris Club creditors, who agreed then to reduce Poland's outstanding official debt (then approximately $33 billion) by fifty percent.

Looking ahead, there are still major challenges facing Poland. Over the next several years, the Government of Poland will have to come to grips with the explosive growth of social welfare and pension programs, which consumed 20 percent of GDP in 1994, squeezing out needed investments in public infrastructure. It will also need to deal effectively with large, loss-making public enterprises in the steel, coal, railway and ship-building industries, which have thus far been able to use their political and economic clout to ward off serious efforts at restructuring. Finally, the government will have to come to terms with the deteriorated state of specialized banks now serving the agricultural and housing sectors, which have thus far been able to use their special status to claim transfers from the government and avoid effective supervision.

The impact of these continuing problems will be felt, if at all, only over the medium term. In the short term, the momentum for growth in Poland will, if anything, intensify, as the effects of previous reforms take hold and economies expand in Western Europe, which is now Poland's single largest export market. Current forecasts indicate probable Polish real GDP growth of at least 5 percent in both 1995 and 1996, continued strong trade performance, rising private capital inflows, moderating inflation and reduced unemployment -- excellent circumstances, in short, for continued reform and adjustment.

Political Developments:

Five years after the fall of communism, Poland has firmly established a parliamentary democracy based on a multiparty political system and free and fair elections. President Lech Walesa shares power with the Prime Minister, the Council of Ministers, and the bicameral Parliament. The Government itself is a coalition between the Democratic Left Alliance (SLD), a successor to the former Communist party, and the Polish Peasant Party, a successor to the Peasant fellow travelers of the Communist era. Headed by PSL leader Waldemar Pawlak, the coalition is four lower house seats

short of a veto-proof 2/3 majority.

Although the SLD and the Polish Peasant Party ran on pledges to mitigate the hardships accompanying Poland's economic transformation, since forming a government, they have largely followed the reformist policies of their predecessors. Strains in the coalition surface periodically, especially over economic policy and over relations with President Walesa, which are shaky. Presidential elections are due in 1995; political maneuvering for the race has already begun. Walesa, Pawlak and SLD leader Kwasniewski are likely candidates. Despite Walesa's current unpopularity in the polls, he still plays an important constitutional role in foreign and security policies.

June 19, 1994, local government elections marked a minor resurgence by the somewhat more unified post-Solidarity parties. However, the coalition parties also scored relatively well in rural (PSL) and urban (SLD) areas, leaving all factions satisfied by the results.

Human rights are generally well respected in Poland, although some infringements on the rights of free speech and assembly continued in 1994. Scattered allegations of police brutality, most often toward foreigners or the homeless, were reported in 1994. All the same, typical human rights violations of the past were the exception in 1994.

The Polish armed forces and the internal security apparatus are subject to governmental authority and are under civilian control. The precise division of authority over the military between the President and Prime Minister continued to be the subject of debate in 1994 and will probably be addressed as part of the new constitution being drafted by Parliament. Under the provisional "Little Constitution" the government must consult with the President on filling three Ministries deemed crucial to Poland's security: Foreign Affairs, Defense, and Internal Affairs.

The National Assembly (the Sejm and the Senate jointly) formed a constitution-drafting committee, which began its work during 1994. The National Assembly formally began consideration of several drafts in September. There is no legal deadline for completion of work on the new constitution, but the chairman of the drafting committee proposed completing work in early 1995 and submitting a draft to a national referendum in the spring of 1995.

Both the parliamentary opposition and media organizations vigorously opposed a draft law in Parliament that they saw as tending to revive censorship and incorporating too broad an interpretation of those official secrets requiring protection. The lack of opportunity for women in the labor market remains a fact of life, despite some signs of improvement in recent years.

SEED ASSISTANCE SUMMARY

Program Overview

Poland is the largest recipient of U.S. assistance in Central Europe with nearly $720 million in SEED funds obligated as of September, 1994. From the beginning of the program, key aspects of the Polish transition to a viable market economy and democratic civil society such as economic restructuring, private and financial sector development, governmental decentralization, housing sector development, environment and energy, agribusiness, health care, human resources and strengthened democratic institutions have received extensive US government assistance. After five years, Poland's transformation is firmly on track, despite the 1993 election of a coalition government which has slowed the pace of reform in critical areas.

USAID-administered SEED assistance is focused on overcoming what remains of major impediments to sustainable, long-term economic growth and resilient democracy, building on lessons learned and a strategy that employs the mutually reinforcing objectives of private, public, financial, and democratic sector development.

Today, U.S. assistance efforts emphasize:

- *supporting private sector development*;
- *assisting development of the financial sector*;
- *reforming an obsolete public sector* to better support democratic development and a market economy;
- *strengthening democratic institutions* at the grass roots level by strengthening NGOs, supporting legal and judicial reforms, and creating an independent, professional, and ethical media.

Program Highlights

The Polish American Enterprise Fund has been a strategic resource in building and strengthening the private sector in Poland. As of September 1994, the fund had been instrumental in the creation of approximately 12,000 jobs by making available $120 million in more than 50 direct-equity investments and large loans, and $67 million for 3,500 small business loans. Many of the Fund's activities represent pioneering investments, helping, for example, to create the first mortgage bank, initiating the first flotation of a privately-owned company on the Warsaw stock exchange, and supporting newly privatized firms.

USAID contractors under the SEED program are credited with making possible substantial achievements in privatization of Polish state industry to date. In late 1994, the Ministry of Privatization launched the Mass Privatization Program supported by advisors from KPMG Peat Marwick. KPMG also facilitated the privatization of four

furniture-sector enterprises valued at $22.5 million. Price Waterhouse assisted with the privatization of eight glass enterprises, one of which was the third largest privatization transaction to date, while a business valuation of the Huta Warszawa steel mill, one of the largest employers in the region, was conducted by Coopers and Lybrand in preparation for the mill's successful privatization. In support of Small and Medium Enterprise (SME) development, the Gemini program helped establish the Foundation for the Promotion and Development of SMEs, which along with the G-24 Task Force on SMEs is well-positioned with the Ministry of Industry and Trade to be a catalyst for change and for the inclusion of private sector interests in policy discussions.

Contributing to the establishment of a modern financial system, Poland's successful negotiations of a 50 percent debt reduction were assisted by Treasury advisors; movement towards the creation of capital market institutions and a regulatory framework for investment companies was accelerated with SEED support, three of nine regional state-owned banks have been privatized with U.S. technical assistance; a Consumer Protection Department within the Anti-Monopoly Office was created as a result of assistance by the U.S. Federal Trade Commission; draft revisions for the collateral law, a product of two years of research and consensus-building by IRIS advisors, as well as the competition and energy pricing laws were completed; an on-site inspection manual for the bank supervision project at the National Bank was drafted and tested during actual inspections by KPMG advisors; the USAID-supported Warsaw Institute of Banking has trained over 700 bankers, creating the cadre of future financial leaders to manage this sector; and to further foreign and domestic investment, the Department of Commerce provides training to facilitate the Government of Poland's adoption of an export control regime.

Nearly half of the SEED budget for Poland assists in building a more efficient and effective public sector to better support a truly civil society and free-market economy. In the past year, a public administration reform project was launched. Technical assistance made possible the new public procurement law which grants fair access by U.S. businesses to the Polish market. At the municipal level, an economic analysis report for Warsaw was prepared; expert assistance was provided for Krakow's reform of local property tax laws, leading to a national review of property tax laws by the Polish government. A USAID Municipal Investment Guaranty Pilot Program was initiated to support municipal finance and investment in infrastructure. USAID has fostered the development of future leaders through numerous training projects on business, environment, agriculture, and political processes.

SEED programs are helping to strengthen institutions essential for sustainable democracy in Poland. USAID advisors have played important roles in the drafting of major legislation on white collar law and Poland's constitution; over 90 students, are enrolled at the Warsaw Journalism Center (WJC) which also conducts workshops for the existing media community on journalism ethics and objectivity; the work of the Polish Parliament has been streamlined through organizational management advisors, training,

and information system assistance; and, in 1995, the Democracy Network for Central Europe will be implemented to develop and strengthen public policy-oriented NGOs in four priority sectors: democracy, environment, economic growth, and social sector restructuring. Also in 1995, an educational reform program to revamp social science curricula, specifically social and public policy research and teaching at the Sociology Institute of the University of Warsaw will begin.

Support for the environment and a better quality of life in Poland remains a high priority. Polish companies have received technical assistance to significantly reduce pollution and in turn municipalities have been empowered to effectively monitor and control threats to the Polish ecosystem. Through the partnerships in the Health Care program, three sites have been established to provide screening for the early detection of breast cancer. The success of this program has led the Polish Ministry of Health and Social Welfare to declare breast cancer screening a national priority. In addition, an innovative effort to establish a campaign to build capital at a well-known children's hospital in Warsaw has demonstrated how local institutional initiatives can capitalize on the increasingly important role of private corporations in the emerging market. The introduction of "corporate citizenship" at this stage of economic transformation in Poland is a timely concept.

Program Issues

Timely implementation in the critical areas of restructuring and privatization, pensions and social welfare reform, as well as decentralization and municipal empowerment will depend, to a large extent, on the degree of consensus and political will in the coalition government.

ROMANIA

Economic Developments:

After a slow and stumbling start in the first years following the fall of the communist dictatorship in 1989, Romania, in 1993, embarked upon a macroeconomic stabilization program encouraged by the IMF that has had some positive results. GDP, which had fallen for four consecutive years, stabilized in 1993 and now appears poised to register growth in the range of 1 to 2 percent in 1994. Monthly retail price inflation, which averaged 12.1 percent in 1993 (the equivalent of an annual rate of inflation of 256 percent) has since declined to a monthly rate of 1.6 percent in August 1994. Similarly, Romania's deficit on current account in its balance of payments has been trimmed from more than 6 percent of GDP in 1992 to what will probably be less than 3 percent in 1994.

Behind these positive developments was a firm stabilization program. The deficit on general government operations, which totaled almost 4 percent of GDP in 1992, was cut to 1.7 percent in 1993 and is expected to remain low in 1994. Broad money growth, similarly, was geared back to less than half its 1993 level, pushing interest rates, for the first time in years, to real positive levels.

Also helpful were steps taken earlier to liberalize prices, trade and Romania's exchange rate system. By the end of 1993, Romania had eliminated most price controls and quantitative restrictions on trade, and laid plans for a decentralized, direct-dealing interbank exchange market. It is not clear that these have been fully implemented.

The GOR has also worked to expand its trade ties with the West. In November 1992, Romania signed an Association Agreement with the European Union, committing the country to gradually harmonizing its trade and tariff policies with those of the Union. That, in 1993, was followed by a Free Trade Arrangement with the remaining states of the European Free Trade Area and designation as a Most Favored Nation by the United States.

Finally, private sector activity has played a major role in Romania's revival. By the close of 1993, the private sector accounted for almost 30 percent of Romania's GDP, as the number of private commercial companies increased by almost 50 percent.

Looking ahead, prospects for Romania should be relatively good provided the government can hold to the current firm adjustment policies and moves to privatize the large state-owned enterprises. Growth is now expected to run in the range of 2 percent in 1995, while average annual inflation is expected to fall below 40 percent, i.e., to less than half its 1994 rate. Meanwhile, its debt burden remains very small, the Communists having paid off Romania's external debt during the 1980s, at a high cost to growth and development.

Nevertheless, there will be risks and pressures. Unemployment has already risen over the past two years from 8.4 percent in 1992 to almost 12 percent. Moreover, that rise in unemployment has taken place in the context of what are still relatively soft budgetary constraints, as least as regards inter-enterprise arrears. By the close of 1993, inter-enterprise arrears in Romania had risen to the equivalent of 15 to 17 percent of GDP, putting pressure on the government's fiscal accounts, other potentially healthy companies and the banking system. The GOR hopes to deal with this problem through a new bankruptcy law, but has been slow in introducing the needed legislation.

Finally, the privatization of state-owned enterprises has lagged badly, as an extended public debate over ways and means wasted opportunities for action. Thus far, the privatization of state-owned companies in Romania has been limited almost exclusively to small scale enterprises in retail trade and services. Little has been done with the larger enterprises and doubts have begun to surface regarding the government's political capacity to deal comprehensively and effectively with all the issues related to the privatization of these companies, including long term company governance, the possibility of foreign ownership and control and, most importantly, the economy-wide resolution of outstanding corporate debts.

Political Developments:

In 1994, Romania continued its progress toward creating a democratic society and integrating itself into western economic and security structures. In January, Romania became the first former Warsaw Pact country to join the NATO Partnership for Peace program; in March, it appointed its first civilian Minister of Defense; in May, it became an associate member of the Western European Union (WEU); in October, it participated in the European Union's Essen summit. Very difficult economic conditions persisted, although there were measurable signs of recovery, aided by agreement with the IMF on a tough set of reform measures.

Prime Minister Vacaroiu's minority government includes members of the Party of Social Democracy of Romania (PDSR, President Iliescu's former National Salvation Front) and the ultranationalist Party of Romanian National Unity (PUNR), three members of which entered the cabinet in August- September. The Vacaroiu government depends for support in parliament on the PUNR, a neo-communist party, and a small extreme nationalist party. In a June vote of no-confidence, the ideologically diverse and politically disunited opposition, led by the Democratic Convention, a coalition of pro-reform parties, failed by a narrow margin to topple the Vacaroiu government.

All political parties and non-governmental organizations, including ethnic and extreme nationalist groups, have carried out a full range of political activities without hindrance. While the government generally respected most internationally recognized human rights, there were continuing concerns about violence and discrimination against

Roma (Gypsies) and police mistreatment of detainees.

In 1994, the Romanian press was free of censorship, although there were allegations of governmental manipulation of newsprint supplies and newspaper distribution. Moreover, the current Penal Code contains very broadly-defined offenses of "defamation" and "outrage" punishable by up to five years in prison if they occur in the press. Although Romanian State Television (RTV) and Radio Romania remained the only national broadcasters, private broadcasting expanded greatly. By year's end there were 25 independent television stations and 65 radio stations on the air.

A parliamentary committee was established in June 1993 to oversee the activities of the Romanian Intelligence Service (SRI). However, the oversight committee does not have full budgetary control over the SRI. Although there was little documented evidence of interference with privacy, suspicion of governmental monitoring of conversations and correspondence persists.

The 1992 law on the reorganization of the judiciary took effect in July 1993, increasing the independence of the judicial branch, re-establishing an appellate court system, and granting life tenure to senior judges. However, the functioning of the new appellate court system has been hampered by staffing deficiencies, and the judicial system is still in the process of asserting its full independence.

The National Council for Ethnic Minorities was established in 1993. A U.S.-based organization, the Project on Ethnic Relations, helped to mediate the creation of the Council and to identify specific problems for solution, including ways to prevent "vigilante"-style violence against Roma. The creation of a Consultative Council for National Minorities was initially regarded as a useful step in addressing the immediate concerns of minority members. Less than six months after the Council's inception, however, the delegates of the Hungarian Democratic Union of Romania (UDMR) withdrew, charging the Council had failed to make sufficient progress. The Council appeared largely ineffective in 1994.

Attacks in the nationalist-extremist press against Jews, Roma, and Hungarians continued. In May 1994 eleven Roma homes in the village of Rasca were robbed and set on fire after the murder of a shepherd by two young Roma from another village; there were no Roma fatalities. 14 of the villagers who carried out the thefts and instigated the arson were arrested and charged, but were subsequently released on bail pending trial.

Ethnic Hungarians continue to claim they suffer cultural discrimination, which, in turn, draws sharp reactions from Romanian nationalists. Ethnic Hungarians express particular concern about a draft education bill now before parliament which, they say, would restrict bilingual education in certain subjects and disciplines.

The unveiling in November of a bust of Marshal Antonescu, Romania's World War II-era dictator, has provoked further complaints of a revival of anti-Semitism, given Antonescu's role in the destruction of the Jewish communities of Moldova and Ukraine. (An earlier bust of Antonescu was unveiled elsewhere in Romania in late 1993.) In April, President Iliescu repeated his historic attendance of the year before at a ceremony to commemorate Holocaust Day at a Bucharest synagogue; he has also issued a message condemning efforts to rehabilitate Antonescu. No incidents of violence, harassment, or desecration against Jews or Jewish institutions were reported by the Jewish community in 1993.

SEED ASSISTANCE SUMMARY

Program Overview

The SEED program to assist Romania in its transition to a free market economy and democratic government is among the fastest growing programs in the region. The reform process started slowly in Romania, but in 1994, a number of important economic and political reforms were instituted. The emphasis in the SEED program is shifting to take advantage of and encourage the recent reform efforts of the Romanian Government.

Today, U.S. assistance efforts emphasize:

- *supporting economic restructuring* through assistance to implement market principles and increasing the role of the private sector, particularly in business and agriculture;
- *building democratic attitudes and institutions* by enhancing the role of individuals and citizens' groups in guiding public policy and encouraging government accountability through civic education, developing and strengthening NGOs, and building the administrative capacity of local government;
- *improving the quality of life* by helping to restructure health care systems, and supporting environmental improvement.

U.S. assistance to Romania began in 1990 with priorities in humanitarian assistance for children and democratic institution building. Since then, resources have shifted to emphasize economic restructuring. Through September 1994, nearly $110 million in SEED funding has been obligated for Romania, with 55 percent of that total going to promote economic reform.

Program Highlights

A growing and healthy private sector and improving business climate are crucial to Romania's economic recovery and transition to a market economy. SEED programs carried out through USAID target this important area. The U.S. Treasury assisted the

Finance Ministry improve its budget classification, presentation, and elaboration strategies. Treasury advisors also provided technical assistance for the restructuring of the Romanian Bank of Foreign Trade, and for development of traditional commercial banking functions. A Treasury advisor also assisted in drafting implementation regulations for the Value Added Tax (VAT) and corporate profit tax, both of which have been successful in building revenues beyond original expectations. The U.S. Department of Commerce Commercial Law Development Program helped to improve the Romanian economy's response to international market principles by helping the government strengthen the legal and structural framework necessary to advance international trade and investment. Deloitte and Touche has advised the Government of Romania in the development of formal and informal bankruptcy procedures to facilitate the restructuring of financially troubled enterprises.

USAID-funded SEED programs were instrumental in the development of new private business and professional associations for the agriculture industry. The Association of Romanian Animal Growers and the Romanian Millers and Baker Association provide professional and business advice to their members and are exploring advocacy roles for their industries. Milling efficiency among selected membership has improved by nearly 20 percent. Technical assistance provided by USAID contractor Land O' Lakes prepared Romanian agribusiness for a World Bank loan, effectively leveraging SEED funds with a sizeable donation from a multilateral donor. SEED programs have helped over 1200 small- and medium-sized businesses improve their business planning, plant layout to increase productivity, and market analysis.

SEED assistance is helping Romanians develop and strengthen their democratic institutions. The International Republican Institute is training parliamentarians in how to be responsive to their constituents, contributing to the members' understanding of how a Parliament functions in a democratic society. The National Democratic Institute is actively working to facilitate Parliament's transparency through better distribution of draft laws, public access to galleries during debate, and the permission to introduce television cameras for commission hearings. Parliament leadership opened 300 district constituent offices across the country following seminars and programs demonstrating their usefulness.

SEED programs are working to strengthen local administration bring responsibility for services to the local level. The International City/County Management Association (ICMA) helped one of Romania's largest cities become eligible for direct loan financing from the EBRD. Other programs permitted the city of Craiova to realize a 12 percent increase in water available to the city through improved management practices; two other cities have been helped to reduce water and electricity consumption. The National Federation of Mayors was established with professional staff in Bucharest to facilitate the airing of the public policy needs of municipalities.

Quality of life needs in Romania have been successfully addressed with

innovative and very cost-effective SEED programs. USAID contractor World Vision works to promote child development and physical rehabilitation for handicapped children; Holt International has shown over 1500 families how they may successfully keep HIV positive children at home, significantly reducing the burden on the health care system; 775 children once abandoned in orphanages have been reunited with their families, 300 others have been placed for adoption with Romanian families; Project Concern is using new ways to permit mildly handicapped adolescents to leave institutions, giving them the social and job skills needed to live relatively normal lives. SEED programs are providing alternatives to abortion through three Romanian NGOs that give sound, family planning counseling and education in five pilot high schools and nine clinics.

Energy efficiency and environmental degradation are major concerns for Romania's petroleum sector. SEED and the World Bank established the National Mineral Management Agency to attract foreign investment to this important industrial sector. Technical assistance and monitoring equipment installed at Romania's largest oil refinery and petrochemical complex is reducing the discharge of pollutants into ground water and lessons learned are being shared with managers from Romania's other major refineries.

Program Challenges

The next regularly-scheduled national elections are set for 1996. Romania lacks a permanent electoral commission to improve existing electoral procedures and to update polling station lists or establish a system of voter registration. Legislation to amend the current privatization law is before Parliament. It is hoped the new law will bring transparency and market principles to the privatization of large state enterprises.

THE SLOVAK REPUBLIC

Economic Developments:

The Slovak economy made a strong recovery in 1994 driven in large part by a substantial increase in exports. This recovery follows several years of deep recession, including the disappointing 4.1 percent real GDP decline in 1993. Real GDP for the first half of 1994 grew by a vigorous 4.4 percent compared with a year earlier, and for all of 1994 it is projected to increase by at least three percent. Industrial production, which fell by 10 percent in 1993, rose by 4.5 percent in the first half of 1994 compared to the first half of 1993. Tight monetary and fiscal policy led to a sharp reduction both in the annual inflation rate, from 23 percent in 1993 to an estimated 14 percent in 1994, and in the budget deficit, from 7.5 percent of GDP in 1993 to around 4.0 percent of GDP for 1994. Unemployment, however, hovered around 14.4 percent throughout 1994 and is expected to remain high in 1995.

From March to December 1994, a coalition led by then Prime Minister Jozef Moravcik actively pursued economic reform and privatization. In July 1994, it negotiated with the IMF both a new 20-month $168 million Stand-By Arrangement and the terms for disbursement of the second tranche of the $180 million Systemic Transformation Facility approved in 1993. In September 1994, representatives from the Group-of-24 countries met in Bratislava and declared their willingness to provide up to $245 million of balance of payments support to Slovakia.

The new Meciar Government is expected to maintain similar conservative fiscal and monetary policies. The sharpest contrast between these two governments will likely be in the area of privatization. Meciar and his coalition partners have expressed reservations about privatization and foreign investment. In early December 1994, they suspended the 38 direct sale privatizations approved by the Moravcik Government after the Fall 1994 elections and postponed the launching of a mass "coupon" privatization program scheduled to begin in mid-December.

Almost all small state-owned enterprises in Slovakia have been privatized, yet most mid-size and large enterprises remain in the state's hands. So far, only about 700 large enterprises, valued at $5.8 billion, have been privatized through direct sales and mass "coupon" privatization. A second wave of "coupon" privatization was postponed so that the new government could review which firms to include in the program.

Foreign investors have not flocked to Slovakia. Through the first half of 1994, Slovakia had received just over $400 million in total foreign direct investment. Austria and Germany have been the leading investors there. U.S. firms have invested less than $50 million.

Despite the low level of foreign investment and slow movement on privatization, the

grass roots private sector in Slovakia has grown rapidly. In 1994, these new small businesses generated an estimated 40 percent of GDP, compared with two percent in 1989, and employed nearly half of the industrial workforce. By the end of 1995, the private sector is expected to generate 65 percent of Slovakia's GDP.

Slovakia's export sector has been a driving force behind the country's economic recovery. The Slovak Republic reported an $83 million trade surplus through the third quarter of 1994, compared to a deficit of nearly $1.0 billion in 1993. Exports increased by 22 percent over the same period in 1993 to $4.75 billion. Imports totaled $4.67 billion through September 1994. In March 1994, the previous Meciar Government imposed a ten percent import surcharge to help correct its balance of payments situation, which the new Meciar Government plans to continue into 1995. A five percent devaluation of the Slovak koruna against the Czech koruna contributed to the large $400 million trade surplus with the Czech Republic.

The Slovak Republic seeks full membership in the European Union (EU) and intends to submit its membership application in June 1995. It signed an Association Agreement with the EU in October 1993, which will go into effect in February 1995. The agreement provides for the phased-in creation of a free trade arrangement concerning most industrial goods. In 1994, Slovakia, Hungary, the Czech Republic and Poland agreed to speed up implementation of their 1992 Central European Free Trade Agreement (CEFTA) and to open the door for Slovenia and others to join. During the first nine months of 1994, Slovakia sent over 45 percent of its exports to its CEFTA partners and nearly 30 percent of its exports to the EU.

Slovakia enjoys a healthy foreign exchange position. It has little foreign debt, $4.8 billion in 1994, and has built up its reserves to $1.5 billion compared with $400 million in 1993.

Political Developments:

Prime Minister Vladimir Meciar's party, Movement for a Democratic Slovakia (HZDS), returned to power in December 1994 after winning a substantial plurality in the Fall 1994 elections. HZDS has formed a narrow based coalition government with two smaller parties: the ultranationalist Slovak National Party (SNS) and the leftist Association of Slovak Workers (ZRS). The previous government headed by then Prime Minister Jozef Moravcik had succeeded the country's initial HZDS-SNS coalition government led by Meciar after it lost a vote of no-confidence in March of 1994.

Slovakia is a functioning parliamentary democracy whose constitution guarantees fundamental rights recognized under CSCE principles. Its parliament and government were elected in free and fair multi-party elections.

The right to associate freely and form political parties and movements is protected by

law and was respected in practice in 1994. Freedom of religious belief is guaranteed by the Constitution and by law. Citizens who associate on the basis of a particular religious persuasion may freely proclaim and practice their beliefs. The constitution mandates independent courts. The 10-judge Constitutional Court in Kosice reviews the constitutionality of laws and the decisions of national and local government bodies. The Supreme Court reviews the decisions of lower courts. Prior to its dissolution, the Government of Czechoslovakia dismantled the repressive pre-1989 security apparatus.

The constitution prohibits censorship and guarantees freedom of information and expression. Newspapers, magazines, and journals spanning the entire political spectrum are published freely. Media criticism of the Government is widespread and there are no reports of overt restrictions, though some observers charge that government financial actions and threats of lawsuits against critical journalists and periodicals are designed to inhibit criticism.

The current parliament, which HZDS and its coalition partners dominate, has replaced almost all the members of the state radio and television councils and the directors of the state radio and television services. Since those changes, broadcast media coverage of internal political news has decreased and reflects fewer opposition views. Further, Prime Minister Meciar has mentioned the possibility of enacting legislation for the Protection of the State, which would penalize "slanderous" remarks that besmirch the image of Slovakia. These actions have raised concerns over a possible chilling effect on the press.

Though most Slovaks and ethnic Hungarians co-exist peacefully, a political debate continues over the legal status of the country's large (estimated 560,000) ethnic Hungarian minority. CSCE National Minorities Commissioner Max Van Der Stoel visited Slovakia in 1994 to study the conditions facing ethnic Hungarians. He expressed confidence in the ability of Slovakia's democratic institutions to handle minority rights issues without external assistance. He also noted that opportunities for the use of Hungarian as a minority language in Slovakia are above European standards.

The Romanies, whose numbers are estimated at between 100,000 and 400,000, suffer disproportionately from poverty, crime and disease. In 1994, textbooks became available for Romany-language instruction in some schools. Prime Minister Meciar has announced that Slovakia will accede to the Council of Europe's Framework Agreement on National Minorities. Further, he declared that the government would devote special attention to the economic, social and cultural advancement of the Romanies. Representatives of local and international nongovernmental human rights organizations worked freely in Slovakia, without government interference.

SEED ASSISTANCE SUMMARY

Program Overview

Before the SEED program draws to a close in Slovakia, it is hoped that the country will be firmly rooted in the Western economic and political community. Since January 1993 when the USAID office in Slovakia assumed program management for the SEED program in Slovakia separate from the program in the Czech Republic, the U.S. assistance has focused on facilitating the transformation to a market economy, social sector restructuring, and building pluralism and decentralization of decision making.

Today, U.S. assistance efforts emphasize:

- *accelerating the transition to a market economy,* by helping to restructure enterprises and create a strong banking system while encouraging the growth of small- and medium-sized private enterprises, and assistance in privatizing state companies;
- *helping to improve the quality of life* through facilitating health care finance reform, rationalization of housing allowances and pilot projects to help Slovakians working in state enterprises make the transition to a free market economy;
- efforts *to ground Slovakia in a tradition of democracy and pluralism,* by strengthening nongovernmental organizations, facilitating education reform, establishing a multi-voiced media, preparing locally-elected officials to manage city assets, and providing technical assistance for the creation of an independent judiciary.

Program Highlights

SEED programs are structured to assist the transformation of the Slovak economy to one based on free market principles. USAID contractor Deloitte and Touche provides assistance to the Slovak Financial Restructuring Committee to develop means to resolve the debt overhang of state enterprises, a major source of the gridlock in the economy. Other major help prepares firms for privatization by assisting with valuation, reordering company records in compliance with modern accounting principles; a two-person team from the U.S. Department of Justice and the Federal Trade Commission provided advice to the anti-monopoly office, as well as to the Ministries of Finance, Economy and the Consumer Federation to promote the creation of a competitive market environment. In seeking to foster the integration of emerging financial institutions, assistance is provided to the General Credit Bank's institutional capability to create a strong and effective source of credit and corporate financing expertise for Slovak businesses. The Slovak American Enterprise Find fosters the growth and improves the sustainability of small- and medium-sized private enterprises through equity investments and loans. The Fund has thus far made approximately $18 million in investments.

Under the Project Hope health care partnership, a pediatric cardiovascular team from the Boston Children's Hospital conducts training and clinical activities together with the Bratislava Children's Hospital. In the first eight months, the project reduced the number of children who must be sent abroad for heart treatment by 90 percent and began attracting patients from abroad. The project has increased access to pediatric cardiology services by 50 percent; hospital mortality has been reduced from 12 percent to 5 percent; and the waiting time for surgery has decreased. Other projects assist by helping to improve health care management, nursing practices, neonatology, cancer screening for women, and resuscitation skills for health care personnel.

The Urban Institute produced several analyses to improve housing. A new condominium law permits the sale of individual apartment units for the first time in 40 years; another project assists the government in drafting legislation that reduces the strain of the housing allowance on the state budget while ensuring that government assistance reaches the appropriate families. Private building contractors and developers have received training in construction management and alternative construction technologies; the Ministry of Transport and Public Works has received assistance in how to improve public procurement and project management that increases opportunities for small private contractors to bid on new major building and infrastructure construction projects.

In most of Central Europe, the environment is a focus of concern. The World Environmental Center is conducting waste minimization programs at selected plants; links between the U.S. business community and Slovak counterparts are facilitated as part of this program. The Water and Sanitation for Health project (WASH) provides expertise for the development of an overall blueprint for water supply and sewage treatment, advises municipalities on how to increase water supplies while encouraging the growing role of the private sector in the management of water supply and sewage services.

SEED activities are helping to strengthen democracy in Slovakia by encouraging citizen participation in government and other initiatives. The German Marshall Fund lends support to individuals and organizations that engage in defending citizen rights, also working with journalists to increase their understanding of rights issues; American advisors work with city mayors and managers to improve public administration and financial management; the American Bar Association/Central and East European Law Initiative (ABA/CEELI) provides assistance to government and nongovernmental organizations such as the judges' association which is promoting an independent judiciary and working to develop a new judicial code.

Program Issues

While it is likely that macroeconomic stabilization efforts will continue, the future pace of privatization and restructuring is a concern, as is the openness and transparency

of the process. Should the pace of privatization slow as it did in 1992-93, the assistance program will shift to emphasize SME development, improvement of the policy environment, and strengthening the financial and capital markets. The strength of democratic institutions also need to be closely watched.

SLOVENIA

Economic Developments:

Slovenia has made remarkable progress over the past two years in stabilizing and transforming its economy following the break-up of the former Yugoslavia. Real GDP, which declined by 16 percent in 1991 and 1992, stabilized in 1993 at a real growth rate of 1.3 percent and then bounced back strongly in 1994 to a growth rate that is expected to total between 4 and 5 percent. Unemployment, which peaked at 15.5 percent in 1993, has since fallen below 15 percent. Meanwhile, Slovenia's average annual retail price inflation dropped from among the highest rates in Central Europe (203 percent in 1992) to one of the lowest (23 percent in 1993), and is expected to fall further (i.e.; to 13 percent) in 1994. Similarly, in the balance of payments, Slovenia has been able to establish a consistent pattern of current account surpluses that has helped rebuild the net foreign assets of its banking system, which were severely affected by the break-up of the former Yugoslavia.

Behind this progress has been a number of factors, including some favorable initial conditions, which Slovenia inherited from the former Yugoslavia. These included a market-oriented economic system with liberalized prices, a high degree of openness to foreign trade and, as a consequence of both of the above, a greater degree of market discipline than was evident in other economies in transition.

To these initially favorable conditions, the Government of Slovenia has added a strong dose of fiscal and, to a lesser degree, monetary discipline. Overall, the GOS ran a budget surplus of about .5 percent of GDP in 1993, and is expected to maintain its accounts approximately on balance in 1994. Monetary policy targeted a constant real exchange rate, but benefited in any case from a rise in money demand sufficient to sop up an increase in broad money supply of 63 percent in 1993 and an expected 57 percent increase in 1994. Price performance was also reinforced in 1994 by a newly introduced incomes policy which will permit the government to tax companies, which in many cases are still owned by their workers, for excess wage settlements.

Slovenia also continued its efforts to integrate more fully with the world economy. In 1993, it signed an agreement on economic and cooperation with the European Union. In 1995, it hopes to expand that agreement into a full Association Agreement comparable to those enjoyed by other Central European states. In 1994, it joined the General Agreement on Tariffs and Trade and, in 1995, should become a member of the new World Trade Organization. It has also signed free trade agreements with a number of its Central European neighbors, including Hungary, the Czech Republic and Slovakia.

In addition, Slovenia has worked diligently to straighten out its relationships with external creditors, which were complicated by the break-up of Yugoslavia. In February

1993, Slovenia reached agreement with the IMF which fixed its share of the quota of the former Yugoslavia at 16.39 percent. That same percentage was accepted by the Paris Club as Slovenia's share of the debt of the former Yugoslavia. As of the close of 1994, Slovenia was also reportedly close to an agreement with Yugoslavia's former commercial bank creditors on its share of the former Yugoslavia's commercial bank debt. These efforts have helped sustain private capital flows to Slovenia, even in the context of the confusion surrounding the break-up of Yugoslavia. In 1992 and 1993, private foreign direct investment in Slovenia totaled approximately $110 million annually; more importantly, the Slovenian government and its major financial institutions all enjoy access to international capital markets under investment grade conditions.

Looking ahead, Slovenia's economic performance should continue to improve. Real GDP growth is expected to be between 5 and 6 percent for both 1995 and 1996, unemployment is expected to decline, inflation should retreat to single digit levels, and the current account within the balance of payments should remain in surplus.

However, there are risks and challenges ahead. The banking system remains weak, entangled with its customers and in need of government support. The privatization process has just begun, and has moved slowly in those beginnings, leaving in place a still large state-owned sector that may become a burden to Slovenia's growth prospects, a deterrent to investment and a complicating factor in macro-economic management. Finally, further progress must be made in Slovenia's relations with its neighbors, including in particular the states of the European Union. Slovenia is a small, open economy which can only flourish in the context of a broader community such as the EU. Until that broader context is in place, Slovenia's long term future will remain uncertain.

Political Developments:

The most successful and developed of the ex-Yugoslav republics, Slovenia has worked hard since its independence in 1991 to strengthen its links to the EU and EFTA countries. It has sought to put distance between itself and its former Yugoslav compatriots, and to a large extent it has succeeded. With a democratic system in place and economic reforms proceeding albeit slowly, Slovenia is well-positioned to achieve its much-desired integration into "Europe," although an ongoing quarrel with neighboring Italy has so far prevented negotiation of an association agreement with the EU.

Since its victorious 10 day war of independence (July 1991), Slovenia has tried to remain as uninvolved in the Balkan conflict as possible, but recognizes that its own stability depends heavily on the security of the region as a whole. Some 70-80,000 refugees are now in Slovenia (almost 3 percent of Slovenia's population).

Slovenia has significant, if manageable, security needs and concerns; its neighborhood is dangerous and its borders are porous and less than 50 miles from Bosnia

at the nearest point.

Slovenia has established a functional democracy in short order. The country has a multiparty political system, a free press, and a mixed presidential and parliamentary form of government based on a constitution approved in December 1991. Slovenia is run by a center-left coalition government derived from the National Assembly elected in December 1992. The President, currently Milan Kucan, is elected for five years and can serve no more than two consecutive terms. He is chief of state and commander in chief of the armed forces. The head of the three party center-left coalition government is Prime Minister Janez Drnovsek of the Liberal Democratic Party. The country has demonstrated the ability to hold peaceful transfers of power -- Drnovsek became PM in April of 1992 after the previous government lost a vote of confidence. Human rights are well-respected, the judiciary is independent, and the country seems to have successfully consolidated a democratic system.

NATIONAL ASSEMBLY: The National Assembly is the highest legislative authority. Its 90 deputies serve four year terms. The current Parliament, elected in December 1992, includes representatives of eight parties: the Liberal Democratic Party, Slovenian Christian Democrats, Associated List, Slovenian National Party, Slovenian People's Party, Democratic Party, Greens and the Social Democratic Party of Slovenia . The Italian and Hungarian ethnic minorities are accorded one representative apiece.

NATIONAL COUNCIL: The National Council is a 40 person advisory body comprised of representatives of social, economic professional and local interests. It may propose laws to the National Assembly, give opinions on all matters within its competence and may demand that the National Assembly review a law before its promulgation.

SEED ASSISTANCE SUMMARY

Program Overview

The July 1993 Technical Assistance Plan of the Government of Slovenia explicitly requested U.S. help in two sectors: reform of the financial and banking sector and the privatization of several key industries. SEED assistance in these areas complements the efforts of other donors and the international financial institutions, and is modest in cost (approximately $2.8 million in 1994), tightly focused in scope, and of limited duration. In addition, USIA manages several democracy strengthening activities. Beginning in December 1994, the USAID Representative Office in Budapest oversees SEED-funded activities in Slovenia.

Program Highlights

• *Financial Reform and Privatization*

The USAID program in the financial sector began in January 1994. It includes technical assistance to the Bank Supervision Department of the Bank of Slovenia (Central Bank), to the Bank Rehabilitation Agency (BRA), and to Slovenia's largest bank, Ljubljanska Banka, which is socially-owned. Because of Slovenia's relatively advanced state of development compared to other countries in the region, this program was designed as a short-term demonstration project for other similar programs region-wide.

Program results, however, have been mixed, reflecting in some part the slow progress the Slovenian government is making in privatizing its banking sector. Some solid infrastructure support will come from the year of SEED technical assistance at the Bank of Slovenia: an off-site supervision system, procedures and experience in on-site examinations, and possibly a more solid banking law. Nevertheless, the start-up costs for this project have been large, because of the reluctance of the counterparts at the Bank of Slovenia to use the technical assistance proactively many months after initiation.

At the Bank Rehabilitation Agency, SEED advisors are working in the area of asset disposition and debt restructuring. Short-term U.S. Treasury advisors have worked with the Ministry of Finance on the development of a government securities market. Thus, while the financial reform program may not serve as the demonstration project as initially hoped, U.S. assistance will leave behind solid financial infrastructure support, if the Slovenians choose to use it.

During FY 1995, USAID will explore opportunities to provide targeted assistance, including but not limited to legal advice, to the Slovene Privatization Agency or other Slovenian agencies on the privatization of selected industries. USAID will also examine the interest and capacity of Slovenia to absorb SEED technical assistance in developing an investment banking capability within the banking system.

• *Telecommunications*

SEED technical assistance in 1994 was focused on new Slovene legislation as well as training in telecommunications. Advisors reviewed and suggested changes to the Slovene draft telecommunications law, which had its first reading in Parliament late in 1994. Short-term advisors from the Federal Communications Commission (FCC) and the National Telecommunications and Information Administration (NTIA) have been working with the Ministry of Transport and Communications on the preparation of its long-term telecommunications strategy, a new regulatory regime, tariff controls, and modernization of the Slovene national telecommunications monopoly, PTT Slovenia.

• *Democratic Initiatives*

To foster democratic institutions and practices, USIA, through interagency agreement, is implementing programs in English teaching, books for democracy, media training, small grants in management training and market economics education, and Democracy Commission grants. SEED finances participant training programs, and USIA contributes its own funds for Muskie Scholarships.

Program Challenges

Slovenia's small and export-oriented economy needs a well developed and responsive financial system to raise essential capital and other financing for its exporting companies. Privatization has moved slowly, with only 49 of the largest 300 enterprises currently under private ownership. Privatization of these companies will have to move forward to avoid them becoming a drag on economic growth.

III. OTHER U.S. ASSISTANCE INITIATIVES AND PROGRAMS

FOOD ASSISTANCE AND CREDIT GUARANTEES IN CENTRAL EUROPE

In FY 94, U.S. food assistance to Central Europe decreased by 30 percent compared to FY 93 program levels, reflecting tighter budgets and increasing world-wide demand for food aid programs. U.S. food aid programs provided $106 million in U.S. agricultural commodities to the region in FY 94, bringing the total to over $569 million since the SEED Act took effect. The GSM-102 program expanded slightly in FY 94, providing $137 million in credit guarantees, bringing the four year total to $419 million.

Emergency aid to Ex-Yugoslavia was slightly below FY 93 levels at $49.9 million in commodity value ($86.3 million including delivery costs), but accounted for nearly half of all food aid to Central Europe in FY 94, up from 36 percent in FY 93. Non-emergency food assistance to Central Europe decreased by 43 percent from FY 93 program levels.

Albania received a $12.6 million Food for Progress grant funded under PL-480 Title I.

Bulgaria received $5.3 million in section 416(b) butter.

Croatia received $9.2 million under PL-480 Title I and $5.9 million in Title II emergency assistance.

The Czech Republic received GSM-102 credits for the third consecutive year.

Estonia did not receive U.S. food assistance in FY 94.

Ex-Yugoslavia (Bosnia-Herzegovina, Croatia (see separate heading), Serbia-Montenegro, the Former Yugoslav Republic of Macedonia (see separate heading), and Slovenia (see separate heading)) received a total of $49.9 million in commodities ($86.3 million with freight) under Title II emergency food aid in FY 94.

The Former Yugoslav Republic of Macedonia received $4.5 million in Title I commodities ($7 million with freight).

Hungary In FY 94, USDA doubled the credit guarantees offered to $20 million in recognition of Hungary's importance as a potential market for U.S. agricultural products.

Latvia did not receive U.S. food aid in FY 94.

Lithuania received $15 million in Title I to purchase soybean meal in FY 94.

Poland did not receive U.S. food aid in FY 94.

Romania received $4.6 million in section 416(b) butter and $52 million in GSM-102 credit guarantees which helped support sales of U.S. wheat and cotton.

Slovakia did not receive U.S. food aid in FY 94.

Slovenia received $40 million in GSM-102 credit guarantees to support the sales of U.S. feed grains to this developing commercial market and $713,500 in PL-480 Title II emergency assistance.

U.S. FOOD AID AND CREDIT GUARANTEES IN EASTERN EUROPE

	GSM-102 Credit Guarantees $millions/1	PL-480 Title I Concessional Sales $millions/2	Section 416(b) Grant Aid $millions/2	PL-480 Title II Emergency Programs $millions/2	Food for Progress CCC Purchases $millions/2	FY90-FY94 Food Aid Total Excludes GSM-102 $millions/2
ALBANIA						
FY 90	0	0	0	0	0	0
FY 91	0	0	0	0	0	0
FY 92	0	22.0 /3	15.74	.26	0	38
FY 93	0	14.7 /3	7.0	1.58	0	23.28
FY 94	0	12.6 /3	0	0	0	12.6
Subtotal	0	49.3	22.74	1.84	0	73.88
BULGARIA						
FY 90	0	0	0	0	0	0
FY 91	0	0	34.0	0	0	34.0
FY 92	0	0	0	0	0	0
FY 93	0	15.0	0	0	0	15.0
FY 94	0	0	5.3	0	0	5.3
Subtotal	0	15.0	39.3	0	0	54.3
CROATIA						
FY 90	0	0	0	0	0	0
FY 91	0	0	0	0	0	0
FY 92	0	0	0	0	0	0
FY 93	0	0	0	0	0	0
FY 94	0	9.2	0	5.9	0	15.1
Subtotal	0	9.2	0	5.9	0	15.1
CZECH REPUBLIC & SLOVAKIA						
FY 90	0	0	0	0	0	0
FY 91	0	0	0	0	0	0
FY 92	20.0	0	0	0	0	0
FY 93	25.0 (CzechRep.)	0	0	0	0	0
FY 94	25.0 (CzechRep.)	0	0	0	0	0
Subtotal	70.0	0	0	0	0	0
ESTONIA						
FY 90	0	0	0	0	0	0
FY 91	0	0	0	0	0	0
FY 92	0	8.0	9.8	0	0	17.8
FY 93	5	0	0	0	0	0
FY 94	0	0	0	0	0	0
Subtotal	5	8	9.8	0	0	17.8
EX-YUGOSLAVIA (Bosnia-Herzegovina, Croatia (see above), FYROM (see below), Serbia-Montenegro, Slovenia (see below))						
FY 90	40.0	0	0	0	0	0
FY 91	12.0	0	0	0	0	0
FY 92	0	0	0	4.4	0	4.4
FY 93	0	0	9.6	53.6	0	63.2
FY 94	0	0	0	49.9	0	49.9
Subtotal	52	0	9.6	107.9	0	117.5
FORMER YUGOSLAV REPUBLIC OF MACEDONIA						
FY 90	0	0	0	0	0	0
FY 91	0	0	0	0	0	0
FY 92	0	0	0	1.4	0	1.4
FY 93	0	0	0	2.0	0	2.0
FY 94	0	4.5	0	0	0	4.5
Subtotal	0	4.0	0	3.4	0	7.9
HUNGARY						
FY 90	26.0	0	0	0	0	0
FY 91	20.0	0	0	0	0	0
FY 92	10.0	0	0	0	0	0
FY 93	10.0	0	0	0	0	0
FY 94	20.0	0	0	0	0	0
Subtotal	86.0	0	0	0	0	0

	GSM-102 Credit Guarantees $millions/1	PL-480 Title I Concessional Sales $millions/2	Section 416(b) Grant Aid $millions/2	PL-480 Title II Emergency Programs $millions/2	Food for Progress CCC Purchases $millions/2	FY90-FY94 Food Aid Total Excludes GSM-102 $millions/2
LATVIA						
FY 90	0	0	0	0	0	0
FY 91	0	0	0	0	0	0
FY 92	0	8.0	9.8	0	0	17.8
FY 93	0	0	0	0	0	0
FY 94	0	0	0	0	0	0
Subtotal	0	8.0	9.8	0	0	17.8
LITHUANIA						
FY 90	0	0	0	0	0	0
FY 91	0	0	0	0	0	0
FY 92	0	8.8	9.8	0	0	18.6
FY 93	0	19.6	0	0	0	19.6
FY 94	0	13.3	0	0	0	13.3
Subtotal	0	41.7	9.8	0	0	51.5
POLAND						
FY 90	0	14.8	35.9	0	0	50.7
FY 91	0	0	0	0	0	0
FY 92	0	0	24.0	0	0	24.0
FY 93	0	0	0	0	19.0	19.0
FY 94	0	0	0	0	0	0
Subtotal	0	14.8	59.9	0	19.0	93.7
ROMANIA						
FY 90	0	20.0	40.8	0	0	60.8
FY 91	0	0	33.5	0	0	33.5
FY 92	50.0	10.0	0	0	0	10.0
FY 93	51.0	10.0	.58	0	0	10.58
FY 94	52.0	0	4.6	0	0	4.6
Subtotal	153.0	40.0	79.48	0	0	119.48
SLOVENIA						
FY 90	0	0	0	0	0	0
FY 91	0	0	0	0	0	0
FY 92	0	0	0	0	0	0
FY 93	13.0	0	0	0	0	0
FY 94	40.0	0	0	.7	0	.7
Subtotal	53.0	0	0	.7	0	.7
PROGRAM TOTALS	419.0	190.5	240.42	119.74	19.0	569.66 /4

/1 GSM figures are announced allocations, some of which may not have been used fully during the fiscal year.
/2 Commodity values, excluding ocean freight costs.
/3 Provided as a grant aid under the Food for Progress program, resources from Title I.
/4 Including the GSM-102 programs, the commercial and food aid total is $989 million.

Peace Corps

Since FY 91 Peace Corps has received $4,213,986 in SEED funding to support business development activities in 10 countries in Central Europe and the Baltics. In FY 91, Peace Corps received $100,000 for the Special Projects Assistance (SPA) Program which funded small environmental and small enterprise projects in primarily Poland, Hungary, and Bulgaria. To date, all of these funds have been disbursed. In FY 92, Peace Corps received $1,447,986 to: 1) establish a Free Enterprise Transition Center for Poland in the amount of $986,300; 2) establish 12 Multi-Link Resource Centers (business information centers) in Bulgaria in the amount of $171,686; and 3) support business training and technical assistance activities in Central Europe and the Baltics, including Albania, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and Slovakia in the amount of $290,000. This program is known as the European Business Development Program. In FY 93, Peace Corps received $2,747,000 including: 1) an additional $500,000 in SEED funding to supplement the Bulgaria funds; and 2) an additional $2,166,000 to supplement the European Business Development Program. The $4,213,986 of SEED funding is being utilized under three Interagency Agreements which are effective through FY 96. $3,046,812 has not yet been disbursed.

In FY 94, Peace Corps utilized $854,423 of SEED funds to support its business development programs in Eastern and Central Europe and the Baltics, including Albania, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and Slovakia. SEED funds are disbursed through one regional Interagency Agreement, known as the European Business Development Program which provides training and technical assistance funds for programs in the 10 countries mentioned above. In addition, there are two other Interagency Agreements, one for Poland and one for Bulgaria, known as the Free Enterprise Transition Center and the Multi-Link Resource Center projects respectively, which provide for operational and training expenses associated with the running of business information centers. The following describes the activities supported with these funds and the size of the programs.

Albania

There were 12 business volunteers serving in Albania, working out of other donor funded business centers. The project began in April of 1992. Albania used $64,825 during FY 94 of SEED funds to support one project consultation, training of host country national entrepreneurs, development of business materials, attendance at a regional conference in Romania, and software and business publications purchases.

Bulgaria

There were 7 business volunteers serving in Bulgaria as business advisors in Bulgarian-American Business Centers. In FY 94, no SEED funds were used to support the Multi-Link Business Center operations, but $182,209 were used to support European Business Development Program activities.

Czech Republic

There were 13 business volunteers in the Czech Republic, serving in other donor-funded business centers as advisors. $52,580 of SEED funds were used in FY 94 to support training Czech entrepreneurs, attending a conference in Romania, and purchasing business reference materials and publications.

Estonia

There were 9 business volunteers in Estonia working as municipal advisors. $19,785 of SEED funds were used in FY 94 to support training Estonia entrepreneurs, a business youth club, business materials and publications.

Hungary

There were 10 business volunteers in Hungary serving as advisors in other donor-funded business centers. $59,550 of SEED funds were used in FY 94 to purchase business software and training materials and attend a regional conference in Romania.

Latvia

There were 19 business volunteers in latvia serving as agribusiness advisors. $58,605 of SEED funds were used in FY 94 to support a business exhibition, the purchase of business training materials, training of trainers in agricultural credit and marketing and attendance at a regional conference in Romania.

Lithuania

There were 16 business volunteers in Lithuania, serving principally as municipal advisors. $6800 of SEED funds were used in FY 94 to support business training materials purchases and training entrepreneurs, a Junior Achievement summer camp and attendance at a regional conference in Romania.

Poland

There were 52 business volunteers serving in Poland as municipal advisors, business educators, privatization and banking advisors. In FY 94, $185,389 was obligated to support the Free Enterprise Transition Center and $48,428 for the European Business Development Program projects.

Romania

There were 19 business volunteers in Romania, serving as advisors in other donor-funded business centers. $66,719 of SEED funds were used in FY 94 to provide banker training, technical assistance to a Regional Development Authority, training in market for the travel and tourism sector, export training, and support for a regional economic development workshop.

Slovakia

There were 15 business volunteers in Slovakia, serving as advisors in other donor-funded business centers. $47,515 of SEED funds were used FY 94 to train teachers in Junior Achievement-type economic education programs, and to purchase and translate business reference materials.

Regional Support

The Office of Training and Program Support purchased business reference materials for several countries and attended a Central European regional economic development conference. $62,019 was expended in regional, non-country specific support.

Central European Small Business Enterprise Development Commission

The Central European Small Business Enterprise Development Commission, an independent Commission reporting to the United States Congress, was established in November of 1990 by Public Law 101-515, in accordance with Section 25 of the Small Business Act. The Commission's Congressional mandate is to establish self-sustaining management and technical assistance centers in the Czech and Slovak Federal Republics, Poland, and Hungary. These provisions were adapted from H.R. 4999, which wa introduced on June 1, 1990, by congressman LaFalce, Chairman of the Committee on Small Business.

THE COMMISSION

By law, the Commission is to be composed of three members - one representing the Association of American Universities, one from the Association of Small Business Development Centers and one from the Small Business Administration. The members elect a Chairperson, and a quorum shall consist of two members. Commission meetings are scheduled by the Chairperson on an as needed basis. The Commission members have annually conducted an on site review of the Small Business Centers in each country. These on site visits have been scheduled in the late spring or early summer.

FISCAL YEAR SUMMARY

During fiscal year 1991, the Commission awarded contracts to undertake research and assess needs in three countries. In with small business owners and managers, government officials, representatives of educational institutions, business groups and development assistance agencies. The contractors researched the needs of small businesses in each country, evaluated the SBA Small Business Development Center (SBDC) programs in the United States to determine their applicability, and assessed potential host institutions for Small Business Centers in Poland, Hungary, and the Czech and Slovak Federal Republics. The Commission's research identified substantial need for the kinds of guidance and support that is provided through the SBA's SBDCs.

During fiscal year 1992, the doors to the Small Business Centers to provide management and technical assistance programs were opened in Poland and Hungary. In the

Czech and Slovak Federal Republics, site evaluations were completed for potential Small Business Centers. In all three countries, governments expressed strong support for the Small Business Center program and are expected to continue these programs after the Commission's work ends.

In fiscal year 1993, the Commission focused upon monitoring and strengthening the Small Business Centers in Poland and Hungary and working towards the establishment of a Small Business Center in the Czech Federal Republic. Through the use of consultants previously involved with SBDCs in the United States, the Centers in Poland and Hungary received on site assistance to support their operations. In the Czech Federal Republic, assistance focused on the definition of SBC program activities and the establishment of an organizational structure.

Country Overviews

POLAND

In Poland, Small Business Centers were established at the Lodz Polytechnic in Lodz; at the Gdansk Technical University in Gdansk; and at the Polish Chamber of Commerce in Warsaw. SBC staff were selected and trained and each site was equipped with furnishings, computers, and communication equipment. In each location and in the country as a whole, the Commission's contractors worked to ensure a sound, non-partisan base of support. To assist in the operation and overall implementation of the SBC program, a non-profit Polish Foundation was created. The Foundation ensures appropriate financial control, encourages greater Polish participation, and helps build a consistency for the SBC program after U.S. support ends. The commission placed a full-time American coordinator in Poland to work closely with the Foundation, SBC staff, and host institutions. The contractor for this project is The Scientex Corporation.

HUNGARY

In Hungary, Small Business Centers were established in Debrecen and Pecs. In both locations, the SBCs are hosted by a non-profit Foundation and local governments. Initial assistance has focused on crating the formal organizations to support the SBCs and establishing the internal accounting and management systems. In both cities, Foundations were chartered, Boards of Directors were established, and SBC staff were selected and trained. A Hungary Small Business Central National Advisory Council was formed to advise the Board of Directors, maintain relationships with the government, and provide public relations and fund remaining assistance. The contractor for this project is Public Access Incorporated.

CZECH REPUBLIC AND SLOVAKIA

In the Czech Republic and Slovakia, the Commission's contractor identified and assessed potential host institutions for Small Business Centers using a set of criteria developed to meet SBC needs. On site evaluations were conducted of six institutions in five different locations. The Commission has selected Masaryk University in Brno to host the SBC project.

Non-SEED funded Assistance to Central Europe

Description of Project

The Central European Small Business Enterprise Development Commission (CESBEDC) was established by Public Law 101-515, in accordance with Section 25 of the Small Business Act, amended November 25, 1990. The Commission's mandate is to assist Poland, Hungary, and the Czech and Slovak Republics in developing a self sustaining system to provide management and technical assistance to small business owners.

Donor Organization

Organization:	Central European Small Business Enterprise Development Commission
Contact Person:	James R. Wingrove
Title:	Executive Officer
Tel. Number:	202/205-6662
Fax Number:	202/205-7592
Address:	409 3rd Street, S.W. Room 8100 Washington, D.C. 20416

Recipient Organization

Country:	**Poland**
Organization:	Polish American Small Business Advisory Foundation Warsaw - The Polish Chamber of Commerce
Contact Person:	Andrzej Stasiek
Title:	Director
Tel/Fax:	(48/22) 26-25-96
Address:	ul. Trebacka 4 rm. 321 00-074 Warsaw, Poland

Types of Assistance: Technical Assistance, Small and Medium Enterprises, Entrepreneurship, Marketing, Privatization, Accounting

Status of Project:	Underway	
Total Project Costs:	FY 92	$260,000
	FY 93	$250,000
	FY 94	$140,000
	FY 95	$120,000

Country:	**Poland**
Organization:	Polish American Small Business Advisory Centers Gydnia Small Business Center

Contact Person: Przemyslaw Kulawczuk
Title: Director
Tel/Fax: (58) 22-35-32
Address: u. Biskupa Dominike 8
81-401 Gydnia, Poland

Types of Assistance: Technical Assistance, Small and Medium Enterprises, Entrepreneurship, Marketing, Management, Privatization, Accounting
Status of Project: Underway
Total Project Costs: FY 92 $260,000
FY 93 $250,000
FY 94 $140,000
FY 95 $120,000

Country: **Poland**
Organization: Polish American Small Business Advisory Centers
Lodz - The Lodz Polytechnic
Contact Person: Izabela firkowska
Title: Director
Tel/Fax: (0-42) 36-69-94
Address: ul. Piotrowska 109/191
90-447 Lodz, Poland

Types of Assistance: Technical Assistance, Small and Medium Enterprises, Entrepreneurship, Marketing, Privatization, Accounting
Status of Project: Underway
Schedule:
Start of Operations Centers opened in November 1992
Completion of Operations U.S. funding schedule to cease at end of FY 1995

Country: **Hungary**
Organization: Pecs Small Business Center - Non Profit Foundation - Local Government
Contact Person: Istvan Pidl
Title: Managing Director
Tel/Fax: 36-72-333-753
Address: Felsomalom u.13
P.O. Box 55
7618 Peascs
Hungary

Types of Assistance: Technical Assistance, Marketing, Privatization, Small and Medium Enterprises, Accounting
Status of Project: Underway
Total Project Costs: FY 92 $200,000
FY 93 $150,000
FY 94 $110,000

FY 95 $110,000

Country:	**Hungary**
Organization:	Debrecen Small Business Center - Non Profit Foundation - Local Government
Contact Person:	Istvan Bogyo
Title: Managing Director	
Tel. Number:	36-52-347-301
Fax Number:	36-52-348-251
Address:	Peterfia u.25 4026 Debrecen Hungary
Types of Assistance:	Technical Assistance, Small and Medium Enterprises, Entrepreneurship, Marketing, Privatization, Accounting
Status of Project:	Underway
Total Project Costs:	FY 92 $200,000
	FY 93 $150,000
	FY 94 $110,000
	FY 95 $110,000

Schedule:

Start of Operations Centers opening in November 1992

Completion of Operations U.S. funding scheduled to cease at end of FY 1995

UNITED STATES
BILATERAL SCIENCE AND TECHNOLOGY AGREEMENTS

Non-SEED funds support the United States' contribution to Joint Funds under bilateral science and technology (S&T) cooperative agreements between the United States and several countries of Central Europe in 1994. During the Cold War, these cooperative S&T agreements helped to foster democratic values and provided invaluable contacts between U.S. and East European scientists, many of whom were instrumental in leading the political reforms of the last decade. In the post-Cold War era, the agreements will increasingly buttress U.S. foreign policy objectives to continue the democratic and free market evolution of these former Communist countries, to promote sustainable economic development, and to address significant global issues of common concern through basic and applied research.

Bilateral S&T cooperation also advances U.S. science and technology by promoting cooperative research in areas of joint interest and expertise on the basis of equality, reciprocity and mutual benefit. An additional major contribution is to promote U.S. competitiveness, market development, and joint ventures through cooperative activities to commercialize publicly-funded applied research and technology developed under the joint agreements.

Joint Funds

The Joint Funds established under these S&T agreements are based upon matching contributions from the U.S. and each cooperating Central European country. These funds provide grants for peer-reviewed research in such fields as agriculture, environment, energy, health, basic research, transportation, mining, and geology. They also support workshops and exchanges of scientists and information. The total U.S. contribution for each joint fund program is used to directly support such research efforts; the cost associated with administration of these joint funds is taken from either interest earned by the Joint Fund accounts or in-kind contributions from the partner country.

Individual grants customarily average $30,000 over a three-year period, matched in local currency by the other party. These funds typically represent a fraction of the cost of the joint project. The prestige of receiving one of these grants draws the highest qualified candidates and proposals and returns much larger dividends in terms of scientific innovations. For instance, the 1993 and 1994 Hungarian/American Nobel Prize winners in physics and economics also had ongoing projects under the U.S.-Hungarian Joint Fund S&T Agreement. The process also can stimulate significant additional funding from participating technical agencies and institutions on both sides.

SUMMARY OF S&T PROGRAMS

Poland:

U.S.-Polish S&T cooperation takes place under an umbrella S&T Agreement signed by then Vice President Bush in September 1987. The Agreement was renewed on September 4, 1992, for an additional term of five years. Collaborative research has been conducted in such areas as environment, agriculture, medical science and health, basic science, geoscience and mining, energy, engineering, construction, transportation, oceans, parks management, fish and wildlife conservation, medical research in physiological and genetic disorders, information exchange, U.S. clean coal technology, and other energy research fields.

The joint research program has helped to reinforce and sustain the best sectors of the massive Polish scientific infrastructure during a critical transition period, and to introduce peer-reviewed traditions to a system dominated in the past by Soviet-style scientific academy institutes and cronyism. Much of the joint research has been excellent, bringing U.S. researchers opportunities to work with world-class Polish scientists in unique research settings. Reflective of an evolving relationship, plans are underway to bring the results of publicly-funded scientific research to the marketplace, capitalizing on a successful November 1992 conference in Poland which addressed technology commercialization issues.

Hungary:

U.S.-Hungary S&T cooperation takes place under an umbrella agreement announced by President Bush in July 1989 as a centerpiece of an East European Environmental Initiative. As with its older precedent with Poland, the agreement and the process of administering the associated joint fund have helped return Hungarian science to a more innovative and productive sector for economic development generally, based on Western traditions and standards. As with Poland, the U.S./Hungarian relationship has opened unique research opportunities to both nations, and attracted many more high-quality proposals than resources can support. Important areas of cooperation include fields of environment, health

and medical sciences, agriculture, energy, natural resources, engineering and basic sciences.

In FY 1993, the Joint Fund also co-sponsored a number of special activities such as a workshops on science policy, peer review systems, and grants applications, which brought together scientists and science policy officials from the U.S., Hungary, the Czech Republic, and Poland. Based on the successful precedent in Poland, plans are underway to sponsor a technology commercialization conference in Budapest in late 1995.

Background, Czech Republic and Slovakia:

An S&T agreement was established between the U.S. and the Government of the Czech and Slovak Federal Republic in October 1991. A First Joint Board meeting under the agreement was held in Prague in March 1992. However, following the establishment of the Czech Republic and the Slovak Republic as of January 1, 1993, the members of the Joint Boards agreed that henceforth the administrative and financial arrangements for cooperative activities under the 1991 Agreement would be handled for each successor republic through, respectively, a U.S.-Czech Joint Board for S&T cooperation and a U.S.-Slovak Joint Board for S&T Cooperation.

Czech Republic:

To date, U.S. S&T cooperation with the Czech Republic has been concentrated in environmental fields, energy research, health and medical sciences, basic sciences, engineering, natural resources, agriculture, and standardization, which will help build a technological base important for sustained economic growth. First results from the three-year projects are beginning to filter in and many, particularly in the basic science and engineering fields, are excellent. Commercializing applied research and technology in the Czech Republic will be a primary focus beginning this year. Modeled on the successful 1992 conference in Poland, a technology commercialization conference, organized by the highly-regarded U.S. Business Higher Education Forum, was held in Prague May 18-22. U.S. private sector interest is high and the Czechs expect participation from a wide range of their scientific and growing business community.

Slovak Republic

Significantly less well-endowed than its Czech analog, the Slovak scientific community is nonetheless talented in many fields and being counted upon to make important contributions to Slovak economic development. Indicative of this role is the sustained, successful effort of the Slovak scientific community and government officials to commit its Joint Fund contribution despite large political and financial uncertainties. These efforts underscore the vital importance of maintaining the continuity of our S&T cooperation with Slovakia as an important sign of U.S. interest in their scientific potential, as well as a more fundamental political gesture to continue successful and mutually beneficial relationships.

Many of the joint research projects getting underway are directed at the most acute problems in Slovakia, particularly in the agricultural, environmental, and health fields, which all face acute problems stemming from the legacy of central planning.

Background, Former Yugoslavia:

U.S.-Yugoslav S&T cooperation, which dates from 1972, is currently winding down as the 1988 U.S.-Yugoslav S&T Agreement expired in October 1993. A handful of projects approved under its auspices are completing their third and final year of collaboration. While there is no prospect of renewal of the agreement in light of the political disintegration of Yugoslavia, Congress approved funds in FY 93 and FY 94 for cooperation with Slovenia, Croatia, and FYROM to conclude successor S&T agreements. No S&T programs are presently being established with Serbia and Montenegro.

Slovenia, Croatia, and FYROM have sophisticated scientific expertise of great interest to the U.S. scientific establishment, especially in the areas of agriculture, mining, physics, and health. The continuity of S&T cooperation in each republic will be an important sign of U.S. interest in each republic's science capabilities as well as our general political relationships. Our previous experience with researchers in these states was very good. In each case, science officials in the newly independent republics are either previous grantees from the Joint Fund, or former Joint Board members and delegates under the expired U.S.-Yugoslav S&T Agreement.

Slovenia

In April 1993, the U.S. negotiated and signed an agreement with Slovenia, the first bilateral agreement between the U.S. and the new republic. In September 1993, the State Department led a delegation of ten technical agencies to Slovenia to initiate project proposals under the new Agreement and associated Joint Fund. Significant cooperative activities were explored in areas related to environment, health, mining and geology, transportation, energy, agriculture, maritime research, engineering, and basic science. In addition to their matching contribution, the Slovenes offered in-kind contributions to the Joint Fund, including a secretariat from their Ministry of Science.

As one of the principal republics for science cooperation under the now expired U.S.-Yugoslav S&T Agreement, Slovenia has a sophisticated scientific infrastructure and a long history of cooperation with U.S. scientists in a number of areas, including high energy physics, agriculture, mining, and health. The newly established S&T Agreement and Joint Fund will greatly enhance existing scientific collaboration and also help establish important ties with this new and highly energized country.

Croatia

The sophistication of S&T in Croatia is reflected in the large volume (roughly 30 percent) of proposals previously granted to Croatian scientists under the old U.S.-Yugoslavia S&T Agreement. Given the level of interest in both countries, the U.S. signed a new agreement into force on March 18 of this year.

Like Slovenia, Croatia was a principal republic for science cooperation under the old agreement. Croatia maintains one of the most sophisticated scientific infrastructures of the former Yugoslavia and enjoyed a strong history of cooperation with U.S. scientists in academia and technical agencies of the U.S. government. Accordingly, the OES led a delegation of ten technical agencies to Croatia in May to initiate new joint research projects under the Agreement and Joint Fund.

Former Yugoslav Republic of Macedonia

As with Slovenia and Croatia, the U.S. had developed an active S&T relationship with FYROM under the old U.S.-Yugoslavia S&T Agreement. The U.S. has presented a draft Science and Technology Agreement to the FYROM. When an S&T Agreement is negotiated and signed, funding is available from previous year appropriations to begin a joint fund.

1994 ALLOCATIONS UNDER S&T AGREEMENTS

Poland	(1994 allocation $1,750,000)
Hungary	(1994 allocation $1,000,000)
Czech Republic	(1994 allocation $ 600,000)
Slovak Republic	(1994 allocation $ 300,000)
Croatia	(1994 allocation $ 125,000)
Slovenia	(1994 allocation $ 350,000)
FYROM	(1994 allocation $ 150,000)
TOTAL	$4,275,000

USIA NON-SEED FUNDED ACTIVITIES

ACADEMIC PROGRAMS

Academic Specialists Program: This program awards grants to American academic experts and distinguished professionals to consult with colleagues at foreign universities and institutions. Academic specialists engage in a variety of activities that include conducting seminars and workshops on selected topics. Specialists are selected in response to requests from USIS posts abroad. Programs range from two to six weeks in duration.

Nearly forty academic specialists were sent to Central Europe in fiscal year 1994. Of these specialists, approximately half conducted seminars for English-language teachers on Teaching English as a Foreign Language (TEFL) methodology and the incorporation of American Studies topics in the English-language classroom. Other specialists conducted seminars and workshops on a variety of themes including development of a modern legal curriculum, strategies for increasing voter turn-out, and methods for increasing local radio listenership.

College and University Affiliations Program: The College and University Affiliations Program is an annual, worldwide program that awards grants to support three-year affiliations between American and foreign universities. Affiliations activities consist mostly of faculty and staff exchanges but may also include curriculum development and research components.

Currently, there are seventeen active College and University Affiliation projects in nine of the countries of Central Europe. Fields for exchanges include public administration, law, environmental studies, liberal arts, business administration, and American Studies. Successful program linkages, like the linkage between the University of Missouri-Columbia and University of Sibiu in Romania, work to cement the basis for a long-term relationship that continues after completion of USIA grant activities.

Fulbright: USIA's Fulbright Scholar Program exchanges faculty lecturers, researchers, professionals and graduate students between the United States and Central Europe for periods ranging from one semester to one academic year to lecture and conduct research. Foreign applications are submitted to the Fulbright Commission or USIS Post in the applicant's home country. Bilateral Fulbright Commissions operate in Hungary, Poland, Czech Republic, Romania, Bulgaria and Slovakia.

In fiscal year 1994, over four hundred Fulbright grantees were exchanged between the United States and the countries of Central Europe. A total of 176 American lecturers, researchers and graduate students travelled to thirteen countries in Central Europe and approximately 243 Central European individuals lectured or studied in the U.S. Grants were awarded for a variety of fields including business administration, law, economics, American Studies and literature, arts and humanities, social sciences, hard sciences, communication, education, and engineering.

Fulbright Teacher Exchange Program: This program provides academic year exchange opportunities for secondary school educators. A limited number of post-secondary educators also participate on the program. Exchanges are generally reciprocal and focus on social science fields, curriculum reform, English teaching, and foreign languages. During the 1994-1995 academic year, a total of 58 secondary school teachers will be exchanged between American and Central European schools.

Hubert H. Humphrey Fellowship Program: As part of a world-wide program, the Humphrey Program brings mid-career professionals from Central Europe to the United States for ten months of combined academic and professional training. Fellows are placed in non-degree programs at universities around the U.S. Fellows are recruited through the USIS post in their home country.

Individual grants were awarded to 22 Humphrey fellows from Central Europe for the 1993-1994 program. This year, 21 grants were awarded for the 1994-1995 program. Participants came from a variety of fields including public administration, economic development, and environmental management.

Edmund S. Muskie Fellowship Program: The Muskie Fellowship program provides scholarships for graduate study and hands-on training in the United States in the fields of business administration, economics, law, and public administration for students from the NIS and the Baltics. Individual programs range from one to two years in length, with some programs concluding with the award of a graduate degree or certificate. Candidates are recruited through a merit-based competition administered by an inter-organizational operating committee consisting of the American Council for Teachers of Russian (ACTR), the International Research and Exchanges Board (IREX), the Institute for International Education (IIE), and the Soros Foundation. U.S. host campuses are selected through a competitive process.

In the 1994-1995 academic year, nineteen students from the Baltic states are participants in the program.

The Presidents' University Student Exchange (1000/1000): Commonly referred to as the 1000/1000 program, the Presidents' University Student Exchange was announced at the Malta summit by Presidents Bush and Gorbachev and signed into agreement in June 1990. The program provides grants for undergraduate and graduate student exchanges between the U.S. and the NIS/Baltics. Preference is given to exchanges in which foreign students spend one full academic year in the U.S.

In fiscal year 1994, twenty students from the Estonia, Latvia and Lithuania participated in the program at various U.S. universities. No American students travelled to the Baltics.

Samantha Smith Memorial Exchange Program: Congress established the Samantha Smith Memorial Exchange Program in 1988. The program provides grants to U.S. colleges, universities and non-profit organizations to support undergraduate and youth exchange

projects between the United States and Central European countries.

USIA awarded grants to eleven U.S. colleges and universities for the 1993-1994 academic year to conduct exchanges with Central European partner institutions. Nearly seventy American students had the opportunity to study abroad on this program. U.S. institutions hosted 84 students from six Central European countries. Generally, participant studies focused on the humanities, area studies, and host-country language and culture studies.

In addition, USIA awarded grants nine institutions to conduct exchanges of high school students between the U.S. and Central Europe. Programs ranged from semester and academic year placements in secondary schools to shorter term exchanges focussing on a thematic such as agriculture or science.

Student Advising: USIA operates student advising centers in Central Europe that provide counseling and advising services for individuals interested in studying in the United States. Advising Centers are located at USIS missions, Fulbright Commission sites, universities, public libraries, and other public foundations which provide personnel and working space. USIA provides funding for training programs, books and reference material, and advising center equipment.

USIA currently has 47 advising centers in thirteen Central European states. Additionally, USIA provides funding for a Regional Educational Advising Consultancy (REAC) which provides support to individual advising centers in the region. Staff at the REAC organize training programs, makes evaluation and consultation visits to local centers, and facilitates communication among the region's centers and with USIA.

Training programs for advising center staff have included an in-country coordinators' workshop in Romania which spurred in-country workshops for educators in the Czech Republic, Poland, and Hungary. Advisers from Central Europe also participated in a month-long U.S. based training program.

Speakers and Professionals-in-Residence Programs: USIA recruits American distinguished scholars and professionals to consult with Central European counterparts and provide advice in their particular areas of expertise. Generally, Speaker's programs last 1-2 weeks and Professionals-in-Residence operate for three weeks or longer.

In fiscal year 1994, USIA sent forty-one U.S. Speakers and Professionals-In-Residence to Central Europe in a variety of fields including rule of law, market economics and the U.S. political system.

CITIZEN EXCHANGES

Central European Training Program: This program provides assistance awards to U.S. non-profit institutions to conduct training programs for Central European target audiences. In fiscal year 1994, USIA awarded CEETP grants to twenty-one U.S. institutions. Grant activities took place in twelve countries of Central European countries and focused on local

government, media, municipal and public administration, business administration and management.

Discretionary Grants: This global program provides grants to non-profit organizations in support of projects that link their international exchange interests with counterpart institutions/ groups in ways supportive of USIA aims. USIA funded five grants to U.S. institutions for programs in Central Europe.

INTERNATIONAL VISITORS PROGRAMS

International Visitor Program: The International Visitor (IV) Program affords opportunities for established or potential foreign leaders in government, politics, media, education, labor relations, the arts and other key fields to confer with their American professional counterparts and to experience U.S. culture firsthand. Visitors participate on individualized programs or group projects for a period of 3-4 weeks.

Visitors are nominated by American embassies in Central Europe. In fiscal year 1994, over 350 visitors from thirteen countries participated in IV individual, single-country, European regional, and multi-regional programs. Additionally, USIA funded four Baltic sub-regional programs on issues pertinent to the area (e.g. U.S. foreign policy and U.S. elections process.) Over thirty single-country projects were completed on a wide range of regionally important issues - economic reform, democratization, rule of law, environmental protection, media, and educational reform.

Voluntary Visitors: The Voluntary Visitors Program arranges professional appointments and operates shorter-term programs for individuals and groups travelling to the U.S. at their own expense. Voluntary visitors are nominated by American missions abroad. Over eighty visitors from Central Europe participated on Voluntary Visitor programs in fiscal year 1994.

ARTS PROGRAMS

Performing Arts: Each year, in consultation with U.S. Embassies, the Office of Arts America organizes a small number of fully-funded performing arts presentations in music, dance and theater. In addition to performances, overseas tours usually involve workshops or master classes, interviews with foreign media, and representational events such as dinners or receptions. In 1994, USIA sponsored a modern dance company to travel to Bulgaria, the Czech Republic, and Hungary.

Artistic Ambassador Program: The Artistic Ambassador Program sends often undiscovered classical musicians to various countries to enhance USIA's mission of promoting cross-cultural understanding. In addition to performing, Artistic Ambassadors also may conduct workshops and master classes. Artistic Ambassadors are sought from music schools, conservatories, colleges and universities throughout the U.S. Artistic Ambassadors are selected through live auditions.

Corridors of Culture: The Corridors of Culture program was created in 1994 to demonstrate support for writers and other members of the intellectual community in emerging

democracies of Central Europe and the NIS. The program introduces foreign writers to the American publishing business, the role of literary agents, and the practical realities of publishing in the global marketplace. Under this program, USIA sponsored the travel of three delegations of American writers to Hungary to participate in the International Book Fair, the Czech Republic to represent the U.S. at the PEN Conference, and Estonia to meet with members of the Writer's and Publisher's Unions.

Creative Arts Discretionary Competition: This biannual, world-wide competition invites proposals from U.S. non-profit organizations for exchanges of professionals in the arts and museum fields. In 1994, USIA funded three grants which involved participants from Central Europe.

Museum Linkages: Since 1981, USIA has supported the International Partnerships Among Museums [IPAM] program to encourage linkages between U.S. and foreign museums. This program, which runs on a two-year funding cycle, is administered by the American Association of Museums. USIA currently sponsors three linkages between U.S. museums and museums in the Czech Republic and Hungary.

Speakers and Cultural Specialist Programs: These programs are designed to encourage the exchange of ideas in the areas of creative and performing arts. USIA recruits experts in response to requests made to U.S. Embassies by foreign cultural institutions, schools or associations. USIA sent fifteen American Cultural Specialists and Speakers to eight Central European states on a variety of topics in fiscal year 1994.

Visual Arts: USIA works with museums across the U.S. to send a wide variety of fine arts exhibitions around the world. Exhibitions normally tour for one to two years. Exhibits must be recommended by an expert panel, meet the stated needs of U.S. embassies, and be suitable for touring overseas. Two exhibitions, one a mixed media exhibit and the other an exhibit on woodcarving, were presented in Central Europe in 1994.

BOOK & PUBLICATIONS PROGRAMS

Book Promotions: USIA sponsored and organized book exhibits both at important international book fairs and through traveling exhibit programs.

Donated Books Programs: USIA provided limited support to non-profit, private sector organizations involved in the distribution of books donated by U.S. publishers to Central European countries that lack viable markets for U.S. titles.

Publisher Education: During FY-94, USIA sponsored a series of workshops and training events in Central Europe and the U.S. designed to help publishers adapt to the requirements of publishing in a market economy.

Book Translations: USIA assists independent publishers who have a commercial interest in producing either translated versions of U.S. works or low-priced English-language reprints of the original works by bringing together foreign and U.S. publishers so that agreements can be reached. In Central Europe the Book Translations Program has produced books on American history and fundamentals of government (e.g. "Democracy in America", "The

Federalist Papers") as well as books on American law, municipal government, market economics, business management and marketing and book on the environment, such as Vice President Gore's "Earth in the Balance," which has been published in Hungarian, Bulgarian and Polish.

Publications: USIA produces pamphlets and short publications about U.S life, democratic government and the market economy. Many of these publications are made available in the languages of Central Europe, including Albanian, Bulgarian, Croatian, Czech, Estonian, Hungarian, Latvian, Lithuanian, Macedonian, Polish, Romanian, Serbian, Slovak, and Slovene. Publications range from basic documents (U.S. Constitution and Declaration of Independence) to educational pamphlets ("What is a Market Economy") and series papers such as the Prosperity Paper Series (economics) and the Freedom Paper Series (democratic institutions).

Wireless File: USIA produces the Wireless File, a news-service communication network compendium of official United States Government texts, reports, speeches and media items intended to explain U.S. government policy. The Wireless File is published in English, French, Spanish, Arabic and Russian. The Wireless File is transmitted to U.S. missions abroad for usage by the Foreign Service community and dissemination to foreign opinion leaders. The Wireless File is transmitted five times a week to all Central European missions.

BROADCASTING

Media Training: USIA's Office of International Media Training implements several programs that are designed to promote the development of a free and independent media in Central Europe. All participants are nominated by American missions abroad. Outside of its SEED funded activities, International Media Training offered two US-based workshops, an economic reporting workshop and a radio sales and management workshop, for participants from Central Europe in 1994.

WORLDNET: WORLDNET, USIA's television and film service's global satellite television network, presents a wide variety of programming about life in the United States. WORLDNET broadcasts to U.S. embassies and USIS posts around the world which receive its satellite transmissions and then make them available to select and mass audiences. In addition to U.S. embassies and cultural centers, various broadcast companies and cable systems can receive WORLDNET directly for retransmission of its programs for free if they sign usage contracts with WORLDNET. Following is a brief description of specific WORLDNET programs.

--Acquisitions: WORLDNET's Acquisitions Department purchases broadcast and educational rights to new series and renews rights to old series. In FY-94, WORLDNET had the rights to about 55 different series. Priority areas for Central European programming include economics, business and political process.

TV- Coops: Under this program, USIA sponsors television crews from the region to travel to the U.S. for a two to three week period to film short documentaries on a variety of themes. Topics included trade and investment, banking, business management,

the U.S. politics and society.

--Language Versions: WORLDNET programs are translated into many regional languages including Albanian, Bulgarian, Croatian, Czech, Estonian, Latvian, Polish, Romanian, Serbian, Slovak and Slovenian.

--Interactives: Interactive dialogues are live satellite television dialogues which provide a forum for Central European political leaders, journalists and professionals to speak directly with American experts in government, business, science, education and the arts.

VOA: The Voice of America (VOA) is the international broadcast service of the United States Information Agency. VOA programs cover global, U.S., regional, and to the extent possible, local news and related political and economic events. Other programming is designed to teach foreign audiences about the United States. Along with music of all varieties, features on democratic institutions, market economies, science, medicine, sports, and English teaching programs are included. VOA also interviews foreign guests that are in the United States under other USIA programs. This provides an opportunity to present the United States through the eyes of a first-time observer, making the information more accessible to the target foreign audiences.

VOA has over forty Central European affiliates which rebroadcast VOA programs and receive equipment from VOA. Language services include many of the regions languages.

US DEPARTMENT OF AGRICULTURE

EMERGING DEMOCRACIES PROGRAM
1989 TO 1994

Background. USDA's Emerging Democracies Program shares agricultural and agribusiness expertise with countries that are emerging democracies.. Under the 1990 Farm Bill, the Secretary of Agriculture is charged with developing, maintaining, and expanding markets for U.S. agricultural exports. The program is funded at up to $10 million per year. Beneficiary nations fit the statutory definition of "emerging democracies"--any country taking steps toward political pluralism, based on progress toward free and fair elections and a multi-party political system; carrying out economic reform, based on progress toward a market-oriented economy; demonstrating respect for internationally recognized human rights; and expressing a willingness to build a friendly relationship with the United States. Commercial market potential is also an important criterion.

The Emerging Democracies Advisory Committee advises the Secretary on strategies, proposals, and activities developed for and carried out under this program. Through extension of technical assistance and sharing of expertise, participants in the Emerging Democracies Program seek to increase prospects for U.S. trade and investment in selected countries. These programs complement the core credit and market development activities of USDA's Foreign Agricultural Service. Activities are carried out both by USDA agencies and by private contractors. Those activities funded in Central Europe are described below.

Regional. From the program's inception in FY 1992, a number of activities have been undertaken in Central Europe. By yearly total, assistance to Central Europe was provided at the following levels: FY 1992, $3,869,000; FY 1993, $2,387,000; and FY 1994, $4,305,347. While most activities were country specific, Emerging Democracies funds were allocated to the regional Cochran Fellowship program to augment existing appropriated funding. This regional funding for the Cochran Fellowship program was: FY 1992, $500,000; FY 1993, $600,000; and FY 1994, $700,000 for a total of $1,800,000.

Baltics. Of equal weight, yearly totals of funding allocated to the three Baltic Republics are as follows: FY 1992, $604,000; FY 1993, $639,000; and FY 1994, $434,200 for a total of $1,677,200. Past activities include poultry, dairy, livestock, and feed sector assessments; poultry sector development; dairy sector development; and a regional dairy genetics resident advisor. FY 94 activities include extending the regional resident dairy advisor and undertaking a food warehouse feasibility study.

Bulgaria. Yearly totals of funding allocated to Bulgaria are as follows: FY 1992, $1,312,000; FY 1993, $445,000; and FY 1994, $408,000 for a total of $2,165,000. Past activities include a fruits and vegetables sector assessment; grades, standards, and market news for the fruits and vegetables sector; a resident economic advisor; and training for fruits and vegetables processors in marketing and processing. FY 1994 activities include extension of the resident economic advisor and short term technical assistance in the grains sector.

Czech and Slovak Republics. Yearly totals of funding allocated to Czechoslovakia (FY 91-93) and the Czech and Slovak Republics (FY 94) were: FY 1991, $85,000; FY 1992, $628,000; FY 1993, $17,000; and FY 1994, $73,000 for Czech Republic and $200,000 for the Slovak Republic for a total of $1,003,000. Past activities include a agriculture banking and finance sector assessment, farm managers training, bank managers and loan officers training, and wholesale market development. FY 1994 activities for the Czech Republic were a food marketing workshop and for the Slovak Republic, assistance with economic situation and outlook.

Hungary. Yearly totals of funding allocated to Hungary are as follows: FY 1992, $325,000 and FY 1993, $58,000 for a total of $383,000. There were no activities funded in Hungary in FY 1994. Past activities include funding for a trade and investment assessment of the country.

Poland. Yearly totals of funding allocated to Poland are as follows: FY 1992, $415,000; FY 1993, $628,000; and FY 1994, $289,000 for a total of $1,332,000. Past activities include marketing and testing of perishable products and business plan training. FY 1994 activities include providing assistance with market information standards and grading for the livestock sector and organization of a wood frame construction seminar.

Romania. Yearly totals of funding allocated to Romania are as follows: FY 1994, $2,151,000 for a total of $2,151,000. FY 1994 activities include an agribusiness opportunity mission, economic situation and outlook, economic policy assistance, and agricultural statistics assistance.

Slovenia/Croatia. Yearly totals of funding allocated to Slovenia and Croatia equally are as follows: FY 1994, $50,000 for a total of $50,000. FY 1994 activities include joint plant and animal health training.

COCHRAN FELLOWSHIP PROGRAM
1989 to 1994

Background: USDA's Cochran Fellowship Program provides short-term agricultural training in the United States for agriculturalists from selected middle-income countries and emerging democracies. Training programs are specifically developed for selected senior-and mid-level specialists and administrators from both the public and private sectors concerned with agricultural trade, management, marketing, policy, and technology transfer. The program works closely with USDA agencies, U.S. agricultural trade and market development associations, agricultural colleges and universities, and agribusinesses to implement the training programs. It is coordinated through USDA Foreign Agricultural Service (FAS) Agricultural Affairs Office in each country.

The objectives of the Cochran Fellowship Program are: (1) to assist countries to develop agricultural systems necessary to meet the food needs of their domestic populations; and (2) to strengthen and enhance trade linkages between the countries and agricultural interests in the United States. Since its start in 1984, the program has provided training in the U.S. for 3,398 international participants from 37 countries.

Central Europe: The Cochran Fellowship Program (Cochran Program) has been providing agricultural training for participants from Central Europe since 1985 when the program was initiated in Yugoslavia. The program was started in Poland in Fiscal Year (FY) 1989, in the Czech Republic, Slovak Republic, Hungary and Bulgaria in FY 1991, in Albania in FY 1993, and in Croatia and Slovenia in FY 1994. The program in Yugoslavia was suspended in FY 1991. During the FY 1989 to 1994 period, a total of 783 participants received agricultural training in the U.S. under the Cochran Program: Poland (326 participants), Hungary (91), Czech Republic (166), Slovak Republic (49), Bulgaria (120), Albania (21), Croatia (2), and Slovenia (8).

The Cochran Program received funding for Central Europe activities from three sources: Congressional appropriations (1989-1994); SEED Act funding from USAID (1991-1992), and USDA's Emerging Democracies Program (1992-1994). Because the Cochran Program operates in 34 middle income countries and emerging democracies worldwide, appropriations provided only a small amount for Central Europe countries. The majority of participants from the Central Europe countries were funded under the SEED Act and USDA's Emerging Democracies Program.

During the 1989 to 1994 period, Congressional appropriations allocated to Central Europe countries totalled about $1.45 million. These funds provided training in the U.S. for 177 participants: Poland (78), Hungary (35), Czech Republic (21), Slovak Republic (16), Bulgaria (19), Slovenia (6), and Croatia (2). Funds were used to pay participant' costs in the U.S. such as food and lodging, domestic U.S. airfares, emergency medical insurance, training fees, and to provide USDA staff support. Almost all funds were spent in the United States. Under the Cochran Program, the participant or their sponsor pays the round trip international airfares to the United States. Using a rough estimate of $1,200 per trip, the total Central Europe contribution for the 177 participants was about $212,400.

Albania: No Albanians received training under Cochran appropriations. All of the 21 Albanian have been funded through USDA's Emerging Democracies Program.

Bulgaria: About $187,000 of appropriations have been used for Cochran training for Bulgarians between 1992 and 1994, or about $60,000 per year. Although Bulgaria has been slower to shift to free market agriculture, Cochran Programs can be directly linked to improvements in the management of food processing facilities and, together with USDA's Extension Service, assisting with the establishment of a counterpart Bulgarian extension system.

Croatia: The Cochran Program started a pilot program in Croatia in 1994, using about $13,000 of appropriated funding. These funds were used to provide two Croatian officials with training in meat and poultry inspection in conjunction with USDA's Food Safety and Inspection Service (FSIS). Interestingly, when USDA/FAS Officers responsible for Croatia met with Croatian Ministry of Agriculture officials they discovered that two Croatian Deputy Ministers of Agriculture had been former Cochran participants under the program in Yugoslavia.

Czech Republic and Slovak Republic: The Cochran Program was started in Czechoslovakia in 1991. In 1993, separate programs were established in the two republics. Appropriations allocated for both countries from 1991 to 1994 totalled about $350,000 or about $40,000 per country per year. This provided training for 21 participants from the Czech Republic and 16 from the Slovak Republic. Cochran Programs have been cited by the USDA/FAS Agricultural Affairs Officer as having facilitated the use of GSM-102 and the Export Enhancement Program (EEP) for sale of U.S. grain to the Czech Republic, while also assisting both countries in areas of agricultural policy.

Hungary: Appropriations allocated for Hungary from 1991 to 1994 averaged about $70,000 per year or $280,000 for the 4 year period, and provided training for 35 participants. As with Poland, we have seen a dramatic shift from public to private sector participants over the past two years, which have provided increased U.S. agricultural trade opportunities in livestock genetics, seeds, and food and feed grains.

Poland: Appropriations allocated for Poland averaged about $110,000 per year for the 1989 to 1994 period, for a total of about $550,000. This provided training for 78 Polish participants. During the first two years, about 60 percent of Polish participants were public sector officials that received training in agricultural policy areas; the other 40 percent were private sector participants interested in the management of a variety of agribusiness topics. During the past three years, however, about 90 percent of Cochran participants came from the private sector, in areas such as high value agricultural products, livestock genetics, grain marketing, wood home construction, and others that relate to the potential for increased trade with the United States. Reported results of several of these later training activities indicate that over $6.8 million of U.S. commodities were sold to former Cochran participants since 1992.

Slovenia: The Cochran Program started a pilot program in Slovenia in 1994. Six (6) participants were sponsored with about $70,000 in appropriations. The major activity was the training of Slovenian' officials in USDA's food safety and phytosanitary inspection systems.

SCIENTIFIC COOPERATION PROGRAM
1989 to 1994

Background. The Research and Scientific Exchanges Division (RSED) of the Foreign Agriculture Service administers the Scientific Cooperation Program to gain new knowledge and technology beneficial to the United States and cooperating countries through collaborative

research and scientific exchanges on a broad range of subjects in agriculture and forestry such as germplasm acquisition and storage, animal sciences, aquaculture, biological control, food technology, agro-environmental problems, and forest monitoring. Short-term visits between U.S. and foreign scientists are supported to acquire scientific or agro-economic data, special research techniques, unique resources such as germplasm or biological control organisms not available in the United States, and to consult or conduct field work on significant problems facing U.S. agriculture. Under long-term projects, the division supports collaboration between U.S. researchers and their international counterparts on high priority problems. Long term collaborative projects also allow U.S. scientists to study plant and animal disease or pest problems that have their origins in foreign countries, often eliminating the need to conduct the research under quarantine in the U.S. Thus, U.S. scientists gain access to resources and/or expertise not available in the U.S. Both short term and long term scientific cooperation efforts involve scientists from USDA agencies, other federal departments, as well as the U.S. university community. Because these programs are international in scope, collaboration has been undertaken with Central European scientists over the last four years. Total funding for Central Europe is $382,000.

Bulgaria. Total funding for Bulgaria FY 1990 - 1994 for scientific exchanges and research collaboration is $52,300.

Czech and Slovak Republics. Total funding for Czech and Slovak Republics FY 1990 - 1994 for scientific exchanges and research collaboration is $10,900. Topics of exchanges and research collaboration in the Czech Republic for FY 1994 include management of ecologically reasonable levels of nutrients in soils. Topics of exchanges and research collaboration for FY 1994 for the Slovak Republic include use of microsporidia for biological control of the gypsy moth.

Estonia. Total funding for Estonia FY 1990 - 1994 for scientific exchanges and research collaboration is $7,800. Topics of exchanges and research collaboration for FY 1994 include dairy housing.

Hungary. Total funding for Hungary FY 1990 - 1994 for scientific exchanges and research collaboration is $256,000. Topics of exchanges and research collaboration for FY 1994 include plum pox virus resistance, Russian wheat aphid control, integrated crop management, aquaculture, transgenic herbicide-resistance rice development, soil conservation, and biological control of weeds.

Latvia. Total funding for Latvia FY 1990 - 1994 for scientific exchanges and research collaboration is $11,900.

Lithuania. Total funding for Lithuania FY 1990 - 1994 for scientific exchanges and research collaboration is $11,000.

Poland. Total funding for Poland FY 1990 - 1994 for scientific exchanges and research collaboration is $3,900.

Romania. Total funding for Romania FY 1990 - 1994 for scientific exchanges and research collaboration is $28,000. Topics of exchanges and research collaboration for FY 1994 include development of fungal pathogens for use as microbial control agents and fish growth and

survival in deltaic lakes.

DOD EXCESS PROPERTY HUMANITARIAN ASSISTANCE PROGRAM

The Department of Defense (DOD) has had a very active and robust program supporting the donation and delivery of humanitarian relief supplies in Central Europe. This program began with the start of the 1989 Support for East European Democracy (SEED) Act. The Office of the Assistant Secretary of Defense for Special Operations and Low-Intensity Conflict, Office of Humanitarian and Refugee Affairs, administers the program as part of the administration's efforts to promote democracy and free market economies in Central Europe. Under the authority of U.S.C. Title 10, Section 2547 and 2551, DOD can make available and transport DOD excess non-lethal property to foreign recipients, when tasked through and in coordination with the Department of State. A further authority authorizes and appropriates funds for the transportation of DOD excess property and privately donated humanitarian relief supplies to recipient countries.

Since the first mission to Hungary in March 1990, all Central European countries have benefited from this program. Excess property has been supplied from the drawdown of U.S. military facilities in Europe and the excess stocks of food and medical supplies from Operation Desert Storm. The U.S. military launched Operation Provide Promise in July 1992, flying C-130 aircraft from Rhein-Main Air Force Base in Germany to Sarajevo supporting UNHCR relief efforts. This operation continues and has eclipsed the Berlin airlift in length of operations. Airdrop operations over Bosnia-Herzegovina began in February, 1993, and provided food and medical supplies to enclaves that had been cut off from ground convoy support.

ALBANIA

DATE	DESCRIPTION OF CARGO
May 94	10,000 pounds of Excess Medical Supplies
July 94	162,000 pounds of Medical Supplies and books
July 94	1,000 pounds of Excess Medical Supplies and Equipment
Sept 94	1,180,000 pounds of Excess clothing

BOSNIA-HERZEGOVINA

DATE	DESCRIPTION OF CARGO
June 94	202,000 pounds of Medical Supplies
June 94	Clothes/Toys/Medical supplies
June 94	1,800 pounds/2 vehicles

June 94	1,300 pounds/2 vehicles
July 94	557,200 pounds of Excess Equipment and supplies, 3 Ambulances, 1 Blazer 1 pickup truck, generator 3 scoop loaders, HDRs and Dried Milk
Aug 94	50,000 pounds of Excess medical supplies/equipment

BULGARIA

DATE	DESCRIPTION OF CARGO
May 94	360,000 pounds of Excess Medical Equipment and Supplies
July 94	39,000 pounds of Excess medical supplies, and one ambulance

CZECH REPUBLIC

DATE	DESCRIPTION OF CARGO
July 94	13,000 pounds of Excess Office Equipment and Furniture
Sept 94	15,000 pounds of Excess Medical Supplies

HUNGARY

DATE	DESCRIPTION OF CARGO
May 94	Excess medical supplies
Sept 94	14,000 pounds of Excess Medical Supplies

LATVIA

DATE	DESCRIPTION OF CARGO
May 94	40,000 pounds of DOD Excess Medical supplies
July 94	93,000 pounds of Excess Medical Supplies/Equipment
July 94	57,000 pounds of Excess Medical Supplies and an Ambulance

LITHUANIA

DATE	DESCRIPTION OF CARGO
July 94	600,000 pounds of Medical Supplies and Equipment

ROMANIA

DATE	DESCRIPTION OF CARGO
July 94	20,000 pounds of Excess Medical Supplies
July 94	173,000 pounds of Medical Supplies, Furniture and Clothing

POLITICAL-MILITARY COOPERATION

Since the collapse of communism in Central Europe, and especially since 1991, the U.S. has developed bilateral security relationships with virtually all of the region's non-combatants. While all of our security relationships with the CE countries are relatively new, security ties

have evolved most rapidly with the four Visegrad states. Across the region, the political/military dimension is assuming increasing importance in our overall bilateral relations -- a trend we expect to continue as implementation of NATO's Partnership for Peace (PFP) accelerates and as these countries pursue closer bilateral links with us.

Until now, the USG has allocated relatively small amounts of security assistance funding for Central Europe -- largely limited to the International Military Education and Training (IMET) program and the Military-to-Military Contact Program (MMCP). As our defense and military relations with Central Europe deepen, we expect to request increased funding for this region. For instance, as announced by the President in Warsaw in July, we will request $100 million in FY96 in bilateral security assistance to support the objectives of PFP. We will also request additional amounts in bilateral military funding above and beyond the Warsaw Initiative.

The overarching aim of our security assistance policy in Central Europe is to promote regional stability -- through democratization of armed forces, expansion of contacts between Central European armed forces and NATO (especially U.S.) militaries, and the reorientation of the militaries themselves. Training and contact programs, for example, largely aim to foster in Central European militaries respect for civilian oversight, both by means of instruction, and exposure to the U.S. system.

Transfers of U.S. defense articles and services, which have been minimal to date, will increasingly be aimed at helping these militaries to reorient to defensive postures and to achieve greater compatibility with NATO and U.S. forces. Enhanced military interoperability will allow the states to participate more effectively in PFP activities and in multinational peacekeeping operations.

The key components of our political-military cooperation include:

- Bilateral Working Groups (BWGs) on Defense Matters. The U.S. has held BWGs -- annual, bilateral fora for consultations on regional security, defense relations and security assistance -- with all of SEED recipients except Bosnia. On the U.S. side, BWGs are chaired by a senior DoD official, with senior participants from State and NSC.

- Bilateral Security and Arms Control Dialogues. In 1994, the U.S. initiated bilateral consultations on political-military issues with five Central European states (Poland, the Czech Republic, and the Baltics). We expect to hold similar talks with seven more states in coming months. Unlike the BWGs, these consultations are chaired by foreign ministries.

- International Military Education and Training (IMET): All the region's non-combatants participate in the IMET program, which emphasizes civilian oversight and English-language instruction to military and civilian defense officials. We expect to initiate IMET programs with remaining SEED recipients in FY 95. We will have provided approximately $14 million in IMET funding to these states between FY 92 and FY 95.

- Military Contacts: The U.S. has engaged in a range of traditional military-to-military contacts with virtually all the non-combatant Central European states, including ship visits to maritime states, air shows, and visits of high-ranking defense officials. In

addition, USEUCOM manages the MMCP in 11 of the states. In each capital, resident Military Liaison Teams coordinate visits, exchanges, and seminars between U.S. and host country militaries.

- o Transfers of Defense Articles and Services: All ten SEED states not under an arms embargo are eligible to acquire U.S. defense articles and services commercially and from the USG through the Foreign Military Sales (FMS) system. These states and Slovenia are also eligible to receive transfers of non-lethal excess defense articles (EDA). New legislation -- the NATO Participation Act of 1994 -- may make it possible for the President to determine that certain of the states are also eligible for grant, lethal EDA. Several states have already received or will receive soon EDA.

- o Bilateral Agreements: DOD has signed Memoranda of Cooperation on Defense Relations -- non-binding framework documents -- with several states, including Albania, Poland, Slovakia, the Czech Republic, Romania, Bulgaria, Croatia, and FYROM.

- o Multilateral Cooperation: Over the last year, we and our NATO allies have greatly expanded our multilateral political-military cooperation with the former Warsaw Pact Central European states through the PFP and the NACC. The PFP provides a framework for enhanced political and operational military cooperation with these states, including joint planning, training, and exercises with NATO forces. Three land exercises have already been held.

NON-SEED USAID DISASTER RELIEF

Bureau for Humanitarian Response (BHR)
Office of U.S. Foreign Disaster Assistance (OFDA)
and
Office of Food for Peace (FFP)

USAID/BHR FUNDING TO SEED-RECIPIENT COUNTRIES
Fiscal Year 1994

1) Macedonia - FY 94 - Food Shortage

OFDA Funding for the Disaster
Grants: $25,000

TOTAL BHR SPENDING: $25,000

2) Croatia - FY 94 - Displaced Persons and Refugees

OFDA Funding for the Disaster
Grants: $819,473
DART Administration: $50,000

Total OFDA Spending: $869,473

FFP Funding for the Disaster
Title II Food Aid: $8,367,300
Total FFP Spending: $8,367,300

TOTAL BHR SPENDING: $9,236,773

3) Bosnia-Herzegovina - FY 94 - Civil Strife

OFDA Funding for the Disaster
Grants: $19,751,043
DART Administration: $2,202,907
DART Rapid Response Fund: $369,352
Logistics and Transport: $719,374
Total OFDA Spending: $23,042,676

FFP Funding for the Disaster
Title II Food Aid: $86,721,000
Total FFP Spending: $86,721,000

TOTAL BHR SPENDING: $109,763,676

4) Federal Republic of Yugoslavia (Serbia and Kosovo)
FY 94 - Emergency

OFDA Funding for the Disaster
Grants: $6,683,765
TOTAL BHR SPENDING: $6,683,765

OFDA FUNDING TO SEED-RECIPIENT COUNTRIES

Fiscal Years 1990 - 1993

1) Romania - FY 90 - Civil Strife

OFDA Funding for the Disaster
Grants: $500,000
Supplies: $225,751
Transport: $50,000
Services/Personnel: $27,705
TOTAL BHR/OFDA SPENDING: $803,456

2) Yugoslavia - FY 90 - Coal Mine Accident (Aleksinac)

OFDA Funding for the Disaster
Grants: $10,000
TOTAL BHR/OFDA SPENDING: $10,000

3) Yugoslavia - FY 90 - Coal Mine Accident (Kreka)

OFDA Funding for the Disaster
Grants: $10,000
TOTAL BHR/OFDA SPENDING: $10,000

4) Albania - FY 91 - Emergency

OFDA Funding for the Disaster
Services/Personnel: $259,912
TOTAL BHR/OFDA SPENDING: $259,912

5) Romania - FY 91 - Floods

OFDA Funding for the Disaster
Grants: $10,000
TOTAL BHR/OFDA SPENDING: $10,000

6) Former Yugoslavia - FY 92 - Civil Strife

OFDA Funding for the Disaster
Grants: $1,812,496
Supplies: $872,783
Transport: $931,320
Services/Personnel: $143,602
TOTAL BHR/OFDA SPENDING: $3,760,201

7) Albania - FY 93 - Floods

OFDA Funding for the Disaster
Grants: $25,000
TOTAL BHR/OFDA SPENDING: $25,000

8) Former Yugoslavia - FY 93 - Civil Strife

OFDA Funding for the Disaster
Grants: $26,108,462
Supplies: $1,106,747
Transport: $614,597

Services/Personnel: $1,747,493
TOTAL BHR/OFDA SPENDING: $29,577,299

A. Kosovo - FY 93

OFDA Funding for the Disaster
Grants: $4,989,561
TOTAL BHR/OFDA SPENDING: $4,989,561

IV. U.S. TRADE AND INVESTMENT INITIATIVES

The United States continues to use trade and investment as important means to support Central European efforts to become market economies. Accordingly, the United States has granted Most Favored Nation (MFN) status, extended Generalized System of Preferences (GSP) benefits, and removed quantitative restrictions or increased quota levels on many of Central European exports.

During fiscal 1994, the United States undertook the following activities to increase trade and investment with Central Europe.

MOST FAVORED NATION TRADE STATUS

All references to Title IV below are to Title IV of the Trade Act of 1974, 19 U.S.C. 2431, et seq., sometimes known as the Jackson-Vanik Amendment.

Poland had Most Favored Nation trade status (MFN) at the time of enactment of the Trade Act of 1974 and is not subject to the Title IV provisions. The MFN status was suspended by Presidential proclamation in 1982 during the period of martial law, but was reinstated in 1987. A Title IV trade agreement was signed with **Czechoslovakia** in April 1990, and its products were accorded MFN treatment in November 1990. Czechoslovakia was graduated from Title IV in April 1992 and now enjoys unconditional MFN status. The United States continued to extend MFN status to the new Czech and Slovak Republics following the January 1, 1993 dissolution of Czechoslovakia. **Hungary** had MFN status under the terms of a Title IV trade agreement which first entered into force in 1978. Hungary was graduated from Title IV in April 1992 and now has unconditional MFN treatment.

A Title IV trade agreement with **Bulgaria** was signed in February 1991; MFN tariff treatment became effective on November 22 1991, shortly after Congress approved the trade agreement. In June 1993, the President determined that Bulgaria is in full compliance with the Jackson-Vanik Amendment. A Title IV trade agreement with **Albania** was signed in May 1992 and approved by Congress in August 1992. Exchange of diplomatic notes to allow MFN status to take effect was completed in November 1992.

Most Favored Nation status was extended to **Romania** in 1975, but was renounced by Romania in 1988. A Title IV trade agreement which would restore MFN treatment to Romania was concluded in 1992 and approved by Congress in October 1993. The President signed the agreement November 17, 1993.

Public Law 102-182, which was enacted in December 1991, rescinded application of Title IV of the Trade Act of 1974 to **Estonia**, **Latvia** and **Lithuania** and extended unconditional MFN status to these three countries, effective December 1991.

Former Yugoslavia was not subject to Title IV provisions and enjoyed unconditioned MFN status. Products from the former Yugoslav republics of **Bosnia and Herzegovina**, **Croatia**, **Slovenia**, and **FYROM** receive MFN treatment by virtue of the former Yugoslavia having had such status.

Similarly **Serbia** and **Montenegro** had MFN status by virtue of the former Yugoslavia having enjoyed MFN status. However in October 1992 Congress passed and the President signed legislation revoking MFN status for **Serbia** and **Montenegro**, which are in any event now subject to U.S. and UN sanctions.

GENERALIZED SYSTEM OF PREFERENCES

Extension of GSP benefits to Central European countries continues to play a major role in U.S. trade enhancement assistance. The **Baltic states**, **Bosnia**, **Bulgaria**, **Croatia**, **Czech Republic**, **Hungary**, **FYROM**, **Poland**, **Slovakia**, and **Slovenia** were GSP beneficiaries throughout 1993. Currently, GSP eligibility is as follows:

Hungary was designated a beneficiary country on November 3, 1989. **Poland** received its GSP designation January 9, 1990, and **Czechoslovakia** was so designated April 29, 1991. The separate entities of the **Czech Republic** and **Slovakia** continue to receive GSP benefits previously extended to Czechoslovakia. **Bulgaria** was designated a beneficiary country December 4, 1991. **Estonia**, **Latvia**, and **Lithuania** were all designated beneficiaries, effective February 22, 1992. GSP beneficiary status was extended to Albania in July 1993.

Romania had been a GSP beneficiary, but was removed on March 4, 1987 from GSP eligibility because it did not meet worker rights criteria. In 1993 **Romania** requested reinstatement of GSP benefits. A review of Romania's eligibility for GSP beneficiary status was initiated in November 1993 and was restored to the country in March 1994.

GSP for **Yugoslavia** was revoked due to dissolution of the republic. On August 25, 1992, the President announced his determination that it was appropriate "to designate each of the former republics of the Socialist Federal Republic of Yugoslavia other than Serbia and Montenegro..." as GSP beneficiaries. Products from the former Yugoslav republics of **Bosnia and Herzegovina**, **Croatia**, **FYROM**, and **Slovenia** were designated as GSP beneficiaries in accordance with that announcement.

NORMALIZATION OF TRADING RELATIONS UNDER THE GATT

Central European countries' participation in the General Agreement on Tariffs and Trade (GATT) as contracting parties complements U.S. efforts to bring these countries into the community of market-based economies and reduces barriers to U.S. goods. In negotiating their accession to the GATT, countries must bring their trade regimes into conformity with the rules governing international trade, a step which augments the economic reforms Central European governments have initiated. As contracting parties, these countries can also take advantage of the liberalizations resulting from Uruguay Round of trade negotiations.

In October 1991, the U.S. Government entered into negotiations with the Polish Government to establish a tariff schedule in the context of **Poland's** request for reaccession to the GATT. The United States submitted its initial request for the reduction and binding of Polish tariffs on selected items and requested that Poland eliminate quantitative restrictions on these items and commit to a ceiling binding of 20 percent ad valorem. In addition the United States has been attempting to mitigate the impact of Poland's Association Agreement with the

European Union, in which it provided the European Union better than MFN treatment for a broad range of products. In July 1993, the Government of Poland implemented a package of tariff suspensions and tariff rate quotas as a partial response to United States complaints about these tariff differentials. We intend to use Poland's GATT reaccession negotiations to press for a permanent solution.

The United States supports **Hungary's** request for reaccession to the GATT. However, Hungary's inability to negotiate specific terms of reference for reaccession has delayed the negotiations. Inadequate Hungarian protection of patented products, particularly pharmaceuticals has been a problem for U.S. industry. In July 1993 the United States and Hungary reached an agreement on intellectual property protection.

The United States also supports GATT accession for **Bulgaria** and **Slovenia**. **Bulgaria** was granted GATT observer status in 1967, applied to accede to the standards code in 1980, and began official negotiations in 1991 to become a GATT contracting party. The GATT Working Party on Bulgarian accession held its third meeting in November 1993 in an effort to clarify the consistency of Bulgaria's trade regime with GATT norms. U.S.-Bulgarian bilateral negotiations during 1994 proved inconclusive in resolving these GATT norms inconsistencies.

Slovenia applied for accession to the GATT in July 1992 and acceded to GATT in October 1994. In 1994 **Croatia** and countries of the **Baltic States** applied for accession to the GATT.

BILATERAL INVESTMENT TREATIES

Countries in Central Europe have continued to pursue bilateral investment treaties with a wide range of partners. This reflects a growing recognition of the private sector role in these countries, the importance of foreign capital in transforming their economies, and the need to establish stable legal frameworks for the protection of investments.

The basic aims of the U.S. bilateral investment treaty (BIT) program are:

--To protect U.S. investments abroad, and in particular, to guarantee: national treatment for U.S. investments; free transfer of all funds related to investment; access to international arbitration to settle investor disputes with host country governments; freedom from performance requirements; and expropriation only under internationally recognized standards and against prompt, adequate and effective compensation.

--To encourage the adoption of market-oriented domestic policies that treat private investment fairly.

--To support the development of international legal standards consistent with the previous two objectives and with our long-held position on the protection that should be afforded foreign investors under international law.

The United States held individual negotiations with **Estonia**, **Latvia** and **Lithuania** during the summer of 1993 on Bilateral Investment Treaties (BITs) with strong provisions protecting intellectual property rights and GATT consistent trade agreements. During 1994, the

U.S. signed a treaty with **Estonia** and completed negotiations on a treaty with **Latvia.**

BITs came into force with **Romania** (January 1994) and **Bulgaria** (June 1994) and the Business and Economic Relations Treaty with **Poland**, which includes BIT protection, came into force in August 1994. (BITs with the **Czech Republic** and **Slovakia** came into force December 1992.)

The U.S. began negotiations with **Albania**, and continued its BIT discussions with **Lithuania**. The USG is very close to agreement on final texts with Lithuania. Albania signed a BIT agreement in January 1995. No progress was made in negotiations of a BIT with **Hungary**, which continue to be stalled over Hungary's insistence that it be permitted to take unilateral, discriminatory measures for up to ten years to protect infant industries or industries undergoing restructuring. The U.S. Government has informed Government of Hungary that negotiations cannot resume until Hungary changes its position on this issue.

TEXTILE AGREEMENTS

The United States has bilateral agreements governing trade in textiles with **Poland, Hungary, Bulgaria, Romania,** the **Czech Republic** and **Slovakia**. The U.S. also has a unilateral quota on one category of wool apparel from **FYROM**, men's wool suits.

During 1993, the U.S. and the **Czech Republic** and **Slovakia** negotiated a two-year extension of the old Czechoslovakian agreement, which expired in June. The Czechoslovak agreement quotas were essentially divided between the two republics. The Hungarian and Polish agreements, which expired at the end of 1993 were also extended for two years, but amended to include tough anti-circumvention language. All three agreements contain high quota levels negotiated in 1991 under the Trade Enhancement Initiative (TEI).

The Romanian agreement, which contains many very small quotas was extended for one year with little change. **Romania** was filling very few of its quotas, in part because of its lack of MFN status. At the end of 1993, the Government of Romania requested and received a one-year quota extension pending restoration of its MFN status. Now that MFN status has been restored, Romania requested consultations and received limited quota increases in wool apparel to take effect before the entry into force of the new WTO agreement. The WTO agreement calls for the phase-out of all textile quotas with ten years.

Bulgaria entered into a new textile agreement with the U.S. in 1993. A call for consultations was issued on the basis of market disruption in women's wool slacks. The Government of Bulgaria agreed to limits on three categories (women's wool slacks, wool coats, and woolen fabric) in exchange for a large limit on the "called" category.

Our bilateral textile agreement with **Yugoslavia** expired in 1992. The United States has been receiving significant amounts of imports of textiles from **Slovenia**, **Croatia**, and most notably, **FYROM**. Imports of men's wool suits from FYROM became subject to a unilateral restraint in June 1993. Since the U.S. does not formally recognize FYROM, we were unable to negotiate a mutually satisfactory agreement. The quota was extended in June 1994 for an additional year. FYROM shipments have slumped in recent months as s result of the Greek embargo.

OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)

The Overseas Private Investment Corporation (OPIC) is committed to providing loan guaranties and insurance services to the nations of Eastern Europe as part of the Clinton Administration's support of privatization, market reform, and democratization in those countries. OPIC programs are available in 13 SEED Act countries, including Albania, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.

OPIC has a major role in assisting U.S. companies investing in the region, having provided approximately $1.5 billion worth of investment assistance to date. OPIC has already provided finance, insurance, and/or investor services in 10 SEED Act countries, including Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.

OPIC provides the following services in SEED Act countries:

Finance: OPIC's finance department operates like an investment bank, customizing and structuring a complete financial package for each project. OPIC currently has 13 projects in five SEED Act countries totaling more than $373 million.

Insurance: OPIC's insurance department provides political risk insurance against loss by expropriation, currency non-convertibility, and political violence. OPIC currently has 55 projects in SEED Act countries totally more than $1.1 billion.

Investor Services: OPIC's investment development department sponsors missions for U.S. businesses exploring investment opportunities. Over 250 American executives have participated in OPIC investment missions to Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and Slovakia.

EXPORT-IMPORT BANK OF THE UNITED STATES (EXIMBANK)

Eximbank is an independent U.S. government agency whose mission is to facilitate the export of U.S. goods and services by providing a variety of short and medium term insurance programs and medium and long term loan/guarantee programs to supplement those available from commercial sources. Eximbank is directed by law to find reasonable assurance of repayment in all of its undertakings.

Albania: Eximbank had not opened in this market as of fiscal year end 1994.

Bosnia-Herzegovina: Eximbank had not opened in this market as of fiscal year end 1994.

Bulgaria: Eximbank opened for short term cover in Bulgaria in September 1991. As of fiscal year end 1994, Eximbank was open for short and medium term cover for public sector transactions.

Czech Republic: Eximbank opened for general cover in Czechoslovakia in March 1990

and subsequently opened in the Czech Republic following partition in January 1993. At that time, all Eximbank exposure devolved to the Czech Republic. In March 1994, Eximbank authorized $317 million in long-term guarantees for the sale of equipment and nuclear fuel to the Czech Republic to upgrade the safety and reliability of a Soviet-designed VVER-1000 nuclear power plant under construction near Temelin. In another transaction approved in June, the Bank provided a $12.5 million guarantee for the sale of environmental equipment and a waste treatment plant.

Croatia: All Eximbank programs, available in Yugoslavia since the early 1960s, were closed in June 1991. Eximbank had not opened in Croatia as of fiscal year end 1994.

Estonia: Eximbank opened for short term cover in Estonia in April 1992. At the end of fiscal year 1994 it was open for general cover.

Former Yugoslav Republic of Macedonia (FYROM): All Eximbank programs available in Yugoslavia since the early 1960s, were closed in June 1991. At the end of fiscal year 1994 Eximbank was not open in this market.

Hungary: Eximbank opened for general cover in April 1979. In fiscal 1994, Eximbank's short-term insurance programs helped U.S. exporters sell $1.9 million in good and services to Hungary.

Latvia: Eximbank opened for short term cover in Latvia in April 1992. As of the end of fiscal year 1994, Eximbank was open for general cover in the public sector and short and medium term business in the private sector.

Lithuania: Eximbank opened for short term cover in this market in April 1992. It was open for general cover in the public sector and short and medium term business in the private sector at the end of fiscal year 1994.

Poland: Eximbank re-opened its short term trade credit insurance programs for Poland in March 1990. Its medium term insurance program and medium term loan and guarantee programs were re-opened in May 1990. As of the end of fiscal year 1994 Eximbank was open for general cover in this market. In fiscal 1994, Eximbank authorized $100 million in two long-term guarantees to support the sale of one Boeing 737-500 aircraft and one Boeing 767-300er aircraft to LOT Airlines. With these transactions, Eximbank now supports 11 of the 18 aircraft in LOT's fleet.

Romania: Eximbank opened for short term cover in March 1992. As of the end of fiscal year 1994 Eximbank was open for short and medium term cover in the public sector.

Serbia-Montenegro: All Eximbank programs available in Yugoslavia since the early 1960s were closed in June 1991. Eximbank was not open in this market at the end of fiscal year 1994.

Slovakia: Eximbank opened for general cover in Czechoslovakia in March 1990 and subsequently opened in Slovakia following partition in January 1993.

Slovenia: All Eximbank programs available in Yugoslavia since the early 1960s, were

closed in June 1991. At the end of fiscal year 1994 Eximbank was open in this market for short term in the public sector and for general cover in the private sector.

EXIMBANK CUMULATIVE OUTSTANDING EXPOSURE IN SEED-RECIPIENT COUNTRIES

Insurance/Loans/Guarantees Booked through September 30, 1994

	Exposure (US$ Millions) FY 92	FY 93	FY 94	Cover Policy at 9/30/94
Albania	--	--	--	Closed
Bosnia-Herzegovina	--	(45)*	(50)*	Closed
Bulgaria	--	--	--	Open ST/MT Pub. Sec. (1)
Croatia	--	(128)*	(125)*	Closed
Czech Republic	196	263	593	Open
Estonia	--	1	--	Open (2)
FYROM	--	(67)*	(79)*	Closed
Hungary	--	127	124	Open
Latvia	--	--	--	Open exc. LT Priv. Sec.
Lithuania	--	40	20	Open exc. LT Priv. Sec.
Poland	647	649	573	Open
Romania	--	8	46	Open ST/MT Pub. Sec. (3)
Serbia-Montenegro	--	(360)*	(360)*	Closed
Slovakia	--	--	--	Open
Slovenia	--	(150)*	(131)*	Open ST Pub./ Gen. Priv.

Short term (ST) cover represents insurance programs under one year. Medium term (MT) cover represents both insurance and loan/guarantee programs with maximum maturities of five to seven years.

* Includes debt of the former Yugoslavia apportioned to the various republics.

(1) Effective November 13, 1994 Eximbank opened long term in the public sector for Bulgaria.

(2) Effective November 13, 1994 Eximbank is no longer open long term in the private sector in Estonia.

(3) Effective November 13, 1994 Eximbank is open long term in the public sector for Romania.

U.S. TRADE AND DEVELOPMENT AGENCY ACTIVITIES

The U.S. Trade and Development Agency (TDA) has an active program in Central Europe. Since the program began in 1989, TDA has approved $43.83 million in grants for feasibility studies, business plans, technical assistance, specialized training and conferences. Projects associated with these activities offer a potential of over $3.8 billion in U.S. exports. To date, 21 projects have already produced a total of over $430 million in U.S. exports.

In FY 94, TDA funded over 90 separate activities. for example, TDA approved grants for the development of the coal mining sector, and power plant privatization in Poland. In Romania, TDA assisted a private company to develop the capability to manufacture liquid drink containers. In Slovakia, TDA provided a grant for the development of a private health care facility, and in Hungary, TDA assisted with the development of a management information system for the Parliament and the Ministry of Foreign Affairs.

In addition to funding feasibility studies and business plans, TDA funded several specialized conferences and industry sector orientation visits to the United States of Central European officials. Some of these initiatives were in support of President Clinton's pledged commitment to help build the infrastructure in the region with the help of the U.S. private sector.

In support of regional transportation development, TDA funded an airspace management conference in Seattle in May and a highway development conference in Budapest, Hungary in June. Representatives from 15 countries and U.S. industry participated in the conferences.

An effort is underway to assist the Balkan countries in the development of their transportation infrastructure. TDA has provided feasibility studies for airport development and air traffic control in FYROM and Bulgaria. Bridge and rail projects in both of these countries also are being considered.

TDA also is supporting projects that promote regional integration. We recently provided funding for an electric power grid control system feasibility study for Estonia, Latvia, and Lithuania. The study will help the three countries to manage electricity sharing.

Due to increasing demand from Central European project sponsors and U.S. industry, TDA provided more support in FY 94 to private sector investor projects. These projects are increasingly important given the shortage of Central European foreign exchange and capital to modernize. TDA has identified many private investor projects that have excellent U.S. export potential. A special publication was prepared for the January 1995 White House Conference on Trade and Investment in Central Europe which highlights the viability and the U.S. export potential of many of these opportunities. In the coming year, we will continue to support U.S. joint-venture projects and work with those Central European industries that have been privatized. We will also work directly with the municipalities which are responsible for their own budgets and foreign contracting. TDA will lend support to U.S. investments where the project sponsors are willing to cost-share the feasibility study. U.S. companies are increasingly requesting TDA help in overcoming strong West European competition and the risks associated with working in emerging markets.

TDA's sector focus is not expected to shift significantly. The energy, transportation and

telecommunications sectors will continue to be important, although we expect to see more projects associated with manufacturing and information and process control technology.

There also is increasing demand for TDA to provide financial engineering assistance to those Central European enterprises that plan to make capital investments. There are looking to TDA to help package projects for possible U.S. EXIM Bank, commercial, and multilateral development bank financing. TDA will continue to work closely with the respective U.S. Enterprise Fund managers in the region.

USAID has transferred a total of $14.59 million to TDA, mostly through the American Business Initiative (ABI) program. TDA used $29.24 million of its own program funds for activities in the region. In total, $43.83 million has been provided for feasibility studies, technical assistance, and conferences.

TDA FUNDING IN CENTRAL EUROPE
($$ mil)

Fiscal Year	SEED Transfer	TDA	TDA & SEED
1989	---	$0.50	$0.50
1990	$1.99	$2.91	$4.90
1991	$3.00	$9.72	$12.72
1992	$4.10	$7.13	$11.23
1993	$2.50	$3.22	$5.72
1994	$3.00	$5.76	$8.76
TOTALS	$14.59	$29.24	$43.83

FY 94 USAID TRANSFER TO TDA FOR CENTRAL EUROPE

Bulgaria ATC Navaids and Radar
94-777 $160,000 (to be obligated in January 1995)

Bulgaria Telecom
$406,000 (to be obligated in January 1995)

Estonia VSAT and International Gateway Telecom
94-811B $100,000 (to be obligated in January 1995)

Hungary Government Informatics
94-737B $220,000 (to be obligated in January 1995)

Latvia Automotive Manufacturing

95-710A $70,000 (to be obligated in January 1995)

Lithuania Aircraft Maintenance Facility
94-827 $150,000 (obligated November 1994)

FYROM Skopje/Ohrid Airports
94-767 $205,000 (obligated July 1994)

FYROM Airport Investment and Revenue Generation
94-767B $145,000 (obligated July 1994)

FYROM Air Traffic Control Operations and Management
94-768 $134,614 (obligated July 1994)

Poland Civil Aviation Financing Plan
94-707D $75,000 (obligated July 1994)

Poland Civil Aviation Procurement Assistance
90-707E $425,000 (obligated July 1994)

Romania Oradea Airport Development
94-799B $430,000 (obligated November 1994)

Slovakia Telecom ATM
$135,828 (to be obligated in January 1995)
(TDA will contribute an additional $387,172 towards this study.)

Slovenia Telecom Network Management Center
94-759B $221,058 (obligated September 1994)
(TDA contributed an additional $61,942 towards this study.)

Europe Regional Seattle Aviation Industry OV
94-758 $122,500 (obligated July 1994)

TOTAL TRANSFER: $3 MILLION

V. INTERNATIONAL INSTITUTIONS AND INITIATIVES

ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD) ASSISTANCE EFFORTS IN CENTRAL EUROPE

The OECD established the Center for Cooperation with Economies in Transition (CCET) in March 1990 to assist the reforming countries of Central Europe in establishing pluralist democracies and making the transition to market economies. Since its inception, the CCET has expanded beyond central Europe to include Russia and the other NIS.

In June 1991, the OECD founded the "Partners in Transition" (PIT) program, a CCET effort to channel OECD policy advice and opportunities for participation in OECD meetings to countries which had achieved significant reforms. The current PIT members are Poland, Hungary, the Czech Republic, and Slovakia. The PIT program was designed to concentrate assistance in areas where the OECD had a "comparative advantage:" e.g., country economic reviews, economic policy dialogue on both macro and structural issues, and competition policy.

At its 1994 Ministerial meeting, the OECD endorsed beginning membership negotiations with the four PIT countries. To become an OECD member, a country must meet objective criteria laid out in formal Codes of Liberalization and OECD Decisions governing the free movement of capital, treatment of foreign investors, and the environment. All four PIT countries are now preparing for accession examinations and are well into the process.

In FY 95, the U.S. share of the 1994 CCET budget -- approximately $4.5 million at current exchange rates -- was unchanged in real terms from 1993 and was funded out of the Contributions to International Organizations (CIO) account. The 1995 CCET budget will again be held to zero real growth. Even with no real growth, new activities for the central European region are going forward. They include substantial funding for a new program of technical assistance for Bulgaria, Romania and Slovenia. Given budget constraints, however, it is not realistic to expect large new CCET initiatives in the near future.

A number of CCET programs have been praised by participating countries for stimulating the transition to a market economy. These include tax assistance training provided by four regional tax centers, public administration courses provided in conjunction with the European Union, and numerous seminars on issues related to privatization and sectoral development.

The OECD also conducts in-depth country economic reviews of the CEE countries, focussing on those sectors most important in the overall reform process. The Data Register, a data bank tracking technical assistance provided by G-24 countries, has been useful in preventing duplication of assistance efforts. However, there is room for streamlining and improving the Register, and, at the request of the U.S. and other members, the OECD is undertaking an audit of the Register early in 1995.

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

The EBRD formally came into existence on March 28, 1991. It was created to support

market-oriented economic reform and democratic pluralism in Central Europe, including the former USSR. All SEED recipient countries, except Bosnia-Herzegovina and Serbia-Montenegro, are members of the EBRD.

The EBRD is unique among multilateral development banks in its private sector focus and inclusion of political conditionality. By charter, the EBRD is required to devote 60 percent of its resources to the private sector. As of September 1994, 63 percent by value and 75 percent by volume of Bank commitments were to the private sector. After five years of operation, the EBRD is supposed to meet the 60 percent private sector lending criterion in each country, as well as in its overall portfolio. Among the SEED countries, over 60 percent of commitments are already to the private sector in Albania, the Czech Republic, Hungary, Poland, and the Slovak Republic.

Through the end of FY 1994, the EBRD had made cumulative commitments to SEED countries of approximately ECU 3 billion out of total EBRD commitments of about ECU 4.5 billion. Poland and Hungary rank second and third in garnering EBRD commitments; Russia is first.

During 1994, EBRD President Jacques de Larosiere achieved well-deserved success in restoring international support for the EBRD after the considerable internal turmoil of 1993. The Bank has been reorganized around country teams and has adopted a zero-growth budget. In 1995, the EBRD will continue to move forward with revised operational priorities that accompanied the Bank's administrative reorganization. These priorities include: increasing geographic diversity of lending; increasing support of local private sectors; building on the Bank's comparative advantages such as expertise in financial sector development; and strengthening the Bank's local presence. The EBRD has local offices in a number of SEED countries: Warsaw, Poland; Prague, Czech Republic; Bratislava, Slovakia; Budapest, Hungary; Sofia, Bulgaria; Tirana, Albania; and Bucharest, Romania. An office in Ljubljana should open in early 1995.

U.S. contributions to the EBRD were $70 million in FY 1991, $69 million in FY 1992, $60 million in FY 1993, and zero in FY 1994. At the end of FY 1994, the U.S. was in arrears to the Bank for its annual contributions in the amount of $81.1 million. $69.2 million was appropriated for FY 95.

EBRD COMMITMENTS TO SEED-RECIPIENT COUNTRIES
(through September 30, 1994)
(in millions of ECU*)

Albania	34
Bosnia-Herzegovina	not a member
Bulgaria	131
Croatia	18
Czech Republic	359
Estonia	99
Hungary	603
Latvia	51
Lithuania	82
FYROM**	43
Poland	746
Romania	413
Serbia-Montenegro	not a member
Slovak Republic	242
Slovenia	234
TOTAL	3055

* As of September 30 one ECU equalled 1.24 U.S. dollars
**Former Yugoslav Republic of Macedonia

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD) AND INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

The World Bank (IBRD) approved $1.5 billion in loans to Central Europe in 1994. Since 1990, the Bank has approved $10 billion in loans for the region. It remains the single largest official source of external financing for governments in Central Europe.

Albania joined the World Bank in October 1991 and was judged eligible for concessional IDA credits. The Bank is advising on economic reforms, helping to build institutional capacity, and preparing a variety of investment projects in infrastructure. In 1994, the IDA approved projects in school and water supply rehabilitation, labor development, housing, and social safety net development.

Since **Bulgaria** became a member in September 1990, the World Bank has provided assistance in four main areas: policy advice and institution-building, finding a solution to Bulgaria's debt problem, investment lending, and aid coordination. In 1994, the IBRD approved loans for agricultural development as well as water company restructuring and modernization. In 1995, the Bank plans to consider loans for irrigation restructuring and rehabilitation, structural adjustment, railway and energy, rehabilitation, health sector restructuring, employment and social protection, education, and financial and enterprise sector adjustment.

The IBRD approved a loan in 1994 to **Croatia** for emergency reconstruction and is

considering loans in 1995 for highways and health sector projects as well as private farmer support services.

Czechoslovakia re-joined the World Bank in September 1990, receiving a $450 million Structural Adjustment Loan (SAL) in 1991.

A $246 million loan for electric power and environmental improvement was approved in 1992 and has since be assumed by the **Czech Republic**, after the Czech and Slovak republics became separate members in 1993. The Bank is emphasizing privatization and market development, restoring competitiveness, and facilitating access to private capital markets. In 1994, the IBRD guaranteed an $80 million telecommunications loan.

Estonia joined the Bank in June 1992. In 1994, the Bank approved loans for highways maintenance and district heating rehabilitation projects. Projects under preparation for consideration in 1995 include urban transport, housing development, environmental protection, health, agriculture and forestry, and financial institutions development.

Hungary has been a member of the World Bank since 1982. The Bank's efforts have focussed on creating a market-oriented economy conducive to private sector development. In 1994, the Bank agreed to serve as guarantor for a $100 million energy and environment project loan. Projects under preparation for 1995 include loans for municipal sewerage, enterprise and financial sector adjustment, and urban transport.

Latvia joined the Bank in August 1992. The Bank approved a loan to Latvia in 1994 for agricultural development and is considering loans in 1995 for municipal services development, the environment, enterprise financial sector restructuring and privatization, the Jelgava district heating project, and health and social protection.

Lithuania joined the Bank in July 1992. In 1994, the Bank approved a $25.4 million loan to Lithuania for power rehabilitation. The Bank is considering loans in 1995 for highways, geothermal power development, housing, social security, the environment, agriculture, power rehabilitation, and enterprise and financial sector assistance.

The **Former Yugoslav Republic of Macedonia (FYROM)** has a number of Bank loans apportioned from the break-up of Yugoslavia. The Bank approved a $68.9 million mixed IBRD/IDA loan/credit for economic recovery in 1994 and is preparing to consider, in 1995, loans for structural adjustment, health sector transition, transit facilitation, social reform, private farmer support services, industrial development, financial and enterprise sector adjustment.

Poland rejoined the Bank in 1986. The Bank's assistance strategy focuses on support for economic transition, privatization, financial sector reform, institutional development, and improvement of social services. The Bank approved a loan for forest development support in 1994 and is considering several loans in 1995, including Katowice district heating, power privatization, water supply and sewerage, education restructuring, power transmission, telecommunications restructuring, energy cogeneration, and coal sector adjustment operations.

Romania has been a member of the Bank since 1972. Loans approved in 1994 included loans for industrial development, petroleum sector rehabilitation, and education reform. For 1995, the Bank is considering loans for agriculture sector adjustment, railway rehabilitation,

higher education, cadastre and land registration, oil and gas development, follow-on industrial development, private and farmer enterprise support, employment and social protection, telecommunications, local government development, power sector rehabilitation, financial and enterprise sector adjustment, and industrial development finance operations.

The Bank approved a $80 million economic recovery loan for the **Slovak** Republic in 1994. For 1995, the Bank is considering loans for labor restructuring, health sector reform, housing, forestry development, and power transmission.

In 1994, the Bank approved an enterprise and financial sector adjustment loan for **Slovenia** and will consider loans for investment recovery and the environment in 1995.

The Bank suspended new lending to **Yugoslavia** upon dissolution of that country. When the conflict erupted, three loans that had been signed were not yet effective. Implementation of two of these loans was postponed ($292 million for highways in several regions and $300 million for a power plant in Serbia) and a railway loan was cancelled.

IBRD LOAN AND IDA CREDIT APPROVALS
(Millions of U.S.$)

	Approved 1992	Approved 1993	Approved 1994	Cumulative Approvals as of 6/30/94
Albania	41.1	44.0	47.1	132.6
Bulgaria	0	178.0	147.0	593.0
Czechoslovakia	246.0	0	0	450.0
Czech	246.0	80.0	80.	326.0
Slovak	0	55.0	135.0	190.0
Hungary	390.0	413.0	128.0	3634.9
Poland	390.0	900.0	146.0	3657.0
Romania	500.0	120.0	400.6	3534.9
Estonia	0	30.0	50.4	80.4
Latvia	0	45.0	25.0	70.0
Lithuania	0	60.0	26.4	86.4
Bosnia-Herzegovina	NA	0	0	322.55
Croatia	NA	NA	128.0	128.0
FYROM	NA	NA	80.0	80.0
Serbia/M	NA	NA	0	0.0
Slovenia	NA	NA	80.0	80.0
Yugoslavia	0	0	0	6114.7
Total	1567.1	2005.4	1473.5	16154.5

Source: 6/30/94 IBRD Statement of Loans and Credits and previous reports
Notes: Cumulative total approvals include all approvals since the World Bank's creation in 1944, while amounts actually disbursed and repaid vary by country. The World Bank's fiscal year runs from 7/1/ to 6/30.

INTERNATIONAL FINANCE CORPORATION (IFC)

The IFC's efforts in Central Europe focus on promoting privatization (in part through joint ventures with foreign partners,) advising governments and state enterprises on privatization and restructuring, assisting the development of capital markets, and providing legal and technical advice on a wide range of corporate and financial issues. The IFC approved a number of regional projects in 1994, including several investment, development, and venture capital funds. The IFC provides technical assistance and advisory services, frequently through its Foreign Investment Advisory Service, to many of the states in the region.

Albania joined the IFC in October 1991. The IFC is supporting private sector development through helping to arrange joint ventures with foreign partners. Currently it is working on projects in mining and in the tourism sector.

The IFC has two long-standing investments in **Bosnia-Herzegovina** for industrial equipment and machinery and for timber, pulp and paper.

Since **Bulgaria** became a member in 1991, the IFC has helped design privatization strategies for several companies and has been working on creation of a joint-venture bank. Now that privatization and foreign investment laws are in place, the IFC plans to act as a catalyst to bring about joint-venture investments in agri-business, light industry, and mining. In 1994, the IFC approved investments in a venture capital fund.

Czechoslovakia became a member of the IFC in September 1990. The IFC is financing projects that promote private and foreign investment and is providing specialized technical assistance on privatization strategy. The IFC helped the government draft securities legislation and provided advice on mass privatization and creation of a stock exchange.

In 1994, the IFC approved five investments in the **Czech Republic**, including a car wheel factory, two building products plants, a glass container factory and a newspaper project.

Estonia, Latvia, and Lithuania joined the IFC in mid-1992. The Foreign Investment Advisory Service operated by the IFC is studying the foreign investment framework in all three countries and making recommendations for improvements.

Estonia saw its first IFC project approval in 1994 for a cement production factory investment.

Hungary became a member of the IFC in April 1985. The IFC is promoting joint ventures with foreign partners and participated in the first foreign investment (venture capital) fund in Hungary. The IFC approved investment in 1995 in a malt production plant, a telecommunications company, a frozen foods plant, a local telephone network, and a digital cellular telephone system.

The IFC's investment in the **Former Yugoslav Republic of Macedonia (FYROM)** in an automotive and accessories factory dates back to 1982.

Poland joined the IFC in 1987. The IFC's strategy is to support efficiently-run, economically viable projects and to help develop Poland's capital markets. The IFC approved,

in 1994, investments in a coalbed methane gas evaluation, a specialized factoring company, a modern pulp and paper mill, meat processing plants, and a privately owned telecommunications network.

Although a member of the World Bank since 1972, **Romania** did not join the IFC until 1990. The IFC is providing technical assistance in the financial sector, including the development of a stock exchange and securities exchange commission. In 1994, the IFC approved an investment the first leasing company in Romania.

In 1992 the IFC provided technical assistance to the Republic of Slovenia's Privatization Agency and Development Fund for a pilot Privatization program. In 1994, the IFC approved investments in **Slovenia** for investing in international factoring, leasing, and for on-lending through banks.

IFC PORTFOLIO AS OF JUNE 30, 1994
(millions of US$)

	Loans	Equity	Total
Albania	0	0	0
Bulgaria	0	0	0
Czech	71.7	23.4	95.1
Hungary	82.1	56.4	138.4
Poland	120.9	18.8	139.7
Romania	4.6	0.7	5.3
Estonia	6.0	4.0	10.0
Latvia	0	0	0
Lithuania	0	0	0
Bosnia-Herz	13.8	0	13.8
FYROM	4.3	0	4.3
Slovenia	60.7	0	60.7
Yugoslavia (Serbia/Montenegro)	77.6	0	77.6
Regional	0	40.4	40.4
Total	441.7	143.7	585.3

Source: 1994 IFC Annual Report
Notes: The IFC's fiscal year runs from 7/1 to 6/30.

INTERNATIONAL MONETARY FUND

The International Monetary Fund (IMF) provided strong financial and technical support for stabilization and market- oriented reforms in Central Europe during FY 1994. IMF adjustment programs totaling some $2.5 billion in program commitments were approved. These funds are provided by the IMF over the duration of the programs, provided the borrowing country meets performance targets and implements promised reforms.

Countries in the region participated in a range of IMF programs. Bulgaria, Croatia, and Romania were all approved for support programs combining the resources of stand-by arrangements (the Fund's main stabilization window), and the Systemic Transformation Facility (a temporary window especially for countries facing balance of payments difficulties resulting from the transition from centrally-planned to market-based trade). The Fund continued support to Poland and Slovakia through new stand-by arrangements, and expanded its support for Lithuania through the Extended Fund Facility (similar to the stand-by arrangement with longer repayment terms).

Albania continued its reform program with the support of a three-year, $61 million Enhanced Structural Adjustment Facility (ESAF).

Bosnia-Herzegovina has not been admitted to the IMF at this time, due to unresolved issues stemming from the breakup of the former Socialist Federal Republic of Yugoslavia (SFRY).

Bulgaria received a new 12-month, $202 million stand-by arrangement, as well as a loan for $169 million under the Systemic Transformation Facility on April 11, 1994.

Croatia obtained support for its reform program through an 18-month, $95 million stand-by arrangement, and an initial drawing of $95 million under the Systemic Transformation Facility, on October 14, 1994.

The Czech Republic made good progress under its stand-by arrangement, repaying all of its obligations to the IMF in October, 1994, well ahead of schedule.

Estonia continued its reform efforts and has shown good performance under its stand-by arrangement and Systemic Transformation Facility programs ($17 million and $34 million respectively), approved in 1993. Estonia has drawn only $3 million of its available stand-by funds, and may not need to make any further purchases under this arrangement.

Hungary was approved for a 15-month, $493 million stand-by arrangement in September, 1993. After an initial purchase under stand-by of $82 million, Hungary did not seek further purchases, and the program was suspended in December 1993 as Hungary's budget and current account deficits exceeded the established performance targets.

Latvia continued its reform efforts and has made good progress under its stand-by arrangement and Systemic Transformation Facility programs ($33 million and $66 million respectively), approved in 1993.

Lithuania received a $38 million loan under the Systemic Transformation Facility, and

was approved for a 17-month stand-by arrangement for the same amount on October 22, 1993. The stand-by arrangement was cancelled and replaced with a three-year Extended Fund Facility for $195 million on October 24, 1994.

The Former Yugoslav Republic of Macedonia (FYROM) joined the IMF on December 14, 1992 with a quota of $69 million. FYROM received a $36 million loan under the Systemic Transformation Facility on February 11, 1994, and is working with the IMF on a stand-by arrangement.

Poland received a new 19-month stand-by arrangement on August 5, 1994 for $1.005 billion. This arrangement succeeded Poland's previous stand-by arrangement, and was tailored to support the government's commercial debt reduction and rescheduling agreement.

Romania received a new 19-month stand-by arrangement on May 11, 1994 for $191 million, in addition to its 1993 $547 million loan under the Systemic Transformation Facility.

Serbia and Montenegro has not been admitted to the IMF at this time, due to unresolved issues stemming from the breakup of the former Socialist Federal Republic of Yugoslavia (SFRY).

Slovakia was approved for a 20-month stand-by arrangement on July 22, 1994 for $168 million, in addition to a second credit for $93 million under the Systemic Transformation Facility. In July 1993 Slovakia received its first loan of $93 million loan under the Systemic Transformation Facility.

Slovenia joined the IMF on December 14, 1992 with a quota of $211 million. Slovenia has not needed IMF financial assistance to date.

IMF PROGRAMS IN CENTRAL EUROPE
(US $1 = SDR 1.45)

Country		Program Dates	Total Amount Avail.
Albania	SBA:	08/26/92 - 08/25/93	$ 29 million
	(Cancelled/Replaced by ESAF)		
	ESAF:	07/14/93 - 07/13/96	$ 61 million
Bulgaria	SBA:	03/15/91 - 03/14/92	$ 405 million
	SBA:	04/17/92 - 04/16/93	$ 225 million
	SBA:	04/11/94 - 03/31/95	$ 202 million
	STF:	04/11/94 - 03/31/95	$ 169 million
Croatia	SBA:	10/14/94 - 04/13/96	$ 95 million
	STF:	10/14/94 - 10/13/95	$ 190 million
Estonia	SBA:	09/16/92 - 09/15/93	$ 41 million
	SBA:	10/27/93 - 03/26/95	$ 17 million
	STF:	10/27/93 - 05/15/94	$ 34 million
Hungary	SBA:	05/16/88 - 06/30/89	$ 385 million
	SBA:	03/14/90 - 02/20/91	$ 231 million
	EFF:	02/20/91 - 02/19/94	$1,615 million
	(Suspended/Replaced by SBA)		
	SBA:	09/15/93 - 12/14/94	$ 493 million
	(Suspended)		
Latvia	SBA:	09/14/92 - 09/13/93	$ 80 million
	SBA:	12/15/93 - 03/14/95	$ 33 million
	STF:	12/15/93 - 12/14/94	$ 66 million
Lithuania	SBA:	10/21/92 - 9/20/93	$ 83 million
	SBA:	10/22/93 - 03/21/95	$ 38 million
	(Cancelled/Replaced by EFF)		
	STF:	10/22/93 - 03/15/94	$ 38 million
	EFF:	10/24/94 - 10/23/97	$ 195 million
FYROM	STF:	02/11/94 - 02/10/95	$ 36 million
Poland	EFF:	04/18/91 - 03/08/93	$1,775 million
	SBA:	03/08/93 - 04/08/94	$ 690 million
	SBA:	08/05/94 - 03/04/96	$1,005 million
Romania	SBA:	06/15/81 - 01/31/84	$1,599 million
	SBA:	04/11/91 - 04/10/92	$ 552 million
	SBA:	05/29/92 - 03/28/93	$ 455 million

	SBA:	05/11/94 - 12/10/95	$ 191 million
	STF:	05/11/94 - 05/10/95	$ 547 million
Slovakia	STF:	06/27/93 - 06/26/94	$ 187 million
	SBA:	07/22/94 - 03/21/96	$ 168 million

Note: SBA: Stand-by Arrangement
EFF: Extended Fund Facility
STF: Systemic Transformation Facility
ESAF: Enhanced Structural Adjustment Facility

POLISH STABILIZATION FUND/BANK PRIVATIZATION FUND

In 1989, the United States took the initiative to mobilize $1 billion from the international community to establish the Polish Stabilization Fund to bolster Poland's foreign exchange reserves and permit the Government of Poland to make its currency convertible, a critical step in the process of economic reform. Under the SEED Act of 1989, the United States contributed $199.1 million and seventeen other bilateral contributors provided $825 million.

In 1993, the Polish government and the bilateral contributors together agreed that the stabilization fund had served its purpose and allowed it to expire. In its place, they established the Polish Bank Privatization Fund (PBPF), which is intended to support the Government of Poland's efforts to recapitalize, restructure and privatize its state-owned commercial banks in accordance with a program designed in association with the World Bank. A number of donors, including the U.S., transferred their contributions from the Stabilization Fund to the PBPF. To date, a total of $425 million has been deposited in this new fund. In addition, the World Bank has committed $450 million to the privatization program under its own Enterprise and Financial Sector Adjustment Loan.

Disbursements from the PBPF are linked to compliance with Poland's IMF program, successful implementation of the World Bank's FESAL, and development of a timetable for the privatization of Poland's banks. As of the close of 1994, no disbursements had yet taken place from the PBPF. Polish bank privatization is, however, moving forward and an initial draw down is anticipated in 1995.

DEBT REDUCTION AND RESCHEDULING

Pursuant to the authority granted under Section 579 of the Foreign Operations, Export Financing and Related Programs Act of 1991, the United States, on April 21, 1991 joined with other Paris Club creditors in agreeing to a 50 percent reduction (in net present value terms) of Poland's official debt. This agreement, which reduces Poland's debt to western countries by about USD 16.5 billion in present value terms, was implemented in two stages:

-- In the first stage, implemented in 1991, creditor countries chose between three options

(principal reduction, interest reduction, or interest capitalization) to reduce by 30 percent the net present value of Poland's official debt.

-- In the second stage, implemented in April 1994, the same three options reduced the net present value of Poland's debt by a further 20 percent, provided Poland's complied with its IMF agreements and sought a comparable debt reduction agreement from its commercial bank creditors. Poland remained in compliance with its Fund program, and its commercial creditors committed to the government's financing proposal in May 1994, and signed a debt rescheduling and reduction agreement in September. The bank agreement provided for a 49 percent debt reduction on net present value basis, including interest arrears, and was judged by Paris Club creditors to be broadly comparable to the official debt reduction agreement, as well as unprecedented for a commercial creditor reduction program.

At the time of the 1991 Paris Club agreement, the USG also announced that it would increase its debt reduction for Poland above and beyond the amount agreed in the Paris Club to 70 percent on net present value basis, including a swap of 10 percent of that debt to enable Poland to establish and fund a Polish environmental foundation. With Poland having met all of the conditions of the Paris Club agreement, the USG has forgiven about USD 2.4 billion of Poland's original USD 3.7 billion debt to the United States.

In April 1994, the Paris Club agreed to reschedule Bulgarian official debt for the third time. The first was in April 1991; the second, in December 1992. The United States is not a creditor to Bulgaria, however, and did not participate in the rescheduling. For the same reason, the United States also did not participate in the Paris Club's December 1993 rescheduling of Albania's debt.

G-24 PROCESS AND COOPERATION

International assistance to Central Europe is coordinated through the Group of 24 (G-24), made up of all members of the Organization for Economic Cooperation and Development. The European Commission serves as secretariat for the G-24 process.

The G-24 process was launched at the July 1989 G-7 Summit in Paris to support reform in Poland and Hungary. The G-7 extended the mandate of the G-24 to other countries in the region at the July 1990 Summit in Houston. Czechoslovakia, Bulgaria, Romania, and Yugoslavia were added in 1990, followed by Albania and the Baltic states in 1991. To be eligible for G-24 assistance, a country must demonstrate progress in the following five areas:

- adherence to the rule of law;
- respect for human rights;
- adoption of a multi-party political system;
- holding of free and fair elections;
- adoption of a market-oriented economy.

Currently, the G-24 coordinates assistance to the following countries: Albania, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, the Former Yugoslav Republic of Macedonia, Poland, Romania, Slovakia, and Slovenia. In addition, the G-24 supports

information-sharing on emergency assistance to Bosnia-Herzegovina and Croatia.

In its role as secretariat for the G-24, the European Commission facilitates sharing of information on priority needs for assistance. It organizes sectoral and country-specific meetings and maintains a scoreboard of commitments by donors. From its inception until May 1993, the G-24 had eight working groups, including food aid, energy, environment, investment, labor, nuclear reactor safety, training, and transport.

At the July 1992 Munich Summit, the G-7 asked the G-24 also to coordinate nuclear safety assistance to the new independent states of the former Soviet Union. This is the only area in which the G-24 coordinates assistance to the New Independent States. (The international community has agreed that an IBRD-chaired consultative group process will be the primary vehicle for coordinating technical assistance to the new independent states in the future.)

The Brussels Network of local G-24 country representatives meets regularly to discuss preparations for G-24 senior official meetings and other issues. The working groups have met periodically, usually in Brussels. On occasion, Brussels-based finance ministry representatives gather to discuss balance of payments assistance. Meetings at the ministerial level were held in July 1990 and November 1991. Meetings of senior officials (at the assistant secretary or deputy assistant secretary level) were held three or four times a year through early 1993.

Since 1992 the G-24 has held country-specific meetings in recipient country capitals to help improve in-country coordination. Such meetings have been held in Albania, Latvia, Lithuania, Slovakia, Slovenia, and Bulgaria, and have covered a variety of topics.

At their meeting in May 1993, senior officials agreed upon a restructuring of the G-24 process. They agreed to streamline operations in Brussels, shift the focus of coordination to recipient country capitals and enhance the involvement of the international financial institutions. As a result, most of the Brussels-based working groups have been abolished. Those remaining include the nuclear reactor safety group, the customs and transport groups, and the environment group. Future coordination of technical assistance is to take place through dialogue groups in recipient capitals. The Commission was charged with establishing dialogue groups and ensuring the sharing of information among all interested donors. It was also agreed that meetings of senior officials would be cut back to once or twice a year; the most recent meeting was held in Bratislava in September 1994.

The G-24 joined forces with the Council of Europe to organize a conference on democracy building in Central Europe, which was held on December 6-7, 1993, in Strasbourg. For the first time, a G-24 meeting included representatives of recipient governments, international organizations, and non-governmental organizations involved in democracy building programs in the region, as well as G-24 donor countries. Due largely to U.S. efforts, it was agreed to establish dialogue groups (as per the May 1993 senior officials meeting) to share information on democracy building programs in recipient capitals, and to include the Council of Europe (which is involved in democracy building in the region,) NGOs, and recipient governments in this exercise. These groups began meeting in 1994.

Total assistance pledged to the countries of Central Europe covered by the G-24 process from January 1990 through December 1993 amounts to over $75 billion. Over half of this assistance has been disbursed or made available. G-24 countries and the European Commission

account for over $55 billion of total aid and international financial institutions about $20 billion.

The United States has committed approximately $10.2 billion since January 1990 through December 1993. About $6.2 billion of this, or over 60 percent, is grant assistance. The United States is the second largest bilateral donor after Germany, which has committed $12.3 billion over the same period. The European Union (EU), which funnels its assistance through the European Commission, is the third largest donor, with $7.6 billion in pledges through December 1993. Note that EU funds ultimately come from the EU member states, according to each country's share of the EU budget. Total commitments of EU members plus the Commission amount to about $32 billion.

The tables below provide an overview of G-24 commitments.

G-24 Commitments to Central Europe

(January 1990 to December 1993)
(millions of US$)

Country	Total	Grants	Credits/Other
Belgium	294.4	105.3	189.1
Denmark	932.4	727.7	204.7
France	3,847.6	409.9	3,437.7
Germany	12,308.1	3,661.0	8,647.1
Greece	106.4	80.6	25.8
Ireland	4.0	2.4	1.6
Italy	1,832.2	671.2	1,161.0
Luxembourg	29.7	4.5	25.2
Netherlands	1,193.1	565.6	627.5
Portugal	4.9	0.0	4.9
Spain	600.9	8.0	592.9
United Kingdom	956.9	142.6	814.3
EC Commission	7,631.5	5,473.3	2,158.2
EC Other	2,378.0	0.0	2,378.0
Austria	2,399.7	831.4	1,568.3
Finland	840.4	237.3	603.1
Iceland	5.8	4.0	1.8
Norway	263.1	95.0	168.1
Sweden	1,677.4	486.1	1,191.3
Switzerland	1,859.6	863.4	996.2
EFTA Other	2.1	2.1	0.0
Australia	222.5	9.1	213.4
Canada	2,228.8	1,538.5	690.3
Japan	3,188.2	697.7	2,490.5
New Zealand	64.4	1.2	63.2
Turkey	791.9	61.8	730.1
United States	10,191.2	6,164.1	4,027.1
Total	55,855.2	22,843.8	33,011.4

Source: June 1994 G-24 Scoreboard, compiled by European Commission
note: based on exchange rate of one ecu = $1.25

VI. ANNEXES

ALBANIA ANNEX

Economic Restructuring

- *Promoting Agricultural Development*

  During the 1980s, agriculture generated approximately 35 percent of GDP. After the collapse of industry, it now contributes around 50 percent of GDP and employs over 50 percent of the population. Albania's economic growth continues to be led by the agricultural sector. Agricultural production increased by an estimated 14 percent in both 1992 and 1993. Growth for 1994 is estimated at 10 percent. Virtually all agricultural land (est. 92 percent) is now in the hands of private farmers and is being intensively cultivated. Farmers still face a number of problems in the agricultural sector which must be resolved if production increases are to continue.

- *Building a Foundation for an Agriculture Sector*

  The Support for Agricultural Restructuring in Albania (SARA) project is the cornerstone of USAID support to the agricultural sector. Project funds were used to support the development of a computer center at the university and upgrading of the library. Potential investors in the dairy industry were identified and are now being assisted. Support in adjusting to free market conditions and in meeting quality standards now demanded by consumers was provided to local flour mills. Timely and accurate data on livestock and crop production was provided to entrepreneurs and government planners. Upgrading of the curriculum of the agricultural economics department at AUT began and as did training of professors in how to teach free market economics. The contractor is a consortium led by Winrock International/Virginia Polytechnic Institute and State University.

- *Developing an Environmentally Sustainable Land Market*

  A separate component of the SARA project is a cooperative agreement with the Land Tenure Center (LTC) of the University of Wisconsin. With substantial assistance from LTC, the GOA developed a comprehensive and innovative Immovable Property Registration Act which was approved by the Parliament in July 1994. The new property registration system was then started on a pilot basis in three districts of Albania. Based on that experience, the system will be expanded nationwide. Support in this effort is also being provided by the EU and World Bank.

- *Creating Albania's First Agribusiness Dealerships*

  The International Fertilizer Development Center (IFDC) has been involved in Albanian agriculture since 1991. Initially a dealer network was established and 30,000 tons of fertilizer was supplied and auctioned. This has been followed by strengthening the dealer network and assisting the domestic fertilizer industry. During 1994, with IFDC assistance, private dealers imported 26,000 tons of fertilizer on a strictly commercial basis. IFDC also worked closely with the GOA to encourage free market prices for agricultural inputs and a reduction of the customs tax for imported fertilizer.

- *Training Women Dairy Producers*

  Land O'Lakes is actively working with women dairy producers to provide instruction in improved dairy production techniques and milk handling with a goal of increasing the quality and quantity of milk. The project currently works with approximately 3,600 women producers and has created 264 functional volunteer women's groups in rural areas. These groups enhance the delivery of technical information and act as resources in dairy production for other women in the village.

- *VOCA Develops National Farmers' Union*

  Since its program was initiated in late 1991, Volunteers in Overseas Cooperative Assistance (VOCA) has provided 125 highly qualified volunteers in various fields of agriculture. Substantial assistance has been supplied to the Ministry of Agriculture and Food, the Agricultural University of Tirana, vocational agriculture schools and private farmer associations. VOCA volunteers have been instrumental in the development of a national farmers' union and in support of vocational agricultural education.

- *Promoting Reforestation and Management of Forests and Pastures*

  Deforestation erosion and overgrazing are serious problems on Albania's steep slopes. To address this problem, design of an agro-forestry project was recently completed. This project will work primarily with private landowners to promote reforestation and management of forest and pasture areas.

Developing a Market Economy

Albania continued to progress in undertaking macroeconomic reforms: liberalizing prices, introducing a tax regime, strengthening budgetary management, reducing budgetary subsidies and establishing a modern central bank. Major problem areas included a continued high rate of unemployment, difficulty in tackling the privatization of large state-owned enterprises, and hesitancy in addressing an overhaul of the banking sector.

- *Implementing Structural Reform Measures*

  Two Department of Treasury resident advisors, one in the Ministry of Finance and one in the National Commercial Bank, had major input on a full range of economic reforms, including price liberalization, currency convertability, preparation of a national budget, design of a tax structure, design of a treasury system, and development of a commercial banking structure as well as private sector bank formation. In addition, since late 1991 short-term expertise has been provided in government securities, debt management, bank accounting systems and tax administration.

- *Accessing World Trade*

  Through the Department of Commerce's Commercial Law Development Program (CLDP), a resident trade policy advisor. CLDP's resident advisors have also assisted staff of the Ministry of Industry and Trade in drafting a liberal foreign investment law and negotiating and implementing the multiple international economic and trade agreements to which Albania is a signatory.

- *Privatization of the Chromium Industry*

  With financial and legal services from KPMG Peat Marwick and White & Case, Albchrome and the Ministry of Energy and Mineral Resources proceeded to the final

steps of negotiating a joint venture agreement to privatize that parastatal. The completion of this transaction is expected in early FY 1995 and will be a major achievement, representing privatization of the complex chromium industry and the largest source of Albania's foreign exchange earnings.

- *Groundwork is Laid for Privatization*

  A long-term investment and privatization advisor and a team of short-term advisors under a contract with Deloitte & Touche/Development Alternatives, Inc. assisted the Ministry of Industry and Trade in developing a strategy to privatize its foreign trading companies, developing a policy and credit framework to encourage small and medium enterprise (SME) development, strengthening its export trade promotion function and developing management systems to improve Ministry administration. This effort was completed in June 1994.

- *Foreign Investment Law is Enacted*

  The American Bar Association's Central European Law Initiative (ABA/CEELI) has provided resident liaisons in commercial law. In addition to working with the Ministry of Industry and Trade in drafting and then negotiating enactment of a liberal law on foreign investment, the advisors started to work with the growing number of private lawyers.

- *Improving Business Entities*

  Since initiation of its program in late 1991, the International Executive Service Corps (IESC) fielded 34 volunteer (and mostly retired) executives on short-term assignments to solve specific problems related to business operations, management, modalities of banking, privatization of municipal services and privatization of the media. This program was completed in April 1994.

- *Housing Sector Reforms*

  Long- and short-term advisory assistance has been provided to the Ministry of Construction, Housing and Territorial Adjustment. Assistance was initially directed to assisting the Ministry in implementing a $15 million World Bank housing sector credit for the completion and privatization of 4,900 housing units, and in affecting major policy changes is the housing sector. Major accomplishments include completion to date of over 2,000 housing units, drafting and enactment of condominium legislation, and privatization of 97 percent of the housing stock in just over one year.

- *Privatization of Municipal Services and Land Management*

  In FY 1994 the Housing and Urban Development program expanded to include privatization of municipal services and improved management of urban land. SEED helped the City of Tirana contract out for solid waste collection and roll the project out to four additional cities. The Land Management Project has resulted in the formation of a key Albanian planning group, identification of a pilot site for housing development, potential leveraging of donor funds, and wide recognition of a market approach to urban planning.

- *8500 Albanians Receive Job Skill Training*

  The Organization for Rehabilitation through Training (ORT) neared the end of its third year of job skills training for young adults. Initially targeted to the family members of

ex-political prisoners who had been denied access to education and job opportunities under the communist regime, the program can now accommodate all applicants. Short courses were offered to about 3,500 students in computer and secretarial skills, English, clothing design and manufacture, auto mechanics, travel and tourism, and beauty care at training centers in Tirana, Durres and Vlora. About 8,500 Albanians have trained in this highly successful and visible program since in January 1992.

- *A New Generation of Entrepreneurs Receive Management Training*
  Faculty from the University of Nebraska's School of Business Administration and Management trained more than 1,000 Albanians in a series of mini-courses in market economics, management and agribusiness which were presented in Tirana, Korca, Shkodra and Vlora. With an eye to training a new generation of senior-level Albanian entrepreneurs and managers to direct a market economy, the University then started work on establishing an MBA program in the University of Tirana.

- *Fultz Foundation Establishes a Business Development Center*
  A new grant was awarded to the Harry T. Fultz Foundation to establish a Business Development Center at the Fultz Technical School of Tirana. A team of three long-term advisors in vocational education, business development and English language training arrived in mid-1994 and started to work with the Technical School to revamp its vocational curriculum and extend its services into the private sector.

- *Peace Corps Initiates Small Business Development Program*
  With SEED funding, Peace Corps initiated a Small Business Development Program, and Peace Corps Volunteers arrived in April 1993 and April 1994 to begin two-year assignments in Regional Business Agencies and branches of the Rural Commercial Bank.

Fostering Democratic Institutions

The Mission's democracy strategy, approved in June 1994, is focused on four areas: popular representation and participation in government, access to information and ideas, the rule of law and respect for human rights, and civilian/military relations.

- *Improving the Capabilities of Parliament*
  The U.S. Congress's Frost Special Task Force on Parliamentary Institutions in Eastern Europe has strengthened the ability of the Albanian Parliament to function effectively and efficiently by furnishing a new sound and electronic voting system. Library materials, six computers, a digital clock to time debates, and training were provided to the Deputies in the Parliament and to their staff. Two offset printing presses were also provided for the publishing of parliamentary proceedings and government documents. Eleven Albanian professionals were trained in library science.

- *Developing Constituent Relations with Parliament*
  The International Republican Institute (IRI) worked to bring the Parliament's Deputies, the parliamentary commissions and the political parties into closer contact with their constituents through six district-level and national workshops planned and coordinated by their representative who arrived in February 1994.

- *Facilitating Citizen Participation*

  The National Democratic Institute (NDI) attempted to make elected officials more accountable to the citizenry by working with the Society for Democratic Culture (SDC), an organization aimed at strengthening effective citizen participation in the political process. NDI placed a field representative in Tirana to implement its program of civic education and public advocacy, primarily through the SDC. The Mission's Democracy Commission was constituted to grant assistance to Albanian NGO's working with the socially and economically disadvantaged, environmental protection and conservation, democracy and gender issues, and economic growth.

- *Strengthening the Legal Sector and Judiciary*

  The American Bar Association's Central European Law Initiative (ABA/CEELI) provided the services of a resident rule-of-law liaison advisor to coordinate activities aimed at fostering the private practice of law by strengthening the new Albanian Bar Association, working with the recently established judges' association, improving legal education, and, most importantly, providing input into judicial reform. The ABA/CEELI has assisted the Ministry of Justice, the Parliament and the Law Faculty of the University of Tirana in drafting and reviewing legislation and the new constitution. Short-term legal advisors have also provided training to the Tirana District Court and helped the General Prosecutor's Office.

  Under USIA's Rule of Law program, a U.S. Assistant Attorney worked with the Ministry of Justice for six months on administrative law, criminal law reform and government ethics. Ten Albanian judges completed a 4-week study program in the U.S. which focussed on the functioning of an independent legal system. In addition, 12 U.S. Fulbright professors worked in Albanian universities; 15 Albanian university professors were trained in the U.S.; English language teaching, rule of law and management training materials were provided; and nine books were translated from English into Albanian.

- *Opening Media Channels*

  Through support from the International Media Fund, a consortium of independent newspapers received a printing press, newsprint and training. Desktop publishing and communications equipment were also provided to start a student newspaper at the University of Tirana and to establish an independent media training center.

Social Sector Restructuring, Improving the Quality of Life

- *Humanitarian Assistance*

  The initial approach to improving the quality of life in Albania was to target the crisis areas of food shortages and a lack of basic medicines and medical supplies. With the recovery of the agricultural sector from its collapse in 1991-92, the distribution of donor-provided emergency food aid has not been necessary since 1993. Under the PL 480 Title II program, approximately $2.6 million of powdered milk, wheat flour, beans and vegetable oil were shipped to the Albanian Red Cross for distribution to 170,000 people, primarily mothers and children, who were assessed as nutritionally at-risk. The beneficiaries were in major cities and the economically depressed northeast region. The distribution program was completed in early 1994.

  In response to urgent requests from the Ministry of Health, Project HOPE provided two

shipments of medicines and medical supplies valued at more than $2 million. The shipments were distributed to hospitals throughout Albania. Training was also provided in the storage and use of the supplies.

- *Partnership With U.S. Hospital*

  In August 1994 an agreement was signed between the Bronx Municipal Hospital Center and the Albanian Ministry of Health, the University Hospital Center in Tirana, the Maternity Hospital and the Trauma Hospital for a "Partnership in Health Care" based on exchanges of personnel, internships, and donations of medical equipment and supplies.

- *Improving Health Systems in Area Hospitals*

  Building on a two-phase training course in health management and administration which was offered from February to July 1994, Healthcare Enterprise International (HEI) returned to Albania to implement pilot activities in health and hospital administration at the University Hospital Center and the Durres Hospital, which actually began late in FY 1994. In February, HEI provided an eight-week training program in health services management to 40 Albanian hospital staff with faculty trainers from Rush-Presbyterian-St. Luke's Medical Center (Chicago) and the UCLA School of Public Health Management. The team returned to Albania in May to give a second six-week course focussed on health financial management to an additional 25 financial officers.

- *Assisting Street Children*

  A grant was awarded to ChildHope (U.S.) in mid-1994 to provide the operating costs for the Center for Street Children in Tirana, an effort to discourage parents from putting their children on the streets to beg. About 30 children between the ages of four and 15 came to the Center daily for tutoring, hot meals, medical care and loving attention. Counseling was also offered to the families in seeking optional sources of income.

U.S. ASSISTANCE TO ALBANIA
TOTAL OBLIGATIONS
as of 30 September 1994
(US $000)

	Obligation Amount SAI/ESF/DA:	**$68,433**

A. STRENGTHENING DEMOCRATIC INSTITUTIONS

Political Process and Governance		
1800017.	Political Process	954
1800019.	Democratic Governance and Public Administration	684
1800020.	Rule of Law	207
Democratic Pluralism		
1800021.	Political and Social Process	2,379
1800022.	Independent Media	3,223
	Subtotal:	**$7,446**
	as % of Total:	**10.9%**

B. ECONOMIC RESTRUCTURING

Privatization and Assistance to Enterprises		
1800014.	Privatization and Enterprise Restructuring	2,334
1800023.	Technical Assistance to Enterprises	2,820
Improving the Business Climate		
1800026.	Competition Policy, Laws & Regulations	1,616
1800027.	Business Services	3,971
1800028.	American Business & Private Sector Dev. Initiative	200
1800047.	Removing Impediments to Trade Enhancement (RITE)	30
Human Resources		
1800002.	Human Resources Program	1,149
1800029.	Management Training & Market Economics Education	1,709
1800045.	Participant Training	1,191
1800024.	Restructuring Agriculture and Agribusiness	5,575
1800046.	Agriculture Development Program - Albania	15,267
1800049.	Restructuring Albania Agriculture	14,500
Energy Efficiency		

	Subtotal:	**$50,360**
	as % of Total:	**73.6%**

C. IMPROVING THE QUALITY OF LIFE

1800016.	Humanitarian Emergency Medical Supply	3,016
1800032.	Non Governmental Organizations (NGO) Dev. Project	3,726
1800033.	Labor Market Transition (DOL)	149
1800034.	Housing Sector Assistance	967
1800037.	Partnerships in Health Care	1,335
1800038.	Promotion of Private Health Markets	788
Environment		
1800004.	Environmental Initiatives	4
1800039.	Improved Public Sector Environmental Services	500
	Subtotal:	**$10,485**
	as % of Total:	**15.3%**

D. MISCELLANEOUS

1800249.	Audit, Evaluation, and Project Support	141
	Subtotal:	**$141**
	as % of Total:	**0.2%**

BOSNIA-HERZEGOVINA AND CROATIA ANNEX

Only humanitarian and democratic initiatives assistance, largely from non-SEED funds, were provided to the former Yugoslav republics in FY 1992. In FY 1993 and FY 1994 humanitarian and democratic initiatives were continued in Croatia. Trauma-related assistance programs implemented by local non-governmental organizations (NGOs) were also initiated in Bosnia-Herzegovina in FY 1994. Please see separate headings in this report on Slovenia and the Former Yugoslav Republic of Macedonia (FYROM).

Emergency Assistance

In FY 1994, $3.85 million in SEED funding was added to the existing cooperative agreement with the International Rescue Committee (IRC) for an 'umbrella grant' project for sub-grants to Bosnian and Croatian NGOs working in the trauma field in order to build local capacity for providing service. A total of $6.0 million has been made available for this activity. Fifteen sub-grants are currently active, 21 have been completed, including a sub-grant of approximately $1 million to a group of child welfare specialists collaborating with the United Nations High Commissioner for Refugee's (UNHCR) Project and others to reunite children and parents separated due to the war in Bosnia-Herzegovina.

Under USAID's Trauma and Humanitarian Assistance Program six new grants were signed in late FY 1994 with U.S. NGOs for partnerships with local organizations in the areas of community development and training activities for mental health providers, teachers, volunteers and doctors working with traumatized refugees and displaced populations in Croatia, Bosnia-Herzegovina and FYROM. Grantees include: International Action Against Hunger, America's Development Foundation, Catholic Relief Services, Center for Attitudinal Healing, Delphi International, and Save the Children Federation.

In FY 1994 Project Hope delivered three shipments of emergency medicine and supplies to hospitals in both Croatia and Bosnia-Herzegovina. These included approximately $2 million worth of SEED funded commodities and over $10 million worth of medical supplies donated by U.S. companies. Transportation expenses were provided by the U.S. Department of Defense.

In late FY 1994 an additional $3 million in SEED funds was provided to Project Hope for the procurement of emergency medical supplies and spare parts for medical facilities in Sarajevo. Project Hope, in turn, agreed to obtain an additional $10 million worth of donated commodities for distribution to medical facilities in both Croatia and Bosnia-Herzegovina. The first shipment of commodities under this activity arrived in Croatia in early December 1994.

Approximately $2.7 million in SEED funding was also made available for a hospital partnership with the American International Health Alliance (AHA) project for Croatia in FY 1994. This partnership links American medical centers and providers of trauma services with counterpart institutions in Croatia. The U.S. institutions will transfer technology, help provide care, and offer technical assistance in health care management.

An additional $6.5 million in FY 1994 SEED funds was made available in September 1994 to support efforts by the international community to rehabilitate essential public services in Sarajevo. $5.5 million has been provided to the IRC for the emergency repair of the natural gas distribution system and the city's central heating system. A grant of $1 million was also made available to the UN for its Sarajevo Trust Fund which will finance emergency rehabilitation activities in that city.

Democratic Initiatives

The U.S. funded a number of democratic initiatives to support political reform in the former Yugoslavia, including: grants to the International Republican Institute for election related assistance and monitoring of the 1992 elections in Serbia and Montenegro and a 1994 USIA Young Leaders in Democratic Transition grant program for Croatia through which groups of young political and governmental leaders visited the U.S. to observe how American government and social institutions work to protect the rights of all groups in a successful multi-racial, multi-ethnic society.

All Source Humanitarian Assistance Summary

Since the outbreak of warfare in 1991, the U.S. Government has provided humanitarian assistance valued at $780,073,000 to the former Yugoslavia. The bulk of this assistance has gone to Bosnia-Herzegovina. SEED has provided approximately $32,748,900 for grants to U.S. NGOs for medical and trauma-related activities in the former Yugoslavia. The rest of the funding is from other budgetary sources.

The Department of Defense has provided meals-ready-to-eat, other food, excess property and clothing and participated in the UN sponsored airlift of relief supplies to Sarajevo and airdrops to enclaves within Bosnia-Herzegovina at a cost of approximately $303,951,000.

The State Department's Bureau of Population, Refugees and Migration has provided $176,058,450 primarily to UNHCR, the International Committee of the Red Cross, and UNICEF for assistance to refugees and displaced persons.

USAID's Office of Food for Peace has provided P.L. 480 Title II commodities worth $198,495,000 (including transportation and handling costs) to the former Yugoslavia through FY 1994. In early FY 1995 an additional $25 million was pledged to the World Food Program for Bosnia-Herzegovina.

USAID's Office of Foreign Disaster Assistance has provided approximately $68,819,600, including $20 million in development assistance funds transferred from the Europe Bureau in FY 1993, for emergency winterization supplies, transportation costs to deliver commodities, medical supplies, agricultural seeds and the procurement of other emergency related commodities.

U.S. ASSISTANCE TO BOSNIA
TOTAL OBLIGATIONS
as of 30 September 1994
(US $000)

	Obligation Amount SAI/ESF/DA:	$15,004

A. STRENGTHENING DEMOCRATIC INSTITUTIONS

Political Process and Governance

Democratic Pluralism

1800021.	Political and Social Process	100
1800022.	Independent Media	180
	Subtotal:	$280
	as % of Total:	1.9%

B. ECONOMIC RESTRUCTURING

Privatization and Assistance to Enterprises

Improving the Business Climate

Human Resources

1800045.	Participant Training	620

Energy Efficiency

1800030.	Regional Energy Efficiency	25
	Subtotal:	$645
	as % of Total:	4.3%

C. IMPROVING THE QUALITY OF LIFE

1800016.	Humanitarian Emergency Medical Supply	3,544
1800032.	Non Governmental Organizations (NGO) Dev. Project	875
1800054.	Sarajevo Emergency Rehabilitation	9,500

Environment

	Subtotal:	**$13,919**
	as % of Total:	**92.8%**

D. MISCELLANEOUS

1800249.	**Audit, Evaluation, and Project Support**	**161**
	Subtotal:	**$161**
	as % of Total:	**1.1%**

U.S. ASSISTANCE TO CROATIA
TOTAL OBLIGATIONS
as of 30 September 1994
(US $000)

	Obligation Amount SA/ESF/DA:	**$15,550**

A. STRENGTHENING DEMOCRATIC INSTITUTIONS

Political Process and Governance		
1800020.	Rule of Law	234
Democratic Pluralism		
1800021.	Political and Social Process	280
1800022.	Independent Media	724
	Subtotal:	**$1,238**
	as % of Total:	**8.0%**

B. ECONOMIC RESTRUCTURING

Privatization and Assistance to Enterprises		
Improving the Business Climate		
1800026.	Competition Policy, Laws & Regulations	90
1800028.	American Business & Private Sector Dev. Initiative	59
Human Resources		
1800002.	Human Resources Program	187
1800029.	Management Training & Market Economics Education	395
1800045.	Participant Training	544
Energy Efficiency		
	Subtotal:	**$1,275**
	as % of Total:	**8.2%**

C. IMPROVING THE QUALITY OF LIFE

1800016.	Humanitarian Emergency Medical Supply	5,688
1800032.	Non Governmental Organizations (NGO) Dev. Project	5,140
1800037.	Partnerships in Health Care	2,188

Environment

	Subtotal:	**$13,016**
	as % of Total:	**83.7%**

D. MISCELLANEOUS

1800249.	Audit, Evaluation, and Project Support	21
	Subtotal:	**$21**
	as % of Total:	**0.1%**

BULGARIA ANNEX

Economic Restructuring

Key to private enterprise and free market development is the creation of an enabling commercial, legal and regulatory environment, the promotion of privatization and private investment, as well as support for private business development and entrepreneurship and the development of a modern, competitive financial sector.

- *Macro-Economic Support*

  American experts have provided critically needed assistance to the Bulgarian government in financial sector reform. Advisors have been working in the areas of macroeconomic policy; budget development and analysis; tax policy and administration; bank supervision and audit; and training both locally and in the U.S. These efforts are coordinated with other bilateral and multi-lateral agencies including the IMF, IBRD, EBRD, OECD, and the European Union's PHARE program.

  Assistance has been provided to the Council of Ministers and Parliament on a wide variety of commercial laws and regulations, the most important to date being laws on privatization, conduct of a business, bankruptcy and collateralized lending.

  The U.S. Treasury and Internal Revenue Service resident advisors have played an important role in implementation of the Bulgarian Value Added Tax (VAT) through the provision of expert advice, instruction and audit manuals, and model forms. Three other resident advisors are working on bank supervision, tax administration, and macroeconomic policy advise.

- *Promoting Privatization*

  While progress has been slow and results still do not meet expectations in restructuring and privatization of industry, the USAID-funded small-scale prototype auction program for municipal privatization that is currently being implemented in 10 major cities in Bulgaria is proving to be a success. Upon completion of the program in early 1995 the number of privatized properties is expected to reach 276, with total revenues of about $6.9 million. By providing a confidence-building experience, developing public support, and stimulating the emergence of sustainable local business consulting firms, the project demonstrates that economic development can be achieved through privatization; its potential for replicability is huge. FY95 assistance will allow these activities to be expanded to 12 new municipalities.

  Sectors receiving assistance in privatization from USAID include electronics, food processing, light industry, construction, dairy, poultry, tourism, commercial banks, and energy. USAID-financed experts prepared information memoranda and valuations of the corporate assets of 20 Bulgarian companies. KPMG Peat Marwick played a primary facilitating role in the privatization of two major confectionery firms.

- *Private Sector Support*

  Bulgarian-American Enterprise Fund (BAEF) was established using SEED funds to promote the development of free enterprise, entrepreneurship and market-based lending

activities. BAEF is pursuing potential investments in food, agribusiness, electronics and tourism. It has successfully provided debt and equity finance, with an American partner, for $800,000 to establish a processing facility for cherries and cherry-related products near Kyustendil for export. A $5.5 million loan was made to a private agricultural cooperative in the north-central part of Bulgaria with 1300 members for an eight year development program to establish 2,200 additional acres of vineyards and finance equipment to improve their white wine process and expand their cheese production. BAEF has financed over 10 hotel and tourism loans, totaling $183,000, to small private entrepreneurs in the Pirin mountains and along the Black sea coast. Under the NACHALA microenterprise lending program, with loans from $500 to $20,000 (established July 1993, managed with Opportunity International assistance), about 140 loans totaling approximately $800,000 (more than 15 percent in agriculture/agribusiness loans) have been provided after only a year of lending.

With strong IESC assistance, a Bulgarian private company, SAMEX, purchased the KFC franchise for Bulgaria and the first KFC restaurant was opened in Sofia in late July 1994. The first Pizza Hut is opening and IESC's assistance in bringing McDonald's to Bulgaria should result in the opening of their first restaurant in Plovdiv in December 1994.

American advisors assisted the corporate development of the Bulgarian Real Property Association (representing some 60 brokers including the largest and most active firms in the country) and the Bulgarian Association of Real Property Appraisers. Private developers, contractors and bankers were introduced to the principles and techniques of construction lending through pilot projects in three Bulgarian cities which should result in residential apartment buildings with 16 and 20 units each.

Private small-sized meat processors were assisted to form the Bulgarian Meat Processors Association, which represents their interests with government; also assists members with bulk purchases of supplies, and with market information.

- *Commercial Law*

  USAID is implementing a $1.5 million regional bankruptcy project through Deloitte Touche to assist in the promotion of formal and informal bankruptcy procedures in order to facilitate the restructuring or closing of financially troubled enterprises. Deloitte advisors have conducted a legal survey and analysis of the status of bankruptcy laws and practices and may provide training workshops and advisory or ad hoc services.

  Through the Department of Commerce's Commercial Law Development Program (CLDP), USAID helps the Bulgarian economy become more responsive to market principles by engaging in targeted assistance activities that will strengthen the legal and structural framework necessary to advance international trade and investment. In an effort to provide GATT related trade assistance to the Bulgarian Ministry of Trade, CLDP is sending a series of short-term trade advisors to hold a series of seminars for Bulgarian Government official around key GATT issues.

- *Agriculture*

  In addition to general enterprise support, USAID has put additional emphasis upon agriculture, a major economic activity in Bulgaria. To further agricultural privatization, $10 million was disbursed in 1992 in order to support Bulgaria's balance of payments

and to generate local currency for operating expenses of the more than 200 land reform offices throughout Bulgaria. In addition, as of September 1994 nearly $16 million has been made available to agriculture and agribusiness through a variety of commodity, financial and technical assistance programs. These programs seek to foster privatization and support private agricultural enterprises and cooperatives.

Significant efforts are being made to assist the transformation of Bulgaria's dairy economy. The program brings an integrated approach to dairy development in Nova Zagora, Stara Zagora and Plovdiv. Program-inspired management improvements at the Milk Way plant in Nova Zagora have led to development of an export market in the Middle East and to creation of the Milk Way Dairy Producers Association. Members of the Association obtain herd expansion loan financing from the BAEF. Recently, in collaboration with the World Bank, Land O'Lakes began working with farmers, dairy processing managers, dairy specialists, academicians and politicians, to encourage a grassroots approach to addressing dairy policy issues in Bulgaria.

United States' agribusiness joint ventures have been assisted to come to Bulgaria. Recent examples include, the Cabernet Corporation for production and exporting of bottled wine and wine concentrate; the DeKalb Plant Genetics company for joint corn seed research, production and marketing of corn hybrids; and Tri-Valley Growers for production and exporting of fresh and processed cherries.

A total of 300,000 metric tons of feed grain (valued at $33 million) was sent to Bulgaria in FY 1991 under food assistance programs. In 1993 an additional 156,000 tons of corn worth about $15 million was delivered.

- *Energy*

  In order to improve Bulgaria's efficient use of energy, sixteen local private companies were trained in energy audit techniques, use of energy testing equipment, plus marketing and management for energy service companies. All participants have passed the Certified Energy Managers (CEM) exam and have established a chapter of the U.S. Association of Energy Engineers (AEE). Energy audits are being undertaken in ten industrial companies. The audits are being performed by local consultants with technical support of the U.S. contractor. Each company pays a fee to Bulgarian consultants for services rendered and receives U.S. equipment valued on average $10,000.

  The Bulgarian Energy Efficiency Foundation was established to serve as a catalyst for policy change and business networking. Bulgaria's first municipal energy efficiency fund was established with assistance from the U.S. Energy Efficiency Foundation.

  Safety equipment worth over $600,000 was delivered to Kozloduy Nuclear Power plant thus contributing to the multilateral effort which improved the operational safety of the plant.

Fostering Democratic Institutions

Through September 1994 more than $23 million of SEED assistance has been directed towards developing a strong democratic foundation that will support and sustain economic development. Key accomplishments to date include:

- *Establishing a western-modeled, four-year undergraduate institution*
  Established in 1991 as a cooperative project of the USG, the Government of Bulgaria, the City of Blagoevgrad and University of Maine, the American University of Bulgaria (AUBG) has close to 600 students enrolled. The American-style curriculum, emphasizing participation, initiative, and responsibility, is helping to train a new generation of leaders to reinforce Bulgaria's democratic and market transition. AUBG will graduate its first class in Spring 1995.

- *Building the capability of innovative mayors and municipal associations*
  The University of South Carolina has been helping six municipalities implement reforms at the local level, encouraging the government to become more responsive to the people.

- *Empowering Non-Governmental Organizations (NGOs)*
  Bulgarian NGOs are working in a variety of areas, including creating a local capacity for training in skills essential to the democratic transition. Through USAID's assistance, the Bulgarian Association for Fair Elections and Civil Rights (BAFECR) has become an effective, grass-roots volunteer organization for monitoring elections. Supporting an independent judiciary, developing independent bar associations, and furthering legal education have also been priorities. Assisted by CEELI, independent judges have established a grass-roots NGO called PIOR which will develop continuing legal education for the legal community. A flexible and responsive delivery mechanism for small grants for local NGOs in democratic initiatives has also become operative.

- *Leadership Training*
  Implemented through a strong program of technical assistance and human resource development, training programs are conducted both in Bulgaria and in the U.S. to encourage a democratic, free market society in Bulgaria. More than 5,000 Bulgarians have participated in training courses, seminars, workshops and conferences offered by the University of Delaware (UD) throughout the country. The UD has established strong, successful partnerships with the New Bulgarian University (NBU), the Sofia Central Library, and the Institute of Economics, Bulgarian Academy of Science to sustain its programs. By October 1994, the Participant Training Program had identified and approved over 150 candidates for programs in the U.S. in public administration, agriculture, tax administration, banking, statistics, health, labor, housing and environment.

Improving the Quality of Life

- *Environmental Initiatives*
  The U.S. program of environmental assistance is aimed at: reforming of environmental policies to favor private-sector, market-based solutions; improving the efficiency and effectiveness of public sector environmental investment; and supporting market-based approaches to biodiversity preservation and enhancement. Major accomplishments in meeting these objectives are:

  Taking into consideration Bulgaria's great biodiversity and strong public commitment to heritage preservation, USAID is committed to a long-term effort for development of market based nature protection programs through the Global Environmental Facility. In addition $120,000 has already been provided to arrest deterioration of ecosystem

conditions in the Srebarna Natural Preserve which is enlisted in the World Cultural and Natural Heritage Convention of UNESCO.

An Interpretive Center Pilot Project at Vitosha National Park has been initiated. The center is to serve the public through development and production of informational and educational materials and exhibits, and through provision of commercial services on a concessional basis.

Approximately 1,000 items of clothing were donated to the Ministry of Environment for use by nature protection staff.

Waste minimization demonstrations are being carried out in three Bulgarian industries teaching private sector approaches to industrial environmental management.

- *Labor*

The Employment Services and Dislocated Worker Program has been in operation in Bulgaria for a couple of years now and has already produced a clear nation-wide impact in the form of a uniform regional employment services structure, in conformity with the operational manual drafted with the assistance of the U.S. experts. The dislocated worker or mass layoff program, which concentrates upon early warning and quick response in a labor-management-government framework, is also well received and is being applied nation-wide.

The Employment and Training Initiatives for Ethnic Minorities Program targets groups at risk of going on social welfare benefits, especially socially disadvantaged groups like the long-term unemployed, single mothers, young workers and minorities. The welfare-to-work project, run in a high-unemployment region, in its pilot stage covered 180 social welfare recipients, placing 110 in the first five months at a net savings to the State.

- *Health*

Technical assistance to improve the collection and coding of data on hospital treatment was initiated in Smolyan by Healthcare Enterprise International, Inc. This project provides the necessary information for improved hospital management, and more informed policy-making and health budget allocation. A program of training and technical assistance in applying analytic tools to health policy and management issues at national and regional levels has also been initiated.

The Center for Sight was established and approximately $400,000 worth of ophthalmic equipment and associated training, supplies and pharmaceuticals were provided.

The trauma care unit, opened in 1994, was funded by the U.S. and Bulgarian governments and has received extensive help from the Childrens Hospital of Philadelphia. It will help improve Bulgaria's pediatric trauma care, serving as a model for nationwide applicability.

Cardiovascular care and prevention protocols were developed by Bulgarian and U.S. physicians (from Michigan State and Sparrows Hospital) and, building upon these protocols, a national system of continuing medical education has been put into operation and continued without reliance upon American assistance.

- *Housing*

  The municipalities of Bourgas, Rousse, and Stara Zagora have begun construction on new housing units though the Housing Development Demonstration program. The program creates a public-private partnership in which municipalities allow private developers to build on municipal land in exchange for a portion of the completed units. A national conference to disseminate the program to a wider audience will be conducted in early 1995.

  A study of municipal finance and budgeting was completed in Fall 1994. The study examined the constraints and limitations faced by Bulgarian municipalities and recommended the means by which municipalities could increase their own financial autonomy and capacity within the current system. The conclusions of this study form the basis of a comprehensive program of assistance to municipalities and municipal associations to begin in Winter 1995.

U.S. ASSISTANCE TO BULGARIA
TOTAL OBLIGATIONS
as of 30 September 1994
(US $000)

Obligation Amount
SAI/ESF/DA: $141,484

A. STRENGTHENING DEMOCRATIC INSTITUTIONS

Political Process and Governance		
1800003.	Support of Democratic Institutions	2,633
1800017.	Political Process	1,694
1800018.	Local Government and Public Administration	350
1800019.	Democratic Governance and Public Administration	2,277
1800020.	Rule of Law	311
Democratic Pluralism		
1800021.	Political and Social Process	12,974
1800022.	Independent Media	1,263
	Subtotal:	**$21,501**
	as % of Total:	**15.2%**

B. ECONOMIC RESTRUCTURING

1800044.	Bulgaria (Agriculture)	10,000
Privatization and Assistance to Enterprises		
1800014.	Privatization and Enterprise Restructuring	6,832
1800023.	Technical Assistance to Enterprises	3,922
Improving the Business Climate		
1800026.	Competition Policy, Laws & Regulations	2,719
1800027.	Business Services	6,262
1800035.	Bank Training (Treasury)	2,148
1800010.04	Bulgaria Enterprise Fund	21,000
1800028.	American Business & Private Sector Dev. Initiative	1,879
1800047.	Removing Impediments to Trade Enhancement (RITE)	217
Human Resources		
1800002.	Human Resources Program	1,487
1800029.	Management Training & Market Economics Education	4,818
1800045.	Participant Training	2,481
1800052.	Customs Service Training	32
1800024.	Restructuring Agriculture and Agribusiness	16,031
Energy Efficiency		
1800015.	Emergency Energy Program	516

1800030.	Regional Energy Efficiency		11,451
		Subtotal:	**$91,793**
		as % of Total:	**64.9%**

C. IMPROVING THE QUALITY OF LIFE

1800016.	Humanitarian Emergency Medical Supply	1,312
1800032.	Non Governmental Organizations (NGO) Dev. Project	2,595
1800033.	Labor Market Transition (DOL)	1,270
1800034.	Housing Sector Assistance	4,484
1800037.	Partnerships in Health Care	5,740
1800038.	Promotion of Private Health Markets	874
Environment		
1800004.	Environmental Initiatives	3,554
1800039.	Improved Public Sector Environmental Services	6,421
1800041.	Environmental Training	1,428
	Subtotal:	**$27,677**
	as % of Total:	**19.6%**

D. MISCELLANEOUS

1800249.	Audit, Evaluation, and Project Support	513
	Subtotal:	**$513**
	as % of Total:	**0.4%**

CZECH ANNEX

The Program of assistance to the Czech Republic was originally part of the assistance offered under the SEED Act to the federated state of the Czech and Slovak Republics. A brief description of several activities in each of the program areas is included below, referring both to completed and on-going activities.

Economic Restructuring

- *Assistance to the Privatization Process*

  The U.S. has provided the Czech Republic with approximately $17 million in technical assistance, and has programmed an additional $2 million to support large-scale privatization. The SEED-funded USAID Advisory Team, consisting of investment bankers, accountants and lawyers, has been assisting the Czech Ministry of Privatization to evaluate and negotiate privatization plans, including proposals from foreign investors. The average price paid at closure has been three times higher than originally estimated by Czech authorities before evaluation and negotiation by the Team. Since this assistance began, approximately 120 major foreign investments have been approved by the Ministry of Privatization on the advice of the USAID team, representing approximately $2 billion of foreign investment.

  In 1994, the Team's assistance was also requested by the National Property Fund and the Ministry of Industry and Trade to work on asset valuation and restructuring plans. These now include the gas and electric distribution companies and power generators in the country. Earlier, USAID had contracted with Deloitte and Touche to prepare sector assessments and to assist Czech companies in the fuel/energy and telecommunications sectors in the preparation of privatization plans.

  Early in the program, USAID funded Price Waterhouse-International Privatization Group to help prepare four prominent Czech firms for privatization by assisting with valuation and converting company accounts to Western accounting standards. Price Waterhouse also provided training in corporate governance for members of boards of directors. KPMG Peat Marwick has worked with the Ministry of Industry and Trade, reviewing the non-ferrous metallurgy sector and assisting two large firms to prepare privatization plans, including technical improvements and investor searches. KPMG also provided an advisor to the Minister of Economy on industrial policy for privatization and public sector financial reform.

  Coordinating U.S. assistance with the International Finance Corporation (IFC), USAID assisted in the privatization of Skoda Plzen, a major conglomerate which employs over 37,000 people. IFC's subcontractor, Coopers & Lybrand, reviewed past and current accounts, implemented proper financial systems, and determined the value of the company for the Ministry of Privatization.

- *Capital Markers and Financial Sector Development*

  KPMG Peat Marwick advised the Czech Savings Bank on the basics of commercial lending in a market environment and on the bank's new investment fund, the largest

in the country. This assistance enabled the Savings Bank to become a private full-service bank. In 1994, assistance has continued to support mutual funds, a primary vehicle for transferring ownership of enterprises from the bank's portfolio into private hands. Important new work in 1994 includes support to another large bank specializing in export and import finance, Obchodni Banka, which aims to become a full service private bank in the near future.

The Financial Services Volunteer Corps (FSVC) offers technical assistance and training in the areas of privatization, banking and the formation of capital markets. Recent FSVC assistance has included Federal Reserve Bank of New York advisors to the State Bank in the area of bank supervision, including a two-week visit by State Bank staff to the Federal Reserve; advice to the Obchodni Banka regarding its equity portfolio, stock and bond underwriting, and rationalization of its holdings; advice on the organization of the Office of the Chairman of the Komercni Banka; and assistance to the Investicni Banka on forecasting and macroeconomic analysis.

In 1993 the Securities and Exchange Commission sent a securities specialist to Prague for a month to research the current status of capital markets in the Czech Republic. In 1994 USAID funded KPMG Peat Marwick to provide a long-term advisor, a former chairman of the Boston Stock Exchange, to the Prague Stock Exchange, an institution in its infancy but which will become an increasingly important in the privatized economy.

The Treasury Department, supported by FSVC, provided two long-term advisors to the Czech Republic during 1993. One advisor assisted Komercni Banka, the largest bank in the Czech Republic, advising on such subjects as establishing a joint venture mortgage lending bank, improving credit policies and branch operations. The other advisor worked for the then-Banking Training Institute in conjunction with the State Bank, to assist with developing appropriate course curricula (especially customer service) and trainee selection. In late 1994, a third long-term treasury advisor began work on privatization and restructuring strategies for Ceskolsovenk Obchodni Banka, including development of a retail banking strategy, revision of the bank's budgeting and planning cycle, along with revision of other banks functions. In 1994 USAID funding provided directly to the renamed Bank Training Institute, continuing the development of a professional development program critical in a country in which the number of bankers has risen from 8,000 to over 50,000 in under four years. Current emphasis is on training of trainers, to ensure the institution's sustainability as U.S. assistance is phased out.

The Department of Justice (DOJ) and the Federal Trade Commission (FTC) have provided technical assistance in specific areas including telecommunications, transportation, and public utilities. A conference hosted by FTC and DOJ provided further instruction on competition policy issues and gave officials from the Czech Republic and other Central European countries a forum in which to discuss issues of mutual concern. Short-term technical assistance missions are expected to continue through December 1995.

USAID is implementing a $1.5 million regional bankruptcy project through Deloitte Touche to assist in the promotion of formal and informal bankruptcy procedures in order to facilitate the restructuring or closing of financially troubled enterprises. Deloitte advisors have conducted a legal survey and analysis of the status if bankruptcy laws and practices and may provide training workshops and advisory and ad hoc services.

- *Enterprise Development*

USAID enterprise development operates at three levels: firm-level assistance; institutional development; and policy and regulatory reform. The approach is bottom-up, where assistance at the firm-level informs the work of other levels, and complements other USAID programs.

The MBA Enterprise Corps has received $235,000 to provide private business with in-house business development assistance from recent U.S. MBA graduates. Volunteer advisors serve for periods of 12-24 months. The last year of funding is 1994, with activities to be completed in 1995.

The Citizens Democracy Corps' (CDC) major function now is to strengthen small and medium-size business as an important source of growth and employment through its Business Entrepreneur Program. CDC assigns experienced entrepreneurs and business persons to provide on-site assistance to Czech companies. CDC volunteers are senior-level businesspersons with 15-20 years of work experience. The program is headed by two alternating Entrepreneurs-in-Residence (EIR), who between them have been serving as EIR in Prague. The Prague office is CDC's first country program managed by local personnel.

International Executive Service Corps' (IESC) Prague office was opened in May 1991 and has completed more than 200 managerial and technical assistance projects in the Czech Republic. IESC has been able to react to specific needs of clients, using its network of more than 13,000 volunteer executives registered in the IESC skill bank. The business development program became increasingly important as it aimed to link Czech companies with business in the U.S. on a long-term basis. Complementing this assistance was a long-term program in Public Administration (September 1992-June 1994) which benefited more than 10 clients (ministries, regions, municipalities).

The Trade and Development Agency (TDA) has used $1.4 million in SEED funds in the Czech and Slovak Republics to carry out a number of feasibility studies related to privatization and enterprise restructuring. Their strategy is to encourage the U.S. private sector to participate in rebuilding the infrastructure while at the same time targeting the priority projects for grant assistance that create trade opportunities for U.S. firms. Topics of studies supported by SEED funds in the Czech Republic include natural gas storage and control systems, district heating and industrial steam plants, and the telecommunications regulatory framework and sector structure. In 1993, TDA supported a feasibility study conducted by Kaiser Engineering Corporation on sludge processing as well as providing technical and training assistance for a number of other projects.

Through the USAID/Department of Commerce Consortia of American Business in Eastern Europe (CABEE), the Telecommunications Industry Association opened an office in Prague, and conducted bi-monthly meetings among its members to discuss and share information on trade opportunities. The American Building Products Export/Import Council (ABPEC) also opened an office in the Czech Republic. In Prague, one of ABPEC's member firms has purchased eight building lots on which the firm intends to build at least one American show house in cooperation with ABPEC. The Department of Commerce's Eastern Europe Business Information Center (EEBIC), has hired a Czech in Prague to develop leads for the "Eastern Europe Looks for Partners" newsletter. This program matches Czech companies desiring to attract foreign business partners with firms in EEBIC's corporate database. More than 6,000 organizations receive the bi-monthly business leads.

One of the Overseas Private Investment Corporation (OPIC) largest investment missions (30 companies) visited Prague in October, 1991. Subsequently, OPIC has supported investments of over $100 million in Czechoslovakia. OPIC's SEED-funded Project Development Program provides grants to U.S. companies exploring investment opportunities. In 1993, a $150,000 grant went to a landline telecommunication project and a chicken processing project was awarded $125,000.

The Capital Development Initiative (CDI) which ends in FY 1995, fostered U.S. private industry involvement in the development of Czech infrastructure,specifically in the areas of environment, energy and telecommunications. ICF Resources and Sanders International hired Prague representatives which helped arrange the building of an insulation plant in the Czech Republic. A CDI cost-sharing grant program to assist U.S. companies develop investments in Central Europe provided $201,400 to a U.S. company to pursue a landfill gas/electric generation project in Prague.

The Peace Corps Volunteers (PCVs) provides assistance in the three areas: Small Business Development, Environmental Management and training current and future teachers of English. Small Business Development is the newest of the projects. Twelve PCVs work on business development activities now with some 40 PCVs expected in 1995. Twenty-one PCVs work now on Environmental Management program, mainly working through municipalities.

The Czech American Enterprise Fund (CAEF) fosters small and medium-sized enterprises through equity investments and loans and special programs. As of August 31, 1994, $12.3 million had been authorized for 24 direct investments, and $7 million has been authorized for a small loan program.

- *Human Resources*

  Through SEED's Management Training and Market Economics Education project, Iowa State University has a $2.6 million grant for management training and policy development programs at the agricultural faculties at the universities in Brno and Ceske Budejovice. Iowa State University has permanent representatives in each city. In 1994, the University of Pittsburgh was awarded a $4 million grant to work with the Czechoslovak Management Center and the Center of Economic Research and Graduate Education-Economics Institute. This grant aims to help these two institutions achieve sustainability. A $276,000 grant to the Midwest Universities

Consortium for International Activities (MUCIA) supported a regional management training program which included work with the University of Economics-Prague that was completed in December 1993.

The Participant Training project is a regional program intended to give each country the flexibility and resources needed to develop human resources not sufficiently covered by U.S. or other donors. The academic component is administered by the United States Information Agency (USIA), while the specialized technical training component is administered by USAID through the contractor Partners in International Education and Training. Seventy-three Czechs were selected for short-term training in the United States during last three years.

USIA has awarded two grants for the training of professionals. One grant funds DePaul University to work with the University of Economics-Prague Master of Business Administration program. The second grant, to the University of Pittsburgh, funds an 18-month program of professional development workshops, curriculum and course development, demonstration teaching, curriculum consulting, and support material identification and acquisition. The University of Pittsburgh is working with the Czech Management Center and University of Economics-Prague.

- *Agriculture*

The Volunteers in Overseas Cooperative Assistance (VOCA) has completed 120 agriculture activities as of October 1994. One example: VOCA volunteers provided expert advice on no-till practices which were incorporated into the Zdislavice Agricultural Cooperative's production system to reduce production costs, while conserving soil on the hilly, erosion-prone fields of the cooperative.

Land O'Lakes (LOL) has sponsored training courses in the areas of privatization, cooperative development, dairy breeding and reproduction, dairy processing, and agricultural marketing. Czech farmers participated in leadership and agricultural policy orientation training in the U.S., before LOL concluded its activities at the end of 1993.

Iowa State University, in concert with American Breeders Service, Swiss Valley Farms, the Iowa Small Business Development Center, the Iowa Farm Managers Association, and the Iowa Farm Business Association provides technical assistance to the emerging private agribusiness sector. The focus of these activities are privatizing and restructuring agribusinesses through management, marketing, technical and training assistance in over thirty sites, but the consortium has also assisted the Ministry of Agriculture in developing an extension service.

Through an Inter-Agency Agreement the U.S. Department of Agriculture's Economic Research Service (ERS) received support to work with the Ministry of Agriculture on situation and outlook analyses. The ERS met its objectives by producing reports in Czech and English for dairy production, wheat, and barley. USAID made a one-time grant to USDA to administer the Cochran Fellows program, selecting Czechs to receive short-term U.S. training in such topics as food and feed processing, agro-industrial development, and farm management. Over 17 Cochran Fellows were selected since 1993 using SEED funds, and USDA continues this program.

The American Cooperative Enterprise Center (ACE), funded by USAID and the U.S. cooperative community, provides technical assistance and training to encourage U.S. joint ventures and trade with private and newly privatized agribusinesses in the Czech Republic. The ACE Center officially inaugurated its Prague Regional Headquarters in September, 1992. The Center's activities include training for agricultural cooperative managers in management and business, technical assistance to privatizing cooperatives, and an informational bulletin for the region.

- *Energy and Infrastructure*

  The energy assistance program in the Czech Republic focuses on three major objectives: (1) restructuring and privatization of the power sector; (2) developing a private sector market for energy efficiency and environmental services; and (3) enhancing of the safety of Czech nuclear power plants. Infrastructure activities have focused on telecommunications.

  In the area of power sector restructuring and privatization, the USAID program has provided support to the Ministry of Industry and Trade in the preparation of the regulatory section of a new energy law for the electric power and gas industries. Under the Utility Partnership Program, seminars and training have been provided to key government and utility officials on the basic issues in economic regulation of utility systems and on the structure and operation of independent regulatory authorities in a market economy. A ministry delegation responsible for the draft law visited the United States in October 1993 to meet with Federal and state regulatory officials and experts. Houston Lighting and Power is the sister utility of the Czech Power Works (CEZ) and has provided information and support in helping CEZ management address the financial, legal and regulatory issues in the privatization of the company (currently about 30 percent of the company is private). Central Maine and Electrotek are working with the Prague distribution company on its strategy for selecting foreign partners. These large companies are in the second wave of privatization.

  With the progress of the Czech economy in economic restructuring and privatization, a market for energy efficiency and environmental services is developing. Under the USAID contract with FCG/Hagler, Bailly, an effort to pinpoint the key legal, policy and financial obstacles to development of energy service and performance contracting agreements will be developed. Under the Interagency Agreement with the U.S. Department of Energy (DOE), the non-governmental energy efficiency center (SEVEN) and the new Association of Energy Managers have carried out training for local companies and promoted this approach through conferences. Several U.S. energy companies are collaborating with SEVEN in these activities.

  DOE has been working with the towns and cities of Cesky Krumlov, Ostrava and Plzen on cost-effective strategies for reducing wasted energy and improving the environment. A new program has started in Usti nad Labem to address the issues related to old district heating systems and to promote energy efficiency investments. A conference was held in Plzen in April 1994 to examine in detail and disseminate to Czech municipal leaders in North Bohemia and other regions, experiences from the major work to date in Krakow (Poland) and in other pilot projects in the Czech Republic.

USAID support nuclear safety through the DOE-managed short-term, operational safety improvement activities at the nuclear power plant Dukovany. These activities include training, risk assessment work through the International Atomic Energy Agency, accident localization systems design and implementation, and adaptation of results from the DOE/Institute for Nuclear Operations' initiative with Russia on symptom-based emergency operating instructions.

The U.S. Nuclear Regulatory Commission (NRC) is also managing an information and training program to upgrade the capabilities of the new Czech State Nuclear Safety Office. NRC has provided computer safety codes, training in NRC offices on regulatory safety issues, inspector training at U.S. field sites, and support in carrying out a regulatory safety review of the proposed fuel and instrumentation and control systems at the Temelin nuclear plant, which are being supplied by Westinghouse. This represents the first major effort to combine modern U.S. and Russian VVER-1000 systems.

In infrastructure activities, extensive studies of the telecommunications sector restructuring and regulatory regime have been conducted following introductory telecommunications policy seminars. In cooperation with the Trade and Development Agency, expert advisors from the law firm Squire, Sanders and Dempsey provided advice on restructuring the telecommunications sector and on developing laws and regulations conducive to privatization and competitive provision of telecommunications services. Through a grant to the U.S. Telecommunications Training Institute (USTTI), 11 telecommunications officials were trained in the U.S. The training was partially funded by major U.S. telecommunications companies.

Fostering Democratic Institutions

USIA and USAID administer a number of democratic initiative programs supporting civic organizations, educational reform, local government, media training, labor unions, and English language instruction. More than 125 Czechs have traveled to the U.S. during 1993 on visits under these programs, and a large number of U.S. experts have traveled to the Czech Republic.

- *Media Language*

The International Media Fund (IMF) is involved in media training activities in the Czech Republic. The IMF awarded a grant to Palacky University's Journalism School to establish a radio education facility. USIA's funding to the Center for Independent Journalism has allowed it to remain one of the most successful centers of media training in the region. USIA also supports visiting journalism professors from Columbia University to develop curricula and teach professional standards to journalism students.

USIA also support English teaching, and some 30 Peace Corps volunteers have worked or continue to work under the auspices of the Ministry of Education in teaching English as a foreign language in university, teacher training college, and secondary school faculties.

- *Non-Governmental Organizations*

  In response to the Democracy Network announced by President Clinton in January 1994, the Democracy Commission was established with the U.S. Embassy to oversee all projects and activities related to supporting democratic institutions and building civic society in the Czech Republic. The guidelines for the Commission's operation were formulated in the Democracy Strategy, that stated specific objectives to be achieved in this field: Strengthening the capability of local non-governmental organizations, instilling democratic principles in leadership, educational reform directed through civic education and citizens' participation, and providing further support and training to media.

  An $1.5 million grant will be awarded to the U.S. Foundation for a Civil Society to provide technical assistance, training and small grants to local grass roots organizations. The Czech Republic will participate in a regional networking project conducted by the National Forum Foundation as well as in the International Center for Not-for-Profit-Law program to create and support non-profit legislation in CEE countries. The program is designed to create self-sustaining indigenous NGOs in the Czech Republic. To complement this project, USAID has initiated an intensive training course in the U.S. for ten NGO managers.

- *Rule of Law and Public Administration*

  Under the Rule of Law program, the USIA/HA Rule of Law Steering Committee worked with George Washington University to fund a year-long Master of Law program for three Czech lawyers. A Czech Republic liaison from the American Bar Association's Central and East European Law Initiative (CEELI), is continuing CEELI's work on a non-profit law. CEELI is providing a number of American experts to assist the Czech government in rewriting the criminal procedure code. Impact of this support is reflected in a decision to design a system closer to the adversarial model found in the U.S. CEELI will send one key expert from Yale University to assist in implementation of the code in 1995.

  At the request of Czech authorities and judges' and legal associations, CEELI is directly involved in development of ethics codes and standards of professional behavior to help insure the independence of the legal profession. CEELI's work includes suggesting curricula for professional education and has already included a large legal ethics workshop.

  Under an initiative of the House of Representatives Special Task Force on the Development of Parliamentary Institutions in Eastern Europe (the Frost Task Force), the U.S. had supplied technical assistance and equipment to the Czechoslovak Federal Assembly. The objective of this program, administered by the Library of Congress, was to strengthen the legislative process by improving parliamentary research and reference capability. After January 1993, the program focused on new assistance to the Republic's parliament, rebuilding its informational and communications capacity. At a highly publicized event in May 1994, the Chairman of the Parliament and Ambassador Basora signed a document marking the successful completion of the Frost Task Force work.

  The AFL-CIO's Free Trade Union Institute has provided training and assistance to the

Czech Republic and Slovak Federation of Trade Unions (KOS). The Institute of Public Administration assisted the Czech Institute for Local Administration, which designs and delivers training to both local and republic-level government employees. The International City Managers Association provided technical assistance, training, and a small amount of equipment to the Union of Towns and Communities.Improving Quality of Life

Improving Quality of Life

- *Environment*

U.S. environmental assistance to the Czech Republic is designed to support economic restructuring and reduction of environmental threats to human health through three objectives: supporting reform of the environment-related legal, regulatory, and policy environment; strengthening the institutional capacity of government, non-government organizations, and the private sector in environmental management; and increasing the level of environmental investments.

USAID, the Environmental Protection Agency (EPA), and the World Bank cooperated with Czech officials in drafting a national environmental strategy and action program that was adopted in 1991. This strategy was used as part of the World Bank's structural adjustment loan and as the basis for a $15 million USAID environmental sector grant. The $10 million allocated to the Czech Republic has been fully transferred for the importation of U.S. goods, and some of it was used to purchase monitoring and early warning equipment from UNISYS and Hewlett Packard for the industrial region of Northern Bohemia. Local currency generated from the grant supports environmental program and policy reforms, environmental clean-up activities, and environmental investments. A long-term adviser for the World Environment Center (WEC) provided assistance on the use of funds from the sector grant.

The same WEC advisor provided technical assistance in drafting an environmental liability law. With his help, a law containing several environmental liability and audit provisions is in place. The Environmental Law Institute has assisted the Czech Republic in developing an environmental impact assessment law, a hazardous and solid waste law, and in improving public participation and rights with respect to environmental protection.

The Environmental Training Project, a consortium headed by the University of Minnesota, has provided training in environmental policy and planning, business management, and public outreach. Duke University leads a second consortium that is developing training programs in environmental economics and finance in collaboration with the Prague School of Economics and the Foundation Project North in Usti nad Labem. The heavily polluted town of Decin received direct assistance in developing more effective economic approaches to high-priority environmental problems.

Public sector activities include a comprehensive risk analysis for the Ostrava region, completed by the EPA, which indicated that coke oven emissions are the most serious environmental threat in the region. The implementation phase of the project resulted

in a negotiated 'contract' between industrial enterprises, the authorities and the Ministry of the Environment to encourage the modernization of steel production, with an eye on the poor conditions of the region. To strengthen its implementation, EPA has installed a long-term expert located in Ostrava.

Workshops were conducted in Northern Bohemia to review work done by EPA and Czech experts on air quality management and environmental health impacts in the Teplice region. The EPA is also giving technical assistance in environmental audits of facilities targeted for privatization, and has provided Geographic Information System (GIS) equipment, other technologies and training to improve Czech information systems and monitoring capacity.

The Harvard Institute for International Development is currently developing and disseminating information on economic instruments for application in pollution control both by regulators and restructuring companies, who have seldom accounted for the costs of pollution in the past. Several options for pollution reduction were developed and they are under discussion by Czech national, local governments, and the private sector.

The World Environment Center has undertaken several waste minimization assessments in the petrochemical sector, helped establish a Czech Environmental Management Center, and trained over 100 industrial directors and managers. WEC also initiated a comprehensive waste reduction program with Chemopetrol in Northern Bohemia, one of the largest petrochemical plants and refineries in the Czech Republic and with Spolana Neratovice (another chemical plant).

In addition, an environmental business specialist was retained to provide technical assistance in the preparation of funding and business proposals for Czech environmental companies, to facilitate their access to financing and opportunities for joint ventures with U.S. companies. Technical assistance is also provided to familiarize them with U.S. environmental equipment, technologies, and engineering consulting services.

In support of the Environmental Action Plan for Central Europe approved at Lucerne in 1993, USAID launched the EP3 project to facilitate environmental investment. Technical assistance includes project selection, preparation of business plans, project planning and providing technical expertise.

- *Municipal Development*

  USAID, assisted by the Urban Institute, is helping to establish a market-oriented system of lending to local governments to finance residential related urban infrastructure; for example, water supply rehabilitation, or solid waste disposal, investments long neglected under Communist rule. A $20 million Housing Guaranty Project, approved in August 1993, is today anchoring a new Czech Municipal Finance Company, better known by its Czech acronym MUFIS. MUFIS is a central revolving loan fund lending to banks and other financial institutions, which in turn, will fund projects submitted by the municipalities. In December, the U.S. investment company Lazard Freres won the auction to become the lender. U.S. experts are helping localities to establish capital budgeting procedures, prioritize municipal investments

and prepare bankable infrastructure projects. Banks and other participating financial institutions will be trained in municipal project appraisal techniques and additional technical assistance to implement the program. Development of a municipal infrastructure finance system decentralizes investment decisions and strengthens the role of local government. This program has been welcomed by Czechs as one that supports decentralization, strengthens democracy by bolstering local government, and improves the quality of life for individual citizens.

During 1993 the Urban Institute (UI) provided housing policy advice at the national level and in 1994 continued to work closely with the city government in Liberec in designing and implementing its housing privatization and management strategy. UI's work on alternative housing allowance methodologies resulted in the adoption by Parliament of legislation at the end of last year. Earlier efforts contributed to: (a) preparation of a national condominium law, a necessary ingredient in privatizing publicly-held apartments; (b) privatization of housing management functions in selected districts of Prague; and (c) improvements in formulating policies at the local level to evaluate developer proposals and to manage real estate assets.

In the private sector, the Planning and Development Collaborative (PADCO) completed its work with the Czech Guild of Contractors to train private contractors and developers in the areas of construction management and alternative housing construction technologies. This year, the Eastern Europe Real Property Foundation continues to provide organizational and technical assistance to the Czech Real Estate Brokers Association (ARK), and successfully conducted a regional meeting of Eastern European real estate professionals.

- *Health*

  In March 1992 USAID signed a $2.1 million Partnership in Health Care grant to help provide assistance to Czech health institutions to improve prevention, diagnosis, and treatment of heart disease, particularly in high risk candidates. The program links the University of California at San Francisco and the Stanford Center for Research and Disease Control with the Institute of Clinical and Experimental Medicine at Charles University, the Institute of Hygiene and Epidemiology, Vinohrady University Teaching Hospital and Litomerice Hospital. The program has improved both health care delivery and public awareness of heart disease by working at multiple levels of the health care system. The implementation sites include communities outside Prague, and the project also includes developing components for school curricula on nutrition and illness prevention.

  Through the regional Health Markets project USAID has programmed over $3 million to assist the Czech health care reform in creating a sustainable private health sector. Technical assistance and training in health insurance and actuarial analysis topics have been provided to the General Health Insurance Company (VZP) and several branch health insurance companies to master new skills required for developing health policy, financing and analysis. A mobile seminar in the US was organized in 1994 to inform Czech policy makers, including the Minister of Health, about the US system of managed health care. USAID's resident advisor from Healthcare Enterprise International works closely with senior policy makers at the Ministries of Health and Finance to confirm program direction and strategy.

Hospital and ambulatory quality assurance programs have been operating at several institutions, for instance Vinohrady University Teaching Hospital and the Nephrology and Dialysis Center and Policlinic in Kolin; it is expected that from this Ministry of Health will develop hospital standards to introduce hospital accreditation in 1995.

At the request of the Minister of Finance, assistance has been provided since 1992 to create a legal framework for introduction of independent, not-for-profit entities into the economic structure, specifically in the health sector. The full-time office for the AID Health Markets Project was established in 1993, and along with other US specialists, has provided legal and technical assistance to the Ministry of Finance in preparing legislation to create a non-profit sector. It is expected that this new law will expedite the separation of health care providers from state ownership and will spur the establishment of new, competitive health care entities. Current expectations are that the law will be accepted by the Parliament in the middle of 1995.

Under the Health Markets Project, the Czech Republic hosted a regional conference entitled "Realizing the Vision of Health Reform in Centeral Europe." Eight countries provided delegates with information on new directions in helath care and lessons learned which woulld promote more expeditious fundemental change.

- *Private Voluntary Organizations(PVO)/Humanitarian Assistance*

  Project HOPE received a grant of approximately $666,000 to develop plans for improving nursing practices and education. Training in cytologic cancer screening and resuscitation skills to support newborns was also provided. The most visible part of the project was the training program for hospital managers, which is continuing after the USAID grant has expired and a new activity begins in cooperation with the Czech Ministry of Health and the Parliamentary Committee for Health and Social Policy.

  The U.S. PVO Jewish Joint Distribution Committee has provided training to professionals in progressive methods of care for persons with disabilities. Training and technical assistance is being provided to local institutions focused on integration of the handicapped into society. So far, about 1,000 people have received training through this project and three community living arrangements (specially equipped apartments) have been established.

  Using USAID grant funds, the YMCA promoted youth services programs through the country YMCA associations. In the Czech Republic, future leaders' training as well as a number of sport, culture and social activities for youth and families were started within the 'revitalization' program. 40 years after its dissolution by the state, the Czech YMCA now several thousands of members in 20 branches.

U.S. ASSISTANCE TO THE CZECH REP
TOTAL OBLIGATIONS
as of 30 September 1994
(US $000)

	Obligation Amount SAI/ESF/DA:	$130,831

A. STRENGTHENING DEMOCRATIC INSTITUTIONS

Political Process and Governance		
1800003.	Support of Democratic Institutions	764
1800017.	Political Process	77
1800018.	Local Government and Public Administration	325
1800019.	Democratic Governance and Public Administration	2,075
1800020.	Rule of Law	255
Democratic Pluralism		
1800021.	Political and Social Process	660
1800022.	Independent Media	1,480
	Subtotal:	$5,636
	as % of Total:	4.3%

B. ECONOMIC RESTRUCTURING

1800043.	Czechoslovakia (Environment)	10,000
Privatization and Assistance to Enterprises		
1800014.	Privatization and Enterprise Restructuring	27,302
1800023.	Technical Assistance to Enterprises	4,668
Improving the Business Climate		
1800026.	Competition Policy, Laws & Regulations	1,372
1800027.	Business Services	2,448
1800035.	Bank Training (Treasury)	1,074
1800010.03	Czech & Slovak Enterprise Fund	28,064
1800028.	American Business & Private Sector Dev. Initiative	581
1800047.	Removing Impediments to Trade Enhancement (RITE)	83
Human Resources		
1800002.	Human Resources Program	1,143
1800029.	Management Training & Market Economics Education	13,132
1800045.	Participant Training	1,673
1800024.	Restructuring Agriculture and Agribusiness	3,932
Energy Efficiency		
1800015.	Emergency Energy Program	749
1800030.	Regional Energy Efficiency	8,784

	Subtotal:	$105,085
	as % of Total:	80.4%

C. IMPROVING THE QUALITY OF LIFE

1800016.	Humanitarian Emergency Medical Supply	375
1800032.	Non Governmental Organizations (NGO) Dev. Project	2,059
1800033.	Labor Market Transition (DOL)	250
1800034.	Housing Sector Assistance	3,688
1800037.	Partnerships in Health Care	2,146
1800038.	Promotion of Private Health Markets	2,031
Environment		
1800004.	Environmental Initiatives	2,968
1800039.	Improved Public Sector Environmental Services	5,374
1800041.	Environmental Training	845
	Subtotal:	$19,736
	as % of Total:	15.1%

D. MISCELLANEOUS

1800249.	Audit, Evaluation, and Project Support	254
	Subtotal:	$254
	as % of Total:	0.2%

ESTONIA ANNEX

U.S. Support for East European Democracy (SEED) Act assistance priorities in Estonia are to: 1) create an open market economy and ensure that private sector economic reforms are sustainable; 2) support environmental protection; and 3) strengthen a pluralistic democracy and key institutions that manage or support private sector development. Total U.S. economic assistance to Estonia through Fiscal Year (FY) 1994 was over $41 million, including $12.4 million in development assistance as of September 30, 1993. The U.S. Agency for International Development (USAID) projects are implemented in Estonia through many regional grants, cooperative agreements, interagency agreements, and contracts. Country specific activities under these regional instruments, and the U.S. organizations implementing them, are described below. The funding levels shown are estimated cumulative amounts.

The U.S. assistance program in Estonia was established in October 1991. At the time, the U.S. provided a rapid response in the supply of humanitarian and food aid. The U.S. Department of Agriculture (USDA) provided a total of 100,000 metric tons of feed grain valued at approximately $11 million to Estonia in early 1992, followed by $10 million in Public Law 480 (PL-480) Title I agricultural credits. In 1992, U.S. assistance helped the Estonian Ministry of Economy to create an automated voucher system, allowing residents to participate in public housing sales. Privatization assistance accelerated under the guidance of USAID-funded contractors. USAID-funded grantees helped coalesce local political organizations, preventing them from fractionalizing and improving their effectiveness in campaigning prior to the 1992 national elections.

USAID provided financial support for a country-wide environmental assessment and the Baltic American Enterprise Fund was authorized to assist newly privatized small- and medium-size Estonian businesses. The Fund is expected to be operational in 1995, commencing with the nomination of the Board of Directors. USAID-funded assistance to Estonia's Privatization Agency facilitated the sale of fifty state-owned enterprises. U.S. legal teams helped the Government of Estonia (GOE) draft new laws on privatization, cooperatives, contracts, taxation, and budget reform. In September 1993, a well-timed USAID grant supported the newly-established Round table discussions between the GOE and ethnic minority groups. The discussions were instrumental in forging a broad consensus on needed reforms.

Economic Restructuring

- *Privatization and Economic Restructuring*

  Under a $451,000 technical services contract signed in early FY 1992, Deloitte & Touche assisted the Ministries of Economy and Finance and the Estonian *Riigikogu* (Parliament), in creating an automated voucher system for the GOE's privatization program. Work also included improving status of the electronics and agricultural sectors and assisting the Ministry of Reform on the privatization law.

  In June 1992, under a $575,000 follow-on contract, Deloitte & Touche provided further advice to the GOE, including the State Property Board, on modification of its banking laws as well as studies of the macroeconomic impact of privatization.

Under a Deloitte & Touche subcontract in July 1992, Development Alternatives Inc. and Geonomics Inc. provided technical assistance to Vaike-Maarja, a newly-privatized key dairy cooperative, enabling it to serve as a model for future agricultural privatization.

Since March 1993, KPMG Peat Marwick, also under a USAID contract valued at approximately $2.5 million, has been providing the Estonian Privatization Agency with a team of investment bankers to negotiate and sell a number of state-owned enterprises to foreign and domestic investors. The KPMG team is working in tandem with advisors from the German Treuhand Agency. The tender process of selling small, medium, and large-sized business is currently in its eight phase. This represents the majority of companies thought to be of interest to international investors. Two or three additional tenders will be advertised locally. KPMG consultants will continue to provide assistance. For the year ending September 1994, a total of 126 contracts were signed with a value of $61.3 million.

New activities undertaken in 1994 include the creation and implementation of a contracts compliance feasibility study for the EPA on ways to privatize "strategic" enterprises.

- *Technical Assistance to Enterprises*

The International Executive Service Corps (IESC), which opened its Tallinn field office in 1992, was awarded approximately $950,000 to employ retired volunteer executives (VEs) to establish hands-on technical assistance to private businesses and state-owned businesses in the process of privatization. As of October 1993, approximately twenty Ves have completed assignments in Estonia which average three-six weeks. The VEs have helped reorganize businesses, improve management and production, and promote market development. IESC also has provided assistance in FY 1993 to the Sillamäe and Narva employment departments, the dairy industry and Estonia's airline, Estonian Air.

The Center for International Private Enterprise (CIPE) has been awarded $500,000 since September 1992 to promote enterprise development. A sub-grantee, the Estonian Small Business Association (EVEA), is promoting small business development in cooperation with the Estonian Privatization Agency. CIPE's assistance has enabled the EVEA to strengthen its ability to represent the interests of entrepreneurs in Parliament, publish a business information newsletter, conduct a survey of business attitudes toward new regulations (a new method of opinion gathering which has attracted much attention), and promote an overall positive image of small business throughout Estonia. Funding will continue in FY 1994 as CIPE is expected to receive an additional $463,000 for assistance to Estonian enterprises and private sector businesses over the next three years as part of a larger Central European regional grant.

The U.S. Peace Corps program in Estonia began in FY 1992. Currently, 28 Peace Corps Volunteers work in Estonia, with nine working on USAID-funded business projects. In FY 1993, through the USAID-supported Small Project Assistance (SPA) program, Peace Corps/Estonia received $5,000 to support small-scale community development and training activities. In FY 1993, USAID transferred $2.16 million to

Peace Corps for its FY 1993/1994 European Business Development Program activities; Peace Corps/Estonia has received almost $110,000 annually to provide technical assistance, training and information to small- and medium-size businesses.

In third quarter FY 1994, a group of recent MBA graduate volunteers from U.S. universities have been placed in Tallinn and Tartu as part of a new Central European regional program. The MBA Enterprise Corps program will complement the above programs by providing long-term business development assistance to host firms and organizations in small- and medium-size settings.

- *American Business and Private Sector Development Initiatives*

  Under the American Business Initiative (ABI) Project, the Department of Commerce's Eastern Europe Business Information Center (EEBIC) hired an Estonian national in April 1993 to disseminate information on joint ventures and other business opportunities to Americans in Estonia. Two bulletins, the EEBIC's bi-monthly "Eastern Europe Looks for Partners" and the "EEBIC Flash" 24-hour automated facsimile delivery update, alert U.S. companies/individuals free of charge to specific Central European regional opportunities in energy, environment, agribusiness, and other sectors.

- *Financial Sector Reform*

  The programs described below are part of a Central Europe regional Business Services Project to provide technical assistance through advisory services and training for financial sector and governmental institutions. This project is designed to facilitate the conversion of former centrally planned economies into private sector-based economies. The project concentrates on providing long-term advisors with expertise in the areas of economic policy analysis, banking, public finance, and other specialties.

  Through an interagency agreement with USAID, the Department of the Treasury has provided long- and short-term financial sector advisors in Estonia. Six short-term advisers have completed consultancies last year to provide assistance in international finance and commercial banking. Between FY 1991-1994, four regional long-term advisers began working with the Finance Ministry in the areas of tax policy, tax administration, budget, and bank training.

  In September 1992, through an interagency agreement with the U.S. Customs Service and Treasury, USAID financed advisory services, training, technical assistance, and study tours for Baltic customs officials to assist them in the establishment of an effective customs organization in Estonia.

  An evaluation of the Estonian banking and financial sectors, with emphasis on functions of the commercial banks, was conducted by a USAID-funded contractor team, Development Alternatives, Inc., during mid-1993. Estonia is one of four countries (Hungary, Poland and Bulgaria) where U.S. assistance has provided relatively high levels of assistance to the banking and financial sectors. The evaluation reviewed donor assistance activities and presented an analysis of bank restructuring programs in Estonia.

- *Competition Policy, Laws and Regulations*

In August-September 1992, under an interagency agreement, the Department of Justice (DOJ) and the Federal Trade Commission (FTC) sent experts to Estonia, to assist the GOE in developing, refining, and enforcing economic competition laws, and to act as advocates for market-oriented, competitive solutions to economic problems. Estonian officials attended a conference on consumer protection issues in January 1994. In FY 1994, the FTC/DOJ hosted an Estonian intern for approximately six weeks of on-the-job training on competition policy issues.

The Commercial Law Development Program (CLDP), servicing Central Europe, was established through an interagency agreement in January 1993 between USAID and the Department of Commerce (DOC). The program allocates $3,745,000 regionally over three years enabling CLDP advisors to oversee a series of comparative studies, legislative drafting support, and provide short and long-term advisors to assist on trade and investment issues in the development of market-oriented commercial laws. In 1992, the DOC also hosted an Estonian participant in a DOC export control conference in Washington, D.C. The CLDP placed an advisor in Estonia in FY 1994 to assist the Ministry of Economy with trade negotiation and investment policy.

USAID is implementing a $1.5 million regional bankruptcy project through Deloitte Touche to assist in the promotion of formal and informal bankruptcy procedures in order to facilitate the restructuring or closing of financially troubled enterprises.

Deloitte advisors have conducted a legal survey and analysis of the status of bankruptcy laws and practices and may provide training workshops and advisory and or ad-hoc services.

- *Agriculture*

Assistance to Estonia is funded through USAID's Central Europe regional Restructuring Agriculture and Agribusiness Project, which includes three grants described below:

Since FY 1991, $440,000 has been provided to the Volunteers for Overseas Cooperative Assistance (VOCA) to provide short-term technical assistance to farmers, agribusinesses, and cooperatives. VOCA has sent several volunteers over the past year to assist in the improvement of production and marketing at the Halliste Dairy Farm. VOCA has also provided technical assistance in privatization to local farmers' groups and curriculum reform at Tartu Agricultural Academy and Tartu School for higher management.

Agricultural Cooperatives Development International (ACDI) is providing agriculture advisors to private farmers, agricultural credit agencies and extension services valued at $217,000. Loan officers of the Estonian Land Bank have received training in evaluating loans.

In September 1991, under a $233,000 cooperative agreement from USAID, Land O' Lakes organized in-country training for agribusiness managers in focusing on business

and management topics.

- *Management Education*

The U.S. Information Agency (USIA) is administering a $567,000 management training and economics education program under an interagency agreement with USAID. USIA has provided management training consultants to meet with government and academic officials. Key texts in management related topics have been provided, and USIA has sent three Estonian businessmen to the U.S. to visit American enterprises. Two of USIA's programs are described below:

In September 1992, a two-year program was established to promote faculty exchanges between Bentley College in the U.S., Tartu University, the Estonian Agricultural University, and Tallinn Technical University, to assist in restructuring curriculum in economics and business management. A major element of the program includes an intensive summer program, hosted by Bentley College, in which 29 Estonian faculty members visited the campus in Waltham, Massachusetts in June 1993.

Under the Alexander Hamilton program, two U.S. professors are on one-year sabbaticals at Estonian Universities serving as consultants and instructors to assist in the development of economic courses.

- *Participant Training*

The regional USAID Participant Training Program for Europe (PTPE) began in FY 1992. A total of $282,000 of this program has been budgeted for training of Estonians in various fields not being addressed through other USG-funded programs in Estonia. By the end of FY 1994, an estimated 25-30 persons have been trained. A second regional training program by the Partners for International Education and Training (PIET), is being implemented through five individual cooperative agreements with U.S. non-governmental organizations. The PIET program will also provide additional training for approximately twenty-one Estonians. Estimated cost of this program is $150,000. Both these training programs will provide Estonians with the necessary skills to enable them to contribute to their country's transition to a market economy.

- *Energy and Infrastructure*

The energy assistance program in Estonia is focused on energy efficiency and power sector restructuring and management improvement. Given their size and dependence on energy imports, regional cooperation is of great importance to Estonia and a Baltic Energy Council serves to coordinate some programs. USAID has strongly supported these regional efforts. Approximately $1 million has been obligated for energy programs in Estonia during FY 1991-1994. Activities include the following:

- *Energy Efficiency and Pricing*

The Emergency Energy program involving pilot industrial energy efficiency projects in four facilities was successfully completed. A concluding workshop to disseminate the results of the program attracted 150 Estonians and ten U.S. energy efficiency equipment manufacturers. The involvement of Estonian private subcontractors was effective in stimulating the emergence of private energy service companies in Estonia. U.S. assistance plans to build on this success. The pricing assistance provided under

the Emergency Energy Project provided the foundation and methodology for the accepted plan to move petroleum toward market pricing.

- *Power Sector Restructuring and Management*

  The Estonian power sector is going through a significant restructuring and the framework and organization of the industry is under debate. USAID has invited Estonia and *Eesti Energia* to participate in the Utility Partnership Program, managed by the U.S. Energy Association (USEA) in cooperation with the U.S. utility industry. USEA is in the process of selecting a U.S. utility company partner for Estonia. Three priorities have been identified for program emphasis: utility regulation and industry structure, financial management, and rate-setting and accounting.

- *Regional Energy Cooperation*

  Estonia has actively participated in a regional electricity contracting and pricing program that has provided; through USAID's contract with RCG/Hagler, Bailly, Inc.; technical assistance and training on the details of electricity sales contracts. This collaboration has been extremely productive: based on the assistance, bilateral agreements have been executed between Estonia-Latvia and Lithuania-Latvia and these agreements were the basis for negotiation of other bilateral agreements on electricity interchange between Lithuania-Belarus and Latvia-Russia. In addition, a ten-page draft multilateral agreement among the three Baltic electricity companies concerning the parallel operation of their systems has been prepared for adoption by the nine-member Baltic Energy Council that oversees the operation of the regional Baltic Dispatch Center in Riga.

- *Environmental Protection*

  USAID and the World Bank cooperated with officials from all three Baltic Republics to prepare national environmental action plans which are the basis for national discussions on environmental policy. The environment program in Estonia is designed to compliment economic restructuring, as well as reduce threats to human health caused by heavy industrial activity. This objective will be met through: (1) support of environmental policy reform and economic policies, including legislation, regulations, and economic sanctions (fees and fines); (2) improve efficiency and effectiveness of public sector environmental investments; and (3) support and encourage the expanded role of private sector environmental investments.

- *Environmental Initiatives*

  The policy reform component of the USG environmental program in Estonia is implemented through the CEE regional Environmental Initiatives Project through the Harvard Institute for International Development (HIID). The HIID activity provides for long- and short-term policy advisors and consultants, support for local scholars and policy analysts and seminars, conferences and workshops.

  HIID has also carried out a series of environmental economic policy case studies in the Baltics, including a case study of water and waste water pricing and financing, presented at a January 1993 Baltic regional workshop. In February 1993, HIID developed a policy case study with the Ministry of Environment on natural resource pricing and taxation policy focusing on mining and forestry. A regional workshop to

discuss results was held in March 1993. A long-term resident advisor to support HIID's policy work in the Baltics has been selected and will take up residence in February 1994, probably in Tallinn.

- *Private Sector Environmental Activities*

USAID is funding an Environmental Action Program investment demonstration project, the Estonia Hot Spot project, at the RAS Kiviter oil-shale chemical and refining plant in Northeast Estonia. Kiviter is located in Northeastern Estonia, within one of the most polluted regions in the Baltics. Kiviter, as well as the entire oil shale mining and refining industry are the largest contributors to the severe pollution in the region. USAID assistance, under the EAP, concentrates on reducing the impact to public health from implementing low cost investments in the plant, providing technical assistance in product marketing, production, and management and training. Additional donor assistance to Kiviter will be encouraged through the EAP.

The World Environment Center (WEC), through a cooperative agreement with USAID, is implementing low-cost private sector investments under the Environmental Initiatives Project. To date WEC gas received $257,000 to implement waste minimization demonstrations through low-cost investments, as well as environmental assessments in a meat processing plant, a large tannery, and the Kiviter oil shale plant.

In October 1993, WEC organized an environmental assessment workshop for 40 people from the Baltic region. This workshop helped to train managers to undertake environmental plant audits and waste minimization programs themselves, thus helping to achieve replicability and sustainability of the program, as well as inducing the eventual creation of indigenous environmental service companies. WEC is also developing a "pollution prevention center" in each of the Baltic republics and extend pollution prevention and waste minimization programs.

- *Improved Environmental Public Sector*

The public sector institutional development component of the USG program is carried out under the Central Europe regional Improved Public Sector Environmental Services Project, though an interagency agreement between USAID and the U.S. Environmental Protection Agency (EPA). The EPA has been assisting the Ministry of Environment to improve its management capacity. In September 1993, EPA began a demonstration environmental assessment of oil shale mining and reclamation, and environmental impact and risk assessment training. EPA also provided technical assistance in improved, efficient mining technology. In addition, EPA's regional assistance includes environmental monitoring, twinning/technical assistance and risk assessment training in cooperation with Lithuania and Latvia.

Fostering Democratic Institutions

In September 1993, USAID provided a $15,000 grant to the GOE to help underwrite a series of Round table discussion meetings with non-citizen minority groups residing in Estonia. Now in its fifth round of talks, the Round table has helped to construct open dialogue with minority groups over subjects such as citizen's rights, language

requirements, and municipal elections.

To strengthen democratic institutions, USIA, through an interagency agreement with USAID, funds the following training and education program activities: A grant with Iowa State University is providing assistance to improve the legal system to support a market economy and financing system through the exchange of financial experts and internship training programs.

In FY 1993, an Estonian journalist was placed at Ohio University for a year, and a short-term American advisor is working in Estonia with local media organizations.

The National Academy of Public Administration (NAPA) is structuring linkages between the legislative and executive branches of government and between ministries and regional governments.

The U.S. Baltic Foundation (USBF) provided in FY 1992 a series of eight-week internships with municipal governments in the U.S. The USBF also completed in March 1993 a compendium of U.S. non-governmental organizations with activities/interests in the Baltics.

In February/March 1992, the Rule of Law program sent Estonian judges, administrators, prosecutors, and attorneys to the U.S. to examine the American legal system. American judges and legal experts have been provided on a short-term basis to meet with Estonian counterparts and provide advisory services. Specialized book collections have also been provided to Estonian judges and lawyers.

In April 1992, Estonian journalists received a first-hand look at the latest in U.S. radio and television programming and equipment under the mass media training project. In addition, consultants, books, and workshops have been provided in Estonia to train radio/TV journalists, media managers, and broadcasters. USIA's English Language Teaching Program has placed an English as a Foreign Language fellow at the Tallinn Pedagogical Institute to train local teachers. Other specialists, books, and materials have been provided to support English teachers in Estonia.

- *Political Process*

The National Democratic Institute (NDI) has placed a municipal advisor in the city of Tartu. The advisor is helping the municipal governments in Narva, Tartu, and Voru find ways of including residents and community groups in the work of governance. This is an especially important task in Narva where a city council dominated by Estonian ethnics must build bridges into the largely Russian ethnic community.

- *Rule of Law*

To assist in building strong institutions which can function independently in a multi-party democratic environment, $1,590,000 in computer equipment, technical assistance and training has been provided since April 1992 to the Estonian legislature. This activity follows the recommendations of the House of Representatives Special Task Force on the Development of Parliamentary Institutions in Eastern Europe Program (the "Frost Task Force"). In June 1993, members of the Congressional Research Service (CRS) participated in a conference for Members of the State

Assembly of Estonia, jointly sponsored with the Estonian *Riigikogu* (Parliament). Plans to establish a parliamentary library and research facility are being implemented. Office automation equipment and approximately 350 books and periodicals subscriptions are being procured.

Through a $120,000 grant to the American Bar Association under its Central and East European Law Initiative (ABA/CEELI), an Estonian-American attorney arrived in July 1993 to carry out a one year program to assist the GOE at the Tartu University Law School in developing constitutional reform legislation, the criminal procedure code, the code of criminal law, and the civil code.

- *Independent Media*

The International Media Fund (IMF) sent books, tape recorders, and computer equipment to the Tartu University School of Journalism in April 1992. In 1993, the IMF supplied equipment and training to independent television and radio stations, newspapers, and journalists.

- *Other Initiatives*

A study of current Estonian legislation was initiated in September 1993 with the objective of compiling laws drafted to date across all sectors and analyzing impact thus far on political, cultural, economic, and environmental areas. The study will also recommend any additional legislation needed to complete the reform process.

Improving Quality of Life

- *Humanitarian Assistance*

Under the Emergency Medical Assistance Program, USAID awarded $500,000 in the winter of 1991-1992 to Project HOPE to transport pharmaceutical and medical supplies to the Baltic region. Under the program, over $4 million worth of donated medical supplies and pharmaceuticals were provided to Estonia.

In 1992, the U.S. Department of Agriculture (USDA) provided a total of 100,000 metric tons of PL-480 feed grain, valued at approximately $11 million, to Estonia.

- *Health Care*

During the second quarter of FY 1994, a team of health experts performed an assessment of Estonian health care needs and interview potential U.S.-Estonian partnership candidates as part of a new cooperative agreement with the American International Health Alliance (AIHA) under USAID's Partnerships in Health Care Project. Through technical assistance and training activities, the program proposes to address the country's predominant health risks and improve management operations in Estonian health institutions. To the extent possible, the program will also encourage Estonian efforts to privatize the health care sector.

U.S. ASSISTANCE TO ESTONIA
TOTAL OBLIGATIONS
as of 30 September 1994
(US $000)

		Obligation Amount SAI/ESF/DA:
		$24,272

A. STRENGTHENING DEMOCRATIC INSTITUTIONS

Political Process and Governance		
1800017.	Political Process	234
1800018.	Local Government and Public Administration	271
1800019.	Democratic Governance and Public Administration	390
1800020.	Rule of Law	314
Democratic Pluralism		
1800021.	Political and Social Process	592
1800022.	Independent Media	212
	Subtotal:	**$2,012**
	as % of Total:	**8.3%**

B. ECONOMIC RESTRUCTURING

Privatization and Assistance to Enterprises		
1800014.	Privatization and Enterprise Restructuring	4,022
1800023.	Technical Assistance to Enterprises	2,246
Improving the Business Climate		
1800026.	Competition Policy, Laws & Regulations	620
1800027.	Business Services	1,615
1800035.	Bank Training (Treasury)	167
1800010.05	Baltics Enterprise Fund	3,508
1800028.	American Business & Private Sector Dev. Initiative	49
Human Resources		
1800002.	Human Resources Program	442
1800029.	Management Training & Market Economics Education	1,192
1800045.	Participant Training	727
1800024.	Restructuring Agriculture and Agribusiness	1,100
Energy Efficiency		
1800015.	Emergency Energy Program	574
1800030.	Regional Energy Efficiency	1,143

	Subtotal:	**$17,483**
	as % of Total:	**71.7%**

C. IMPROVING THE QUALITY OF LIFE

1800016.	Humanitarian Emergency Medical Supply	440
1800032.	Non Governmental Organizations (NGO) Dev. Project	16
1800037.	Partnerships in Health Care	1,335
1800038.	Promotion of Private Health Markets	20
Environment		
1800004.	Environmental Initiatives	1,290
1800039.	Improved Public Sector Environmental Services	1,514
	Subtotal:	**$4,615**
	as % of Total:	**19.8%**

D. MISCELLANEOUS

1800249.	Audit, Evaluation, and Project Support	242
	Subtotal:	**$242**
	as % of Total:	**1.0%**

FORMER YUGOSLAV REPUBLIC OF MACEDONIA ANNEX

Economic Restructuring

U.S. advisors worked with the Finance Ministry and the Central Bank on macro-economic policy, budget and monetary management, commercial bank operations and the development and implementation of effective restructuring/ privatization of state-owned enterprises.

- *Bank Supervision*
  A full-time resident advisor in bank supervision was placed in the Central Bank to assist in development of a capability for bank supervision/examination. This advisor, in conjunction with an advisor funded by the International Monetary Fund (IMF), developed a program for bank examinations and provided training to FYROM Bank staff.

- *Bank Audits*
  In support of a World Bank financial sector program, SEED fielded a team of bank auditors to conduct an audit and portfolio evaluation of two major banks: Ljubljanska Banka and Kommercialna Banka.

  USAID has conducted preliminary assessments of FYROM's banking and collateral laws.

- *Assessment of "Loss Leaders"*
  Again in connection with a World Bank program, SEED funded a group of 16 consultants to perform diagnostic assessments of 25 companies determined to be the "loss leaders" among large social enterprises. The consultants presented their recommendations to the government on possible actions to be taken to restructure and/or liquidate these companies, for government decision.

- *Tax Administration*
  The U.S. Treasury has undertaken a preliminary assessment with a likely role in tax administration.

- *Agriculture*
  Recognizing the importance of agriculture in the FYROM economy, SEED financed over 65 VOCA volunteers to work with private producers, cooperatives and the government to improve food storage and processing capabilities and open new markets.

- *Customs Control*
  SEED also funded continued training for customs officials, and the purchase of computer equipment which will modernize handling of customs duties and records.

- *Energy*
  SEED-funded experts advised the government on alternatives for restructuring the monopolistic electric utility.

- *Training*
  SEED monies were also used to provide a variety of training programs for Macedonians from all sectors of the economy, and to permit participation by them in a wide range of professional conferences, workshops and seminars.

Strengthening Democratic Institutions

- *Electoral Reform*
  To strengthen democratic institutions, USAID and USIA have used SEED funding to advise political parties on campaign techniques and financing. They have also conducted an assessment of current and proposed election procedures, and have made recommendations for changes in the legislation to remove inconsistencies. Such recommendations, made through CEELI and the National Democratic Institution (NDI), were incorporated in the draft legislation presented by the government to the parliament. SEED- funded representatives from several groups (NDI, the International Republican Institute, and the International Forum for Electoral Systems) served as international observers in the presidential and parliamentary elections. And an NDI-initiated civic organization trained and fielded over 900 domestic observers for these same elections.

- *Development of Non-Governmental Organizations (NGOs)*
  Toward the end of the year, SEED funding was approved for a project building institutional capacity among indigenous non-governmental organizations working in the area of environmental protection. This program will attempt to expand citizen participation in, and concern with, government and industry programs for pollution prevention and control.

Improving the Quality of Life

- *Humanitarian Assistance*
  SEED-funded activities in FYROM were initially targeted to providing humanitarian assistance to refugees from the conflict to the north. Food, wood, clothing, and other support was provided through the UNHCR and the Catholic Relief Services (CRS). Medical supplies were provided through Project Hope. As the refugee populations stabilized and then declined, attention shifted to development activities.

- *Social Safety Net*
  SEED financed consultants conducted an assessment of the social assurance programs, and made initial recommendations on changes needed to current laws. This will be followed next year by a more intensive focus on reform of the pension and welfare systems.

- *Assessment & Repair of Medical Equipment*
  SEED also financed a team of biomedical specialists who conducted a survey of some 2,700 pieces of medical equipment in the hospitals throughout FYROM. Listings of equipment identified as needing replacement has been shared with other donor organizations, to assist them in targeting assistance funded to the highest priority equipment needs. A listing of equipment which could and should be repaired was compiled, and action was initiated to locate service manuals and spare parts, by Project Hope experts over the next 18 months.

- *Institutional Capacity Building*
  Toward the end of the year, SEED funding was approved for community-based activities centering on education and the development of parent/teacher associations in ethnically-diverse villages, and on institutional-capacity building among indigenous women' organizations. These longer-term programs will attempt to bring together Macedonians of different ethnic groups around issues of common interest, such as health and education.

U.S. ASSISTANCE TO FYROM
TOTAL OBLIGATIONS
as of 30 September 1994
(US $000)

	Obligation Amount SAI/ESF/DA:	$19,089

A. STRENGTHENING DEMOCRATIC INSTITUTIONS

Political Process and Governance		
1800020.	Rule of Law	187
Democratic Pluralism		
1800021.	Political and Social Process	778
1800022.	Independent Media	389
	Subtotal:	$1,354
	as % of Total:	7.1%

B. ECONOMIC RESTRUCTURING

Privatization and Assistance to Enterprises		
1800014.	Privatization and Enterprise Restructuring	3,909
1800023.	Technical Assistance to Enterprises	400
Improving the Business Climate		
1800026.	Competition Policy, Laws & Regulations	83
1800027.	Business Services	100
Human Resources		
1800002.	Human Resources Program	187
1800029.	Management Training & Market Economics Education	688
1800045.	Participant Training	726
1800052.	Customs Service Training	350
1800024.	Restructuring Agriculture and Agribusiness	1,631
Energy Efficiency		
1800030.	Regional Energy Efficiency	550
	Subtotal:	$8,623
	as % of Total:	45.2%

C. IMPROVING THE QUALITY OF LIFE

1800016.	Humanitarian Emergency Medical Supply	4,112

Environment

	Subtotal:	**$4,112**
	as % of Total:	**21.5%**

D. MISCELLANEOUS

1650053.	**Macedonia Cash Transfer (ESF)**	5,000
	Subtotal:	**$5,000**
	as % of Total:	**26.2%**

HUNGARY ANNEX

Economic Restructuring

- *Banking and Financial Services*

USAID-funded resident advisers from the U.S. Department of the Treasury are the cornerstone of the USG's support. Since September 1992, the U.S. Treasury has managed a financial advisory program throughout Central Europe. Hungary has been a major focus of activity with as many as five resident Treasury advisers assigned to it at one time. Two advisers are currently resident in Budapest.

Treasury advisors have provided long-term assistance to Credit and Commerce Bank (OKHB) and Hungarian Credit Bank (MHB) to advise on credit policies, lending analysis and risk management. In addition, a long term advisor to the Minister responsible for privatization provided assistance in the areas of bank privatization, re-capitalization and loan consolidation. This assignment ended in April 1994. In May 1994, another long-term advisor began work at the Bank Control Unit of the Ministry of Finance to assist in developing the infrastructure needed by the office. Since 1991, three U.S. Treasury advisors have worked consecutively at the Ministry of Finance advising on issues relating to budget planning and bank reform.

USAID has supported the Treasury advisors with bank policy and privatization consultants from KPMG Peat Marwick. KPMG has consulted with various parts of the GOH since fall, 1992. In addition the Financial Services Volunteer Corps, a grantee organization supported by the USAID provides short term assistance to expedite bank reform.

Assistance which the U.S.G. provided in 1994 is an excellent example of how USAID supports the GOH's bank reform efforts. When the Ministry of Finance became the owner of eight of Hungary's major banks at year-end 1993, the Ministry requested USAID assistance to help it plan and carry out its new responsibilities as owner. The MOF's resident Treasury Adviser and USAID worked quickly to assemble a package of short term assistance: Funded under its USAID contract for bank policy assistance, KPMG Peat Marwick organized and ran a successful two day seminar in March 1994 for bank board members on corporate governance; In April, an adviser arranged by Financial Services Volunteer Corps from the Federal Reserve Bank of New York spent three months advising the Ministry on how to design and evaluate Corrective Action Plans which the banks must submit to demonstrate how they will improve their performances. The advisor returned to review the banks' progress in September. FSVC will also provide an advisor in November 1994, to help the Ministry review the banks' systems and reporting capabilities.

In addition, USAID, working with the Ministry and the resident Treasury adviser, designed a program to provide approximately $1.6 million in consulting assistance to improve the Ministry's ability to monitor and oversee financial and operational performance of state-owned banks over the next year and a half.

Throughout 1994, the Financial Services Volunteer Corps (FSVC) has sponsored experts to advise the National Bank of Hungary and the Ministry of the Interior in

building a municipal finance market. FSVC arranged for a senior official from the Federal Reserve Bank of New York to advise the Ministry of Finance on bank reform. A former U.S. bank CEO recently advised the chairman of the National Bank of Hungary (OTP) on how to manage its subsidiary investments.

FSVC has also provided experts to advise Hungarian banks on loan work out and credit training. In the last year, FSVC experts have also advised the Budapest Stock Exchange, Budapest National Bank, the Hungarian Bankers Association the Share Participation Foundation for ESOPs, and the International Management Center.

- *Hungarian American Enterprise Fund*

  The Hungarian-American Enterprise Fund (HAEF) is a private tax-exempt [Section 501(c)(3)] Delaware corporation, established pursuant to the SEED Act of 1989. The Fund was developed for promoting the development of private enterprise in Hungary through equity investments, loans, grants, feasibility studies, technical assistance, training, insurance, guarantees, and other measures. With a total grant authorization of $65 million, it is the largest activity in the U.S. Assistance Program for Hungary. As of October 1994, a total of $52.5 million had been obligated down from the grant and $20.1 million in equity, principal and interest cash re-flows have occurred giving a total of $72.6 million available for disbursement.

  HAEF has disbursed funds for Hungarian businesses by making equity investments of $42 million, providing $5 million in small loans, $500,000 in micro loans, and providing $5.7 million in Technical Assistance.

  HAEF established a $5 million small loan program through Szechenyi Bank and Mezobank to provide loans to small businesses ranging from $10,000 to $100,000. As of October 1994, 110 loans have been made with an average loan value of $46,000.

  The $500,000 Micro loan program was establish to provide loans in the range of $1,000 to $10,000. As of September 1994, 47 loans had been made with an average loan value of about $6,000.

  HAEF Technical Cooperation Program has committed $6.2 million to 31 projects designed to develop Hungary's business infrastructure and to increase the working level understanding of private enterprises. Under this component, HAEF funded technical assistance to accelerate and simplify company registration procedures, established a visitors center in the Budapest Stock Exchange, and developed a video training program, "Business az Biznisz," to educate entrepreneurs.

- *Privatization*

  The United States Government has been a significant supporter of privatization in Hungary over the last four years. It has spent approximately $20 million dollars mostly on projects at the two privatization agencies, the ÁVÜ and the AVRt. The U.S.G. currently has three projects now in place:

The Transactions Advisor Team: Provides seven Western investment bankers for one year to assist ÁVÜ transactions directors market and sell the 600-odd companies remaining at the ÁVÜ. Transactions advisors help to write tender offers, find buyers, evaluate bids, structure and negotiate deals. Since the team arrived in October 1993, it has assisted in closing 20 deals which generated over $206 million in revenues to the State Property Agencies (SPA). Its contract expires in September 1995.

IMPACT II Project: The project provides assistance to the State Property Agency in the areas of developing and disseminating financing techniques which allow the ÁVÜ to package and sell companies more easily. This project is a follow on from the USAID-funded ESOPS, COMPASS and IMPACT I projects which provided assistance to develop installment sales, leasing and Employee Stock Option Plans as financing techniques at the ÁVÜ. These methodologies projects began in September 1993. Since the beginning of 1993, 50% of the deals closed at the State Property Agency used one of the USAID-supported methodologies to finance the transaction. The current contract was awarded in August 1994 and runs for one year.

USAID's assistance project at the ÁVRT is the only significant foreign donor activity there:

Financial Asset Redeployment Project at the AVRt.: USAID is supporting company restructuring to speed privatization at the State Asset Holding Company. The GOH's objective is to restructure the balance sheets of companies with bad loans at the Hungarian state owned banks. USAID's assistance will help create plans to financially restructure 30 - 40 companies and recommend steps to make the companies viable and sell them. Since this project began in March 1994, the AVRt. board has approved 9 of the 21 restructuring assignments KPMG has worked on. KPMG recommends using them to maximize its sales revenues as it privatizes companies or parts of companies. This project ends in February 1995. USAID is considering extending this assistance until August 1995.

- *Enterprise Development*

  SEED funding also supports the Peace Corps' European Business Development program. This program trains Hungarians and local intermediary private sector support institutions to support local small businesses in rural areas.

  A USAID grant ($492,000) to the MBA Enterprise Corps enables recent American MBA graduates to provide business advisory services to Hungarian firms over twelve to eighteen-month periods. To date, 37 Corps members have been assigned to individual firms. They advise on financial and strategic planning, marketing and information systems, public relations, financial analysis, and general management.

  Managers of Hungarian Enterprises are provided with high quality management consultation that would otherwise be too costly. The Volunteers not only provide new perspectives and work styles but also facilitate new working relationships with foreign companies and entrepreneurs.

AID has provided assistance to the U.S. Department of Commerce in order to establish the Eastern European Business Information Center (EEBIC) in January 1990. EEBIC compiles country/market information and statistics for dissemination to the American business community. Currently, EEBIC's database consists of 8,000 companies. EEBIC responds to nearly 300 telephone and 400 fax inquiries on a weekly basis. Since its establishment, EEBIC's coverage has expanded from Hungary, Poland and Czechoslovakia to include the Baltic states, Slovenia, Croatia, Bulgaria, Romania and Albania. EEBIC has also created the "Eastern Europe Looks for Partners" information service, designed to help U.S. businesses locate partnership opportunities in the East European and Baltic markets.

The Consortia of American Businesses (CABEE) component is an initiative to encourage American firms to open offices and establish a commercial presence in Central Europe. CABEE grant awards were made by the U.S. Department of Commerce through a competitive tendering process. Each consortium represents a U.S. trade association comprising 10-20 small and medium-size companies. The target sectors are: housing, telecommunications, environment, and agriculture. The telecommunications and environment consortia have offices in Prague and Warsaw to conduct regional activity. The housing consortium has a regional office in Budapest.

- *Management Training*

The Executive Development and Entrepreneurial Management Project (EMED),formerly RITE, has enabled over 30 Hungarian entrepreneurs to receive management and executive development training in the U.S. This project provides practical on-the-job training for owners and mid-to-senior level managers of small and medium sized enterprises. It also offers opportunities for developing business linkages between the Hungarian and the American business communities. EMED provides flexible training programs which cater to the specific training needs of the Hungarian Entrepreneur. In FY 1995, 40 Hungarians are expected to receive training in this program.

Through U.S. grants to universities totaling approximately $8,113,000, the Management training project is designed in order to develop technical, managerial, and economic skills necessary to restructure Central European economies and to develop competitive markets and businesses. The project targets mid-level managers, both in the large state enterprises slated to be restructured or privatized and in private businesses of all sizes, for training in basic skills of market economics.

Large grants awarded by USAID funded training in 1991 and 1992. The training was conducted by the Midwestern Universities Consortium for International Activities (MUCIA), led by the Indiana University School of Business; the University of Wisconsin-Madison; and the State University of New York (SUNY). SUNY and MUCIA also received funding for 1993. The University of Wisconsin-Madison project was completed in 1992. The University of Phoenix's $1.6 million grant was signed in September 1993.

- *Private Sector Development*

  USAID assistance has involved assisting the Federation of Real Estate Brokers to establish a Multiple Listing Service (MLS) to become operational in late 1994. The Eastern Europe Real Property Foundation has established working relationships with and delivered training to both the Federation and Chamber of Real Estate Brokers. Because of rapidly increasing numbers of condominiums, USAID developed a condominium management training workshop which is now being institutionalized locally. Courses will be given on demand starting in 1995. In Szolnok, USAID is working with the city and private developers to make land available for housing development through a competitive RFQ/RFP process.

- *Energy*

  The energy program aims to accelerate reform in the energy sector and to encourage private investment in energy production by increasing efficiency of production, distribution, and consumption through a policy and legal framework conducive to energy investment. Greater energy efficiency also will help reduce energy related environmental damage. The project is coordinated with the World Bank, the European Union, and the OECD. The Regional Energy Efficiency project is a follow-up to the Emergency Energy Project (180-0015), but encompasses a wider range of areas for assistance. To date, approximately $6.6 million has been obligated to Hungary for this Project

- *Industrial Energy Efficiency*

  has been carried out through a U..S. contractor RCG, Hagler/Bailly and a Hungarian sub-contractor, EGI Contracting and Engineering Kft. This activity conducted energy audits of eight Hungarian companies during 1991. After the audits, measuring equipment was installed in the eight companies. Approximately $283,000 worth of energy-saving equipment and/or measurement devices were installed to demonstrate the benefits of no-cost and low-cost energy saving methods. The investment of $283,000 yielded annual energy savings of $3,500,000 for the eight companies.

- *Energy Restructuring and Management*

  The Utility Partnership Program (a cooperative USAID program with the U.S. Energy Association,) has paired New England Electric System and the Hungarian Power Companies (MVMRt). Through management exchanges and seminars, New England Power has provided important inputs into MVMRt's restructuring planning in subjects such as joint ventures, financial management, customer service, human services, and regulatory affairs. A new strategic plan has been developed, which focuses on environmental management, demand-side management and customer service, utility regulation and rate-setting, power-pooling and spot market operation, and generating plant management and operation. Through USAID contracts with Bechtel and Electrotek, assistance is being provided in selection and application of production and transmission planning and investment models. Electrotek is also working with the Northern Hungarian Distribution Company (ESMAZ), which is involved in a new privatization program: the Distribution Training Program. A major success has been the completion of a training program by the U.S. Department of Interior, in collaboration with Bechtel/Gaffney-Cline, to develop the basic staff

capabilities of the newly established Hungarian Mining Office, which will oversee Hungary's mineral concession system. The final stage of the program, provision of hardware and software systems for the office, will be implemented early in 1994 by Bechtel.

USAID is funding the U.S. Department of Energy's (DOE) operational nuclear safety programs through an Interagency Agreement. The Brookhaven National Laboratories (BNL) will be working on three country-specific operational safety programs under a contract with the DOE: An Analysis of Root-Causes of Possible System failures which is designed to improve capabilities and management systems for analyzing and responding to root-causes of system failures and accidents at the Paks Nuclear Power Plant (PNPP); The DOE Operational Safety Initiative development of Symptom-based, Emergency Operating Instructions, systematic approach to training, and management and operational controls for the Paks Nuclear Power Plant and; The Maintenance Training Center for Paks, a collaborative program to set up a training facility at the PAKS plant for non-destructive testing and training of staff. The project will be a multi-donor program involving EC-PHARE and the International Atomic Energy Agency.

In October 1993 and May 1994, a DOE/BNL technical assistance team met with nuclear power experts and officials of the Hungarian Atomic Energy Commission (HAEC) to further refine the above action plan and to update the list of priorities for the DOE assistance program for 1994. In June-October 1993, DOE/BNL project managers discussed implementation methodologies with the Paks Nuclear Power Plant (NPP) as well as with HAEC of Paks NPP's participation he EPRI/NMAC membership program.

Early in the SEED program, USAID provided a $10 million energy sector grant to support the major energy price ms taken by the Hungarian Government. This supplemented Hungary's efforts to help defray potentially destabilizing energy price increases for fixed-income consumers, including pensioners and large families, while moving towards energy pricing in line with world markets.

- *Telecommunications*

  SEED-funded assistance to the telecommunications sector has been varied: policy and spectrum management seminars were followed by policy dialogue and legal advisory assistance. Working through the Department of State's International Communications and Information Policy Bureau (State/CIP), USAID funded consultations for Hungarian parliamentarians and others involved in drafting the Hungarian telecommunications laws which came into effect in 1993 and which laid the groundwork for privatization of the telephone monopoly. The resulting Hungarian telecommunications law created the basis for privatization and a significant amount of competition. Privatization of MATAV, the Hungarian telecommunications monopoly, was recently completed.

  In 1995, USAID entered into a Inter-Agency Agreement (IAA) with the Department of State at an initial funding level of $250,000 for a two year period. The

Department of State awarded a grant to the Business Higher Education Forum to manage a telecommunication policy and training program with the Technical University of Budapest.

- *Agriculture*

  Volunteers in Overseas Cooperative Assistance (VOCA) provide short-term technical assistance to private cooperatives and agribusiness in marketing, management, and business planning. To date, there have been 70 VOCA assignments in Hungary in varying capacities. As the result of a feasibility study conducted by a VOCA volunteer. 5 villages cooperated in Northern Hungary and based their berry production on new U.S. varieties. This project will provide employment for about 100 entrepreneurs

  Under USAID's Restructuring Agriculture and Agribusiness/ Private Sector (RAAPS) project, ACDI assisted 65 Hungarian agriculture businesses in surviving the transition period and adjusting to market economy through training, technical assistance, and development of business relationships with U.S. companies. Through this process, American firms will also gain export-enhancing insight into trade and investment possibilities with Hungarian firms. Nineteen U.S. firms were matched with 26 Hungarian firms. An Iowa State University member of a RAAPS project consortium assists ACDI and participating firms in identifying policy constraints to privatization.

  The American Cooperative Enterprise (ACE) Center, assists agribusiness clients in improving their marketing skills and profitability by providing them access to markets, information, and technical support. A feed manufacturing and distributing joint venture, AGP Hungary, involving 12 Hungarian cooperatives in Southern Hungary and the third largest U.S. soybean processing company is near completion. Through this, nearly 7000 mt. of commodities have already been traded directly with Hungarian Farmers. This trade has given the American partners access to Eastern European Markets and has decreased the price of imported protein to Hungarian Farmers by 20%. A greenhouse vegetable project and several more are in progress.

  Following a 1992 national training forum, attended by 100 Hungarian farmers, Land O'Lakes conducted 22 training courses in advanced marketing, agribusiness and financial management, and in logistics and distribution, in four different parts of the country. The marketing courses are reported to have been particularly helpful. The owner of the first private dairy plant in Heves, for example, made major changes after attending the course. These included initiation of market research and statistical analysis, resizing product packaging in response to retail needs, and developing a distinctive brand name. Within three months it was reported that milk sales had nearly doubled. He is now establishing a dairy cooperative with further technical assistance from Land O'Lakes. A series of new seminars on the marketing of agribusiness products and product links is currently under consideration.

- *Trade and Investment Promotion*

  Under the President's Trade Enhancement Initiative, a textile agreement was

negotiated between the United States and Hungary which increases market access for Hungarian producers.

The U.S. Trade and Development Agency (TDA), with supplemental funding from USAID, contracted in June 1992 with Investment Decisions Inc. to help develop an information system for the Office of the Prime Minister. A 1992 seminar, organized by TDA for 13 Hungarian telecommunications decision makers in Washington D.C., had a direct influence on the Hungarian Parliament's telecommunications subcommittee decision to remove language from draft legislation which would have retained for the State exclusive ownership of the telephone system. Greater transparency and competition also resulted from several USAID-financed studies which analyzed the draft legislation for Hungarian lawmakers. No SEED funds were used in FY 1993 for TDA studies.

The Capital Development Initiative's (CDI) objective was to involve U.S. industries in the development of infrastructure in Hungary and the region, either as contractors to Central European governments in public sector investments, or as direct investors in infrastructure projects being undertaken by the private sector. The CDI focused on three activities: Project Opportunity Definition which identified and analyzed market infrastructure projects, U.S. private sector investments or contracts, and other financial opportunities; Promotion of Investment and Trade, Joint Ventures and Co-Ventures contributed direct financial support for infrastructure development costs and for proposed joint ventures between U.S. and Central European enterprises and; Project Packaging and Marketing which assisted in the last stages of project development: the arrangement of financing and completion of technical work.

Significant changes are under way in the Capital Development Initiative (CDI) for 1995 (Termination of the Development Support Cost Fund, shift in project focus, and the transfer of project oversight) have resulted in a ENI Bureau decision not to fund the CDI Telecommunication Development component. The Bureau initiated a phase-out of direct transactional assistance to U.S. companies, which has been an emphasis sector, to began shifting the project's focus towards an increased emphasis in telecommunication training.

- *Legal and Regulatory Reform*

  The Competition Policy, Laws and Regulations Project encompasses several disparate government activities to promote the establishment of a legal and regulatory framework for a functioning market economy. Activities involve training and advice in anti-monopoly laws, tax policy and administration, telecommunication regulations, and general commercial laws and regulations.

  Tax Policy and Administration assistance has been provided by the U.S. Department of Treasury and the Internal Revenue Service (IRS). Anti-Trust Law Advice is provided by the U.S. Department of Justice (DOJ) and the Federal Trade Commission (FTC) which send short-term and medium-term experts on competition policy, anti-monopoly regulation, consumer protection standards, and arbitration to assist government officials in defining, implementing, and enforcing new regulations. DOJ

and FTC also provide training to Hungarian officials and their colleagues in Central Europe.

In September 1994, two experts worked with the Hungarian Competition Office on draft amendments to the competition law designed to harmonize the Hungarian system with that of the European Union. Follow-up work will include arranging study tours to the U.S. for selected members of the Council of Judges, and sponsoring three regional conferences on consumer fraud, training, and anti-trust.

Under a USAID grant to the Center for International Private Enterprise (CIPE), an affiliate of the U.S. Chamber of Commerce, policy guidance is being developed to support a climate more conducive to business development.

CIPE's legal and regulatory reform grantees were responsible for producing recommendations which were compiled into a publication entitled Crossed Paths: Straightening the Road to Private Sector Growth. Over two thousand copies of Crossed Paths have been distributed to public policy decision makers, journalists and the business community. Two of Crossed Paths most important recommendations have been reflected in the new economic plan put forth by the Minister of Finance. One concerned a reduction of the corporate tax rate from 36% to 25-30%. The other proposed eliminating the minimum turnover tax entirely.

On September 15-16, 1994, CIPE, in conjunction with the Economic Committee of Parliament, held a conference entitled "Policy Reform in a Transitional Economy." Over 300 participants attended representing the highest levels of the Hungarian academic, business, policy-making (government and parliament), and the media. The participants engaged in panel discussions on how to accelerate the pace of economic reform in Hungary.

CIPE has also received funding from USAID for a Small Business Development Project. The grants that will be distributed under this project are designed to have a direct impact on the development of small business. An example would be a grant for the creation of viable business associations focusing on developing freer trade among Hungary and its neighbors.

Fostering Democratic Institutions

Technical assistance was provided to the Hungarian Parliament through a contract with the State University of New York's Center for Parliamentary Democracy ($642,000).

Pre-election (1990) technical and material assistance was furnished to opposition political parties through USAID grants to the International Republican Institute ($257,000) and the National Democratic Institute for International Affairs ($234,000), as well as to Hungary's Democratic League of Independent Trade Unions through an USAID grant to the AFL-CIO Free Trade Union Institute ($502,000).

In FY 1992, the Library of Congress provided equipment, library materials, and training for the Hungarian Parliament, under the direction of the U.S. House of Representatives Special Task Force on the Development of Parliamentary Institutions in Eastern Europe (Frost Committee), financed by an USAID grant of $1.9 million.

The International Media Fund is helping to finance the American Journalism Center in Budapest (AJBC), in cooperation with the Hungarian Journalism Association and the World Press Freedom Committee. The Fund also provided USAID-funded equipment for the Hungarian School of Journalism, established at ELTE University in cooperation with the University of Maryland.

The AJCB provides classroom space, a computer center, access to radio and television production equipment, and a resource library to media studies students and professional journalist. Equipment grants have been provided to independent broadcasters on television and radio.

THE AJCB has trained and re-trained more than 1,000 professional journalists and journalism students since 1991. Equipment grants to independent broadcasters and producers have allowed recipients to continue operations in an increasingly repressive environment. To date, 55 percent of former students have published articles or broadcast reports since they attended ajcb programs. This number does not include those who work at student publications.

Due to AJCB'S university affiliation with Eötvös Lorand University (ELTE), students receive credit for classes completed at the AJCB, and two classes are required for the ELTE Media Studies degree.

In addition to courses, the AJCB offers internships, summer school to students, and workshops for professional journalists. The internships are with Hungarian newspapers and broadcast media, half of the interns from the Fall 1993 semester are employed where they did their internships. Past workshops have trained over 400 professional journalists; and in the future, training workshops will be offered for recipients for new radio and t.v. licenses being distributed by the government.

The University of Southern California provided technical assistance and training for democratically-elected local government officials and their staffs in the city of Szekesfehervar through a pilot cities program funded by USAID ($750,000).

During 1991-92 USIA, initiated pilot projects to provide a series of U.S. advisers to the municipalities of Debrecen, Pecs, and Szeged. Seminars on strategic planning and public finance were conducted in 1992 for these plus the city of Veszprem under a USIA grant to the U.S. Council of Governors' Policy Advisors. Seminars on entrepreneurship were additionally sponsored by USIA in Pecs and Debrecen in March, 1992.

The Committee for Danubian Studies received USAID funds ($170,000) through the National Endowment for Democracy for a civic education program.

USIA administers other democratic initiative programs amounting to more than $2 million in support of civic organizations, local government, educational reform, management training, media infrastructure support, Books for Democracy, Rule of Law, and English language instruction. SEED funds underwrite the Fulbright Program for Hungary, administered by USIA, under which twelve U.S. scholars have been placed in Hungarian institutions of higher learning. These are not exclusively academic assignments, since these scholars were also conducting business, economics, civics, and municipal planning courses. SEED funds also cover scholarships for Hungarians to study business, economics, and law in the United States. SEED funding supplements the International Visitors Program, which provides opportunities for Hungarian professionals to visit the U.S. for up to 30 days, in order to meet counterparts, observe programs, and establish contacts with individuals and institutions of mutual interest. Other SEED-assisted programs enable USIA to translate and arrange local publication of books as well as donations of books from U.S. publishers to Hungarian libraries and academic institutions, in collaboration with the Sabre Foundation.

The Maxwell School at Syracuse University implemented an USAID grant ($170,000) to undertake a series of public forums on various topics of public interest to introduce civic education and citizen participation in Hungary.

Quality of Life

- *Environment*

The U.S. program of environmental assistance contributes to economic restructuring and to reduce significant threats to health through three objectives: reform of environment and economic policies, including pricing, legislation, and regulation; improving the efficiency and effectiveness of public sector environmental investment; and supporting the expansion of private sector involvement.

An USAID-funded resident advisor completed policy studies on air quality and hazardous waste for the Ministry of Environment. USAID also provided environmental economists to assist the Government in reforming auto fuel taxes. This analysis influenced Parliament's decision to increase the environment budget and to earmark, for the first time, substantial funds from vehicle use taxes for the Environment Fund. The study also directly influenced the design of a project by the Municipality of Budapest to require catalytic converters. Under the Environment Training Project, training was provided to the State Property Agency in environmental liability and procedures to facilitate the privatization process. In addition, long and short-term technical assistance is being provided to the Ministry of Finance in environmental economics, development of economic instruments, and financing through a grant to the Harvard Institute of International Development (HIID). In September 1994, a long term advisor was provided to the Ministry of Finance to provide assistance in issues related to environmental economics.

Along with other East European countries, Hungary is drawing upon the expertise and resources available through the Regional Environmental Center (REC), located in

Budapest. The U.S. provided approximately $5 million to create this center and finance its initial operations. EPA is providing technical support. In cooperation with the European Union (EU) and the Government of Hungary, USAID and EPA have reviewed the management and operations of the Center. The REC completed an initial financial audit, and the EU has completed a program audit. Significant management reforms have been completed as a result of the audits.

In order to improve public sector performance, EPA is providing training to the Ministry of Environment in enforcement of environmental laws, risk assessment, financing environmental investments, hazardous site ranking at the national level, and an environmental impact assessment. EPA is assisting the Ministry of Environment's information resource staff in developing an inventory of automated data sources to support the new Hungarian public access legislation. It is also advising the Hungarian authorities on wetlands preservation and revenue issues. EPA has undertaken an environmental education project and is working with the Ministry of Environment, local educators, local governments and communities, and with teachers training colleges to introduce environmental education at primary level schools in three pilot locations. EPA, in collaboration with the Ministry of Environment, the Regional Environment Center, the Institute for Sustainable Communities, and the University of Horticulture, is setting up an Environmental Management Training Center (EMTC). EMTC's purpose is to adapt and deliver EPA training modules in key environmental areas.

In July 1992, a contract was signed with Research Triangle Institute to provide technical assistance and training to local governments in the field of waste/landfill management. The project focuses on Borsod County (an environmental hot spot), and is coordinated with the Danube Environmental Program, EBRD, and with USAID's Office of Housing and Urban Programs.

As part of the multinational Danube River Task Force, the Water and Sanitation for Health Project (WASH) conducted a Danube Workshop in Hungary in late 1991, engaged a Hungarian engineering firm (Innosystem) to assess emission discharges, and identified priority river basins for environmental clean-up. Some $30 million in other donor assistance was leveraged by these U.S. efforts. Follow-up assistance in pre-investment analysis was provided to promote donor lending.

To support investments in environmental protection, a cooperative agreement was concluded with the World Environment Center (WEC). Under the agreement, the U.S. private sector is providing technical assistance and training in industrial environmental efficiency, industrial health safety, pollution prevention, and environmental economics. Five environmental assessments were undertaken and a number of no/low cost process and management reforms were identified and adopted by Hungarian plant managers. For example, a battery plant in Budapest adopted WEC's recommendations and reduced worker lead exposure to zero. The WEC is now conducting a more comprehensive year-long waste minimization program at selected plants. This program also facilitates linkages between the U.S. business community and its Hungarian counterparts. As a result of pro bono work with WEC:

an U.S. industrial expert is establishing a company in Hungary to recover metals from electroplating processing; a second expert opened a leather consulting office; and a third established a business to provide battery plant safety improvements. WEC is working with three Hungarian plants to initiate a waste minimization demonstration project.

Through a cooperative agreement with the Environmental Training Project consortium led by the University of Minnesota, the Hungarian private sector, non-governmental organizations (NGOs), and local governments are receiving training in aspects of environmental management. The program, initiated in December 1992, has already trained 70 private sector environmental businesses and 35 NGOs. Training for the private sector supports U.S. business investments and joint ventures, while training for the NGOs emphasizes management, financing, technical skills, and conflict mediation.

- *Housing*

  The housing and urban development program in Hungary has been structured to meet the technical and capital assistance needs of the GOH and Hungarian municipalities on a variety of issues. On the macro level, the Program has sought to assist the GOH in the restructuring of its housing finance system and push through policy reforms. From the private sector side, the program is attempting to stimulate the real estate industry through development and support of real estate associations and to improve the quality of housing. At the local level, municipalities have been overwhelmed with newly acquired responsibilities such as housing, infrastructure, and revenue generation and seek assistance on how to better manage their assets and finance critical infrastructure investments. The Housing Program is designed to address these concerns by providing technical assistance in the following ways: Policy advice to rationalize housing sector finance and production while introducing a competitive housing finance system; Assist in the development of a professional, market-oriented real estate sector and; Strengthen the capacity of local governments to assume newly acquired responsibilities on a range of issues including social safety nets, privatization and management of municipal services, infrastructure finance, and rehabilitation.

- *Housing Finance Program*

  USAID and the GOH have approved a $60 million Housing Guaranty Program with the intention of restructuring the Hungarian housing finance system. An agreement for the first $20 million tranche was signed in May 1994 and borrowing is expected in early 1995. The capital assistance will provide a long-term financing mechanism currently unavailable in Hungary and integrate housing finance into the financial and capital markets. Participation and training of multiple banks in the HG Program is introducing competition and efficiency into the housing finance sector and providing affordable mortgages to Hungarians wishing to buy or rehabilitate a home. Resources will also be available to finance municipal investment in infrastructure. A Technical Assistance Plan is being finalized with the GOH in order to begin program implementation.

- *Policy/Legislative Reform*

  The Housing Program has provided a technical assistance to the Ministry of Finance which has resulted in reduction and targeting of national housing subsidies to those in need and design an introduction of alternative mortgage instruments that improve affordability (approximately 1000 mortgages issued since January 1994); Work will continue towards a supportive legal and regulatory framework for housing finance.

- *Restructuring of Municipal Management/Services*

  The Housing Program has been working with several local governments on asset management, infrastructure finance, and utility management. In Szolnok a team trained municipal staff in asset and property management, and worked with them throughout the process of selecting property management firms competitively, and establishing new financial reporting requirements and other performance monitoring methods for public and private property management firms. An asset management training course has been designed and Hungarian trainers are currently being trained to offer the course to other municipalities. In Szeged, a team helped the City review a proposal from a private firm to operate the City's water company, and will begin training city staff in the basics of capital budgeting. In two Budapest Districts, USAID is helping staff evaluate the best methods to finance proposed sewage investments and will provide associated training in capital planning and finance.

- *Social Safety Net*

  The Housing Program developed a design for income-based housing subsidies at the national level in Hungary in 1990. With responsibility for housing policy devoted to the local level, assistance was provided to the city of Szolnok to develop a comprehensive reform of the municipal rental sector including an increase in rent levels close to covering operating costs and the introduction of housing and utility allowances to protect low-income people, both effective in May 1993. The allowance program, the first municipal means-tested housing subsidy in Hungary, covers municipal and private tenants, while the utility portion applies to homeowners as well. The program is expected to be replicated in other cities after local election in late 1994.

- *Labor*

  The U.S. Department of Labor (DOL) is providing technical assistance to address mass layoffs, entrepreneurial training, labor-management relations, and occupational safety and health. The focus of the assistance is the Rapid Response to Mass Layoffs project which provides training and technical assistance on the creation and use of Labor Management Committees, and on devising economic recovery strategies for affected regions. Training has been provided to County Labor Centers in Szolnok, Budapest, Baranya, and Borsod counties. Three pilot sites are being selected for implementation of the model. Labor Management Committees have been established at the Tisza Shoe Factory in Szolnok, and at DIMAG, a steel factory in Miskolc. Discussions are underway with the Ministry of Labor, the National Labor Center and privatization agencies to determine additional sites and to provide training for the remaining 16 County Labor Centers.

U.S. DOL contracted in late 1991 with Ohio State University to conduct an entrepreneurial training program in Hungary for displaced workers. The program allows laid-off employees to conduct a self-evaluation to determine if they are suited to become entrepreneurs. Follow-on training teaches business skills to nascent entrepreneurs. The train-the-trainers program has resulted in a cadre of approximately 100 trainers throughout Hungary who are implementing the course.

The Labor Management Relations Program trains potential mediators from government, business, and labor in labor management and resolution dispute techniques. A seminar on Interest-based Negotiations has been completed. U.S. labor and management organizations will continue work with the Hungarian Ministry of Labor, the tripartite National Labor Committee and other relevant players.

Following a seminar for plant inspectors conducted in May 1994 as part of the Occupational Safety and Health Project, a demonstration site was selected (Nitrokemia) to implement a comprehensive safety plan designed jointly by plant officials and DOL experts. Work is also underway on an "easy-to-understand" brochure for workers and managers on health and safety in the workplace.

- *Health*

  Under the Partnerships in Health Care Program, the University of Kansas received a USAID grant of approximately $2.4 million to lower mortality from pediatric cancer in partnership with the Second Department of Pediatrics of Semmelweis Medical University and the National Institute of Neurosurgery in Budapest. This program will have a national impact by registering and treating virtually all pediatric cancer cases within the country, and by significantly increasing the responsibility of nurses in cancer care.

  Another Partnerships in Health Care grant of $2.1 million was provided to Inova Health Systems and the Fairfax Heart Center in Fairfax, Virginia, to address the leading cause of death in Hungary, through cardiovascular disease treatment and prevention. The main counterpart in Budapest is St. Francis Hospital, a small community hospital. The objective of the partnerships was to enhance the capacity of lower cost community based hospitals to respond to the population at risk for cardiovascular disease. Referral arrangements are being established with St. John Hospital and with Semmelweis Medical University.

  The Brother's Brother Foundation has so far provided nearly $3.4 million worth of critically needed medical supplies to four university hospitals and clinics, in collaboration with the Ministry of Health, the Soros Foundation, Interchurch Medical Assistance, and Catholic Medical Missions.

  Under the Health Markets Project, Healthcare Enterprise International (HEI) is providing technical assistance to support the implementation of health sector reforms at the local level. Activities focus on training hospital managers to 1)utilize the new payment system based on diagnostic related groups to improve utilization of scarce resources and 2)to adopt clinical quality improvement strategies. The findings of

these pilot activities are expected to be institutionalized and shared with hospitals nation-wide.

- *PVO Initiatives*

  The U.S. is funding a number of initiatives by private voluntary organizations. These include a YMCA program to strengthen the leadership capabilities of Hungary's youth, and work by Project HOPE to strengthen health care services. A program of the American Jewish Joint Distribution Committee to develop skills and training for the care of disadvantaged senior citizens has been completed. USAID support to the Citizens Democracy Corps program for Hungary was also concluded in 1993. An export enhancement project, funded through Aid to Artisans, provided an integrated product development and marketing program which targeted rural artisan cooperatives.

U.S. ASSISTANCE TO HUNGARY
TOTAL OBLIGATIONS
as of 30 September 1994
(US $000)

Obligation Amount
SAI/ESF/DA: $194,870

A. STRENGTHENING DEMOCRATIC INSTITUTIONS

Political Process and Governance		
1800003.	Support of Democratic Institutions	2,490
1800017.	Political Process	1,225
1800018.	Local Government and Public Administration	750
1800019.	Democratic Governance and Public Administration	2,841
1800020.	Rule of Law	321
Democratic Pluralism		
1800021.	Political and Social Process	2,218
1800022.	Independent Media	1,726
	Subtotal:	**$11,571**
	as % of Total:	**5.9%**

B. ECONOMIC RESTRUCTURING

1800036.	Hungary (Energy)	10,000
Privatization and Assistance to Enterprises		
1800014.	Privatization and Enterprise Restructuring	20,999
1800023.	Technical Assistance to Enterprises	5,996
Improving the Business Climate		
1800026.	Competition Policy, Laws & Regulations	1,954
1800027.	Business Services	7,236
1800035.	Bank Training (Treasury)	2,148
1800010.02	Hungarian Enterprise Fund	70,000
1800028.	American Business & Private Sector Dev. Initiative	2,469
1800047.	Removing Impediments to Trade Enhancement (RITE)	342
Human Resources		
1800002.	Human Resources Program	4,551
1800029.	Management Training & Market Economics Education	9,633
1800045.	Participant Training	2,302
1800052.	Customs Service Training	59
1800024.	Restructuring Agriculture and Agribusiness	6,605
Energy Efficiency		
1800015.	Emergency Energy Program	1,174

1800030.	Regional Energy Efficiency		5,966
		Subtotal:	**$151,433**
		as % of Total:	**77.8%**

C. IMPROVING THE QUALITY OF LIFE

1800016.	Humanitarian Emergency Medical Supply		318
1800032.	Non Governmental Organizations (NGO) Dev. Project		3,996
1800033.	Labor Market Transition (DOL)		3,277
1800034.	Housing Sector Assistance		6,205
1800037.	Partnerships in Health Care		4,158
1800038.	Promotion of Private Health Markets		1,684
Environment			
1800004.	Environmental Initiatives		3,247
1800039.	Improved Public Sector Environmental Services		6,374
1800041.	Environmental Training		1,470
		Subtotal:	**$30,730**
		as % of Total:	**15.8%**

D. MISCELLANEOUS

1800249.	Audit, Evaluation, and Project Support		936
		Subtotal:	**$936**
		as % of Total:	**0.5%**

LATVIA ANNEX

Economic Restructuring

The U.S. assistance program in Latvia continues to place a high priority on support of open market reforms. Economic restructuring is fostered through the promotion and implementation of sound economic policies, financial sector reform, the development of the private sector, energy efficiency and environmental protection.

- *Privatization and Enterprise Development*

  Through April 1994, Coopers & Lybrand, financed by contracts valued at approximately $2 million, provided technical assistance to the Ministry of Agriculture to restructure and privatize selected agro-industries. This led to the adoption of enabling legislation and the privatization of the dairy sector which, for the most part, was returned to newly-formed cooperatives. Additionally, offering memoranda were prepared for the four state-owned slaughtering and meat processing plants, as well as for Latvia's most modern state-owned bakery, which was sold early in 1994. Coopers and Lybrand's work included asset valuation, restructuring of accounting systems, development of business plans, and legal documentation.

  In April 1994, the technical assistance provided by Coopers and Lybrand was redirected to a specialized agency, newly formed by the Government of Latvia, which was given comprehensive, multi-sector, privatization responsibility. A new project, initially funded at $1.8 million by USAID, was adopted to develop a mass public privatization program for the sale of shares in state-owned enterprises through an auction with payment by privatization certificates. This initiative responds to the generally perceived need for Latvia to progress with enterprise privatization which has lagged, in contrast to privatization in the agricultural, small scale manufacturing and trade sectors. The assistance team to the Latvian Privatization Agency has designed an auction system. Additionally, it has initiated a public information campaign providing general information on privatization and share ownership, as well as publicity materials on the companies being offered for auction. The first auction of companies is scheduled for January 1995. Subsequent auctions are planned through 1996.

  In mid-1994, the International Executive Service Corps (IESC) completed a $1.1 million, multi-year program which provided volunteers with management and marketing experience to assist businesses and newly-privatized enterprises through short-term assignments to Latvia. IESC volunteers served as consultants in such areas as pharmaceutical, medical administration, trade, fiberglass and craft industries. The completion of IESC activities in Latvia, in July 1994, marked the first major step in the planned restructuring of the assistance program to bring a sharper program focus toward anticipated U.S. assistance phasedown. Over the course of the past two-and-a-half years, the U.S. Peace Corps was sustained a program of approximately 40 volunteers in Latvia. In an inter-agency cooperative effort, USAID transferred $2.16 million in FY 1993 to the

Peace Corps for its European Business Development Program. In FY 1994, the Peace Corps placed 21 of its specially-recruited and trained volunteers to provide technical assistance, training and information to Latvian small and medium-sized enterprises.

- *Financial Sector Reform*

The programs described below provide technical assistance through advisory services and training for financial sector and governmental institutions. They are designed to facilitate the conversion of Eastern Europe's former command economy into private sector-based economies and concentrate on providing long-term advisors with expertise in economic policy analysis, banking, and public finance.

Through an interagency agreement between USAID and the Department of the Treasury to promote private investment and savings, short-term advisers have been provided to the Ministry of Finance and the Bank of Latvia to advise on macroeconomic policy, tax policy and administration, monetary policy developments, budget implementation and commercial banking.

A long-term Treasury advisor to the Bank of Latvia assisted the GOL with implementation of monetary policies aiming at stability of prices and currency. The bank's tight, conservative, monetary policy has endowed the country with a stable, fully convertible national currency, the Lat, which was introduced in July 1993. Though, during the past year, interest rates on credit have gradually declined to levels affordable by some businesses. At approximately 50%, however, they remain beyond the reach of many businesses and families.

The long-term advisor to the Bank of Latvia (BoL) assisted in the design of a major bank privatization program, enabling the GOL to create a two-tier banking system. The system will help the BoL develop and implement monetary policy and regulate the banking sector. The government has divested itself of 21 of the BoL's 48 branch banks and transformed these into commercial banks. The other, weaker, banks have been joined into a Universal Bank which is being prepared for early privatization.

In 1994, a U.S. Treasury long-term bank supervision advisor was assigned to the BoL. Working in coordination with the IMF, he has enabled the bank to establish a supervision program utilizing on-site examinations. The multi-faceted program includes the design of an examination report and the training of bank examiners and the drafting of banking laws, regulations and accounting rules. The examination of some 20 banks in 1994 led the preparation of corrective actions and the suspension of the license of a few banks which did not meet prudent standards. As most Latvians do not turn to the traditional banking sector, USAID has initiated a program of support for the development of a cooperative credit union movement. The World Council of Credit Unions (WOCCU) will seek to provide training and technical assistance to promote the creation of a viable credit unions in both rural and urban environments.

In 1994, U.S. Treasury advisors also played a key role in the preparation of a general budget law, passed in April 1994, which establishes many western aspects of budget formulation and spending accountability. They have also helped draft legislation, currently undergoing parliamentary consideration, to guide municipal budget practices. Short-term treasury advisors have provided guidance, as well, to strengthen the currently weak revenue collection mechanisms. Additionally, to enable Latvia to implement an effective monetary policy, a U.S. Treasury representative advised the GOL in the development of monetary instruments, including treasury bills which first were issued in 1994 and, it is anticipated, soon will be traded in a secondary market.

Financed through an interagency agreement from USAID, the U.S. Customs in 1993 completed the training of a number of officials of Latvia's Customs Department in narcotics interdiction, as well as in computer-assisted customs management.

- *Trade and Investment*

In FY 1993, the American Business Initiative (ABI) project which assists in infrastructure development to support the emergence of a private sector market economy, provided $990,000 to finance feasibility studies for upgrading an existing thermal power plant, as well as the development of a new coal fire-powered energy plant.

Through an interagency agreement with the Department of Commerce, the Eastern European Business Development Center (EEBIC) launched the Eastern Europe Looks for Partners Program in Latvia. The program includes the publication of an information bulletin for the American private sector on business opportunities in Latvia as well as other commercial outreach activities.

Established in FY 1993 through an interagency agreement with the Department of Commerce, the Commercial Law Development Program (CLDP) is helping the Latvian economy to become more responsive to market principles by engaging in targeted assistance activities that will strengthen the legal and structural framework necessary to advance international investment and trade. Since May 1994, CLDP has focused on providing GATT-related trade assistance, in addition to guidance on export controls, anti-dumping/countervailing duties and customs valuations, directly to the Latvian Ministry of Foreign Affairs through the services of a long-term trade expert. A successor is expected to continue work of the advisor in FY 1995 in order to further assist with Latvia's GATT membership accession requirements.

During FY 1994, USAID planned for the implementation of a Presidential commitment to establish a Baltic-American Enterprise Fund in support of Latvia's vigorous emerging private sector. The President announced the composition and leadership of the Fund's board in late FY 1994. It is anticipated, therefore, that an active fund program will begin during the course of FY 1995.

- *Commercial Policy, Laws and Regulations*

During FYs 93-94, experts from the Department of Justice (DOJ) and the Federal Trade Commission (FTC) worked with the Latvian Anti-Monopoly Commission to assist the government with development, refinement and enforcement of economic competition laws. They have acted as well as advocates of market-oriented, competitive solutions to economic problems. It is anticipated that assistance under this initiative will be fully completed early in FY 95.

USAID is implementing a $1.5 million regional bankruptcy project through Deloitte and Touche (D&T) to assist in the promotion of formal and informal bankruptcy procedures in order to facilitate the restructuring of closing of financially-troubled enterprises. Advisors for D&T have conducted a legal survey and analysis of the status of bankruptcy laws which may become the basis for future training workshops and ad-hoc advisory services.

- *Agriculture*

The program for restructuring agriculture and agribusiness for Latvia is funded under a regional project. A grant under the project enables the Volunteers in Overseas Cooperative Assistance (VOCA) to provide short-term technical assistance to farmers, agribusinesses, cooperatives, and the GOL to the limited degree. Volunteers have served as short-term advisors in forestry, farmers' credit unions, bank loan training and financial management. In 1994, VOCA completed 28 projects. They assisted farmers and farmers' organizations on: organic farming and the establishment of organic farming standards, hog production development, and poultry production and development strategies during a time of austerity. The VOCA program was particularly attentive to work in conjunction with the Latvian Agricultural Advisory Service (LAAS), where appropriate, in order to further the development of this new and important organization.

Early in 1993, also under a regional project, the Agricultural Cooperatives Development International (ACDI) sent Latvian participants, including practicing farmers and Ministry staff, on a familiarization tour of U.S. agriculture.

Following on a training needs assessment it undertook in 1993, Land o'Lakes, in 1994, provided training and technical assistance targeted principally to private dairy farmers. Its activities have led to the establishment of a 130-member strong association of Latvian goat keepers which already has helped some of its members to implement more effective marketing strategies and improved stock breeding practices. In order to bring a sharper focus to our assistance program, the Land o'Lakes project was completed in December 1994. Future assistance to livestock farmers will be provided principally through VOCA, in coordination with the LAAS.

During 1994, the U.S. Department of Agriculture initiated a technical assistance and cooperation program in Latvia which supports modest programs in areas such as: forage and feed, dairy genetics, and cereal breeding. The USDA initiative also encourages the

development of links between Latvian and American agricultural enterprises. A close coordination has been instituted between SEED-supported activities and the technical assistance work of the USDA.

- *Management and Market Economics Education*

  Under a USAID management training and economic education grant to USIA, the State University of New York (SUNY) at Buffalo is helping the Riga Technical University's Business School (RBS) to establish an American-style MBA program, the only one of its kind in the Baltics. In 1994, this enabled the RBS to attract additional support through the University of Ottawa in Canada. Future Latvian faculty members from the RBS are currently in training at SUNY-Buffalo. The RBS will graduate its first MBA class in March 1995.

  Anticipating the future phase out of the U.S. SEED Act assistance program, USAID expects to provide a follow-on grant to the SUNY/RBS partnership. This new project will seek to consolidate the RBS' institutional development, including faculty training, so as to ensure the long-term sustainability of the management education program.

  USIA, with SEED funding, continues to offer additional assistance in business education by bringing American specialists to Latvia to conduct training and curriculum development programs. A prime recipient of this support, the Riga Commerce School, recently placed 19 of its students among the first class of 56 bachelor's degree candidates (out of 750 applicants) at the newly-opened Latvian branch of the prestigious Stockholm School of Economics.

- *Participant Training*

  The regional USAID Participant Training Program for Europe (PTPE) began in FY 1992. A total of $265,000 from this program has been budgeted for training of Latvians in various fields not being addressed through other USG-funded programs in Latvia. By the end of FY 1994, 45 participants will had benefited from training under this program and through individual cooperative agreements with U.S. universities and non-governmental organizations. These programs provide Latvians with first hand exposure to a well established market economy and to democratic institutions and provides them with skills to enable them to contribute to their country's transition to a market economy. In 1993, an Entrepreneurial Management and Executive Development (EMED) Program was initiated which has given 21 Latvians the opportunity to participate in internships in U.S. businesses during 1994.

- *Energy and Infrastructure*

  The USAID assistance program in Latvia focuses on two main areas: energy efficiency and pricing, and power sector restructuring and management. A program of regional cooperation in electricity contracting has been supported at the Baltic Dispatch Center in Riga. Approximately $1.5 million in assistance has been obligated for Latvian energy sector programs during FYs 91-94.

A pilot industrial energy efficiency program, implemented by RCG/Hagler, Bailly, was completed in 1993. The program demonstrated in four industrial facilities the potential for low-cost energy efficiency measures. Additionally, training and policy development assistance were provided on energy pricing, focusing on gas and heat tariffs and pricing methodologies. Currently, through the provision of demand side management training to the Latvian Electric Company, it is hoped that the national utility will be able to continue to promote the adoption of energy efficiency measures across a much broader spectrum of consumers.

In April 1993, USAID and the U.S. Energy Association initiated a utility partnership between the Latvian Electric Company (LATVENERGO) and Central Vermont Public Service. The utilities have set the following as priority areas of concentration over the next several years: financial/accounting systems; customer service and demand side management; integrated resources planning; and engineering management improvement. A vigorous program of management and technical exchanges and training has been pursued throughout 1994.

Latvia has actively participated in a regional electricity contracting and pricing program that has provided technical assistance and training on the details of electricity sales contracts. Based on this on-going assistance, bilateral agreements were executed in 1993 between Estonia-Latvia and Lithuania-Latvia. These have been revised in 1994. They provide a structured foundation for regional energy planning. Additionally, a sustained program of regional consultations and technical seminars, sponsored within the context of the Baltic Dispatch Center, has promoted regional planning toward least-cost approaches to energy issues. Latvia is also an active participant in USAID's Baltic Regional Energy Planning Project which aims to provide the capacity to develop integrated resource plans, a prerequisite for World Bank and EBRD loan consideration.

Fostering Democratic Institutions

To strengthen democratic institutions, the U.S. Information Agency (USIA) and USAID are providing technical assistance and training in the areas of public administration and local government management, and constitutional and civil law reform.

Under the recently-completed Rule of Law program, USIA brought an experienced, Latvian-speaking American city prosecutors to Latvia to contribute to the development of a new criminal code and to assist in the legal reform. This Professional-in-Residence became a trusted advisor to nearly every important legal institution, including the Parliament, the Supreme Court, the Ministry of Justice, the Prosecutor General and the Latvian Judges Association.

Also under the Rule of Law program, the American Bar Association's Central and East European Law Initiative (ABA/CEELI) placed a resident liaison, *pro bono*, in Latvia to

assist the government and legal professionals on legal reform and commercial law issues as well as in furthering legal education. Additionally, ABA/CEELI has provided a resident judicial training specialist. She organized a regional workshop at which the Baltic Council of Judges' Associations prepared a Model Code of Judicial Conduct which has been presented for adoption by the judiciaries of the respective countries. Training in judicial ethics has been provided for new and experienced judges in four rural areas, as well as Riga. It has also conducted juvenile law training.

The National Democratic Institute (NDI) and the International Republican Institute (IRI) have sponsored training seminars for political party and factions at both the local and national levels. Additionally, under NDI sponsorship, an experienced American legislative aide serves as a resident advisor to the Latvian *Saiema* (parliament). She has provided valuable technical support on organizational and administrative matters to legislative committees and parliamentary factions. One of her innovative activities has been the organization of monthly luncheons, patterned after U.S. congressional caucus lunches, to provide women Members of Parliament an opportunity to discuss topics of special interest among themselves as well as to access substantive information from guest speakers.

Under the mass media training project, USIA has sponsored a number of workshops on print, broadcast, production and medical management in the United States. On the other hand, USIA's English Language Teaching program has been instrumental in the development of the Latvian Association of Teachers of English (LATE), which now boasts 500 members. Additionally, two English Language Fellows are currently teaching at the Daugavpils Teacher Training University and the Riga Teacher Training Institute.

In mid-1994 an ambitious multi-year program for the strengthening of Latvia's parliamentary institutions was completed under the U.S. House of Representatives' Special Task Force on the Development of Parliamentary Institutions. An fully computerized information resource system was installed at the Saiema, and a legislative reference library was established. Additionally, a select number of Saiema leaders participated in a study tour to the U.S. Congress which focused on legislative/executive relations in security and defense matters.

Improving Quality of Life

- *Humanitarian Assistance*

  Under the Emergency Medical Assistance Program, USAID provided $500,000 to Project HOPE during the winter of 1991 to expedite the delivery of medical supplies to the Baltic region, to assist in reducing the number of deaths due to influenza, pneumonia, and other illnesses. Since, additional donations of medical supplies worth some $4.5 million of medical supplies have been provided to Latvia.

- *Environment*

The environment program in Latvia, designed to assist economic restructuring and reduce threats to human health, pursues three objectives: to support the reform of environmental and economic policies, prices, legislation, and regulations; to improve the efficiency and effectiveness of the public sector environmental investments; and to support the expansion of the role of the private sector in environment and investments.

Significant progress has been achieved in 1994 under the policy reform component of the USG environmental program in Latvia. Following on a modest program of environmental economic policy case studies initiated in 1993, the Harvard Institute for International Development (HIID) assigned long-term regional advisor in 1994 to reinforce environmental economics expertise within the Ministry of Environment and Regional Development. The advisor has guided Ministry personnel in the design and execution of out case studies and analyses, including a case study of water and waste water pricing and financing. Additionally, it should be noted that in his former capacity, the current State Minister for Environment, attended an intensive summer course in environmental economics at Harvard University under the SEED-funded participant training program.

The public sector institutional development component of the USG program is implemented through an interagency agreement between USAID and the U.S. Environmental Protection Agency (USEPA). In 1993 and 1994, USEPA has carried out a program of technical assistance and training missions to Latvia to prepare, in close cooperation with Latvian counterparts, a comprehensive drinking water management plan for the city of Daugavpils. The plan will be completed early in 1995. It is anticipated that it will serve as a basis for the GOL's efforts to obtain international funding for development of a reliable and safe water supply for this important city. In addition, during the past year the USEPA has conducted risk assessment training on a regional basis for Baltic environmental officials.

Another important USEPA contribution, was the establishment of a state-of-the-art computerized environmental data system, with GIS capabilities, for the Ministry of Environment. The system is integrated and features computerized Local Area Networks (LANs) both at the Environmental Data Center and the Ministry. The USEPA contributed equipment worth in excess of $400,000, as well as specialized software and training.

During 1994, the World Environmental Center (WEC), a U.S. non-profit organization, expanded its efforts in the areas of industrial pollution prevention and waste minimization. It has initiated waste minimization projects in five industrial plants and waste minimization impact studies in an additional six firms. Through these projects plant management has identified cost effective measures which, in all cases, have led to significant reductions in wastage and important cost savings. Savings through waste reduction, in a number of plants such as the Daugavpils Synthetic Fiber Plant, have been

multiples of the initial investment in WEC-recommended equipment. In others, savings have been achieved through the introduction of management practices without any significant capital investment.

In mid-1994, the WEC established a Pollution Prevention Center in Riga to be a reference center at the service of Latvian industry on waste minimization and environmental issues. The center will seek to encourage pollution prevention programs through the dissemination of information on sound practices and through referral to appropriate nascent indigenous environmental service companies.

U.S. ASSISTANCE TO LATVIA
TOTAL OBLIGATIONS
as of 30 September 1994
(US $000)

	Obligation Amount SAI/ESF/DA:	**$26,345**

A. STRENGTHENING DEMOCRATIC INSTITUTIONS

Political Process and Governance		
1800017.	Political Process	233
1800018.	Local Government and Public Administration	304
1800019.	Democratic Governance and Public Administration	404
1800020.	Rule of Law	362
Democratic Pluralism		
1800021.	Political and Social Process	797
1800022.	Independent Media	218
	Subtotal:	**$2,318**
	as % of Total:	**8.8%**

B. ECONOMIC RESTRUCTURING

Privatization and Assistance to Enterprises		
1800014.	Privatization and Enterprise Restructuring	4,599
1800023.	Technical Assistance to Enterprises	3,172
Improving the Business Climate		
1800026.	Competition Policy, Laws & Regulations	672
1800027.	Business Services	2,681
1800035.	Bank Training (Treasury)	167
1800010.05	Baltics Enterprise Fund	3,508
1800028.	American Business & Private Sector Dev. Initiative	1,039
1800047.	Removing Impediments to Trade Enhancement (RITE)	217
Human Resources		
1800002.	Human Resources Program	499
1800029.	Management Training & Market Economics Education	992
1800045.	Participant Training	680
1800024.	Restructuring Agriculture and Agribusiness	1,235
Energy Efficiency		
1800015.	Emergency Energy Program	574
1800030.	Regional Energy Efficiency	1,500

Environment

Subtotal:	**$100**
as % of Total:	**2.0%**

D. MISCELLANEOUS

Subtotal:	**$0**
as % of Total:	**0.0%**

LITHUANIA ANNEX

Economic Restructuring

- *Privatization and Enterprise Development*

  Through various USAID technical assistance contracts with KPMG Peat Marwick valued at over $3 million, privatization activities have been thus far directly responsible for the privatization of two major firms and assisted with preparation of nine other companies. This process entails asset valuation, restructuring of accounting systems, development of business plans, and legal documentation, in order to attract private sector investment in or acquisition of state-owned firms.

KPMG's current efforts are providing assistance to the agricultural industry in two directions. KPMG assisted a cheese producer in finding a foreign investor and provided privatization assistance to a milk producer. The cheese plant identified two possible candidates for investment and the privatization of the milk processor is still underway. The second undertaking of KPMG is the support it is providing to the World Bank initiative to provide $25-30 million in credits to the agricultural sector. Through KPMG, USAID will provide technical assistance to enterprises desiring access to this credit line. This assistance will be in the form of feasibility study preparation for loan applications as well as training of local experts.

The International Executive Service Corps (IESC) office in Vilnius has established a Lithuanian-American business and banking sector program. Almost $1 million has been awarded IESC for operations in Lithuania as part of a larger, region-wide grant. Over the past year, IESC has completed almost forty projects, primarily in the production and banking sectors. Projects have included computerizing accounting systems, implementing budget controls, providing marketing guidance and teaching bankers about foreign exchange operations. Several ministries have also been assisted.

The U.S. Peace Corps program in Lithuania began in FY 1992. In FY 1993, USAID transferred $2.16 million to Peace Corps for its European Business Development Program for FY 1993 and FY 1994 activities. Peace Corps/Lithuania have received a total of approximately $150,000 to provide technical assistance, training and information to small and medium-sized enterprises. Currently, 41 Peace Corps Volunteers work in Lithuania, with 21 working on USAID-funded small business projects.

The first group of six MBA Enterprise Corps volunteers arrived in Lithuania in July 1994. While living with local families, MBA volunteers use their professional experience to provide long-term technical assistance and on-site training to Lithuanian business managers who have recently started their own private enterprises. The first group of selected host companies include a bank, television station, computer firm, and supermarket -- all in Vilnius. Volunteers have started their assignments at various service companies in Vilnius. Next year, 13 to 15 volunteers are expected to be placed

in up to four cities around Lithuania in service and production companies.

The Center for International Private Enterprise (CIPE) provides a sub-grant to the Lithuanian Free Market Institute (LFMI). The LFMI has been active in policy advocacy, legislation review and public education. With substantial technical support from the LFMI, a currency board to help promote stabilization of the Litas began operations in April 1994. Future plans for the LFMI include reviewing the social insurance system, analyzing the tax system and providing guidance in the development of a new system and increasing efforts in public education and economic reform.

In FY 1993, the World Council of Credit Unions (WOCCU) began a project of establishing a network of agriculture-based credit unions in Lithuania. WOCCU will open 15 credit unions with 1,000 members each over the next three years. This initiative is expected to increase the efficiency of financial markets and improve the availability of personal financial services.

- *Financial Sector Reform*

The programs described below are part of a regional program for Central Europe to provide technical assistance through advisory services and training for the financial sector and governmental institutions. These programs are designed to facilitate the conversion of the former command economy of Eastern Europe into private sector-based economies. The program concentrates on providing long-term advisors with expertise in the overall areas of economic policy analysis, banking, public finance, and many other specialties.

A U.S. Treasury consultant on commercial banking serves as special advisor to the Governor of the Bank of Lithuania (BoL), where he is advising the International Banking Department in management of reserves, modernizing BOL banking practices, reviewing legislation and assisting on bank supervision activities. He also advised the Lithuanian State Savings Bank on privatization and development issues.

Two U.S. Treasury advisors have been working on taxation matters at the Ministry of Finance. One Tallinn based advisor worked on tax policy issues concerning the Value Added Tax (VAT) legislation in Lithuania. He also worked on the Law on Basic Taxes and the Income Tax Law. A second advisor is working on tax administration and is concentrating on training and legislative issues. One primary goal is to provide training and education for different levels of tax administrators in the Ministry of Finance. This will be done through education in Lithuania, workshops with colleagues in the Baltics, and an orientation trip to the U.S. On legislative matters, the advisor has worked on tax administration laws, specifically the Administration Law and Personal Income Tax Law.

Two short-term Treasury advisors also worked with the Ministry of Finance reviewing the administrative code and developing a Treasury function and cash management system. Two other short-term advisors from the IRS have developed a training program for tax inspectors. They collected information on the tax system and tax laws in Lithuania and

prepared the training materials. It is estimated that 20-25 tax inspectors will be trained in December 1994.

An advisor to the BoL works on developing a bank examination schedule, drafting a code of ethics for examiners, participating in two on-site bank examinations, advising on a bank fraud case and giving seminars on credit to bank examiners and to banks under examination. The advisor also organized a trip for the Director of the Bank Supervision Department to the Office of Thrift Supervision in Chicago. This has been useful for the director in developing a strategy and new tactics for bank supervision. Two six-month advisors are expected to arrive in the first quarter of FY 1995 to assist in off-site supervision and help formulate policies on bank liquidation issues.

In July, a KPMG/USAID team coordinated a bank training diagnostic. After extensive meetings with representatives from the banking, legal and donor communities, the team found that a fair amount of training is being provided but it is supply-driven and does not attempt to satisfy the needs of the bankers. Additionally, there is poor coordination between the different groups providing training. The draft report, shared with EU Phare and British Know-How Fund, was the basis for coordinating with other donors to pool resources together and develop a focal point for bank training assistance. It also catalyzed the decision to create a Lithuanian bank training institute.

- *Investment and Trade*

The American Business Initiative (ABI) project was established to assist with the development of a private sector market infrastructure. Assistance under the ABI project was provided in FY 1993 under an interagency agreement between USAID and the Trade Development Agency (TDA) for $500,000 to finance a feasibility study for the Mazeikiai Oil Refinery. In addition, TDA approved funding for an electric power grid communications system feasibility study, as well as a grant to the International Finance Corporation (IFC) of the World Bank to hire U.S. consultants to examine the modernization needs of the fishing fleets of the three Baltic countries. TDA has approved a total of eight projects to date, with a primary focus on energy.

- *Commercial Policy, Laws and Regulations*

The Department of Justice (DOJ) and the Federal Trade Commission (FTC) sent three experts to Lithuania for six months to assist the GOL in developing, refining and enforcing economic competition laws and act as an advocate for market-oriented, competitive solutions to economic problems. Representatives from the State Price and Competition Office attended conferences in Vienna on the topic on competition law. Approximately $400,000 has been provided for these efforts.

Since FY 1992, through a USAID grant valued at approximately $3.4 million, volunteer attorneys under the American Bar Association/Central and East European Law Initiative (ABA/CEELI) provided a variety of services to help promote commercial and rule of law assistance to Lithuania. Two resident liaisons have worked closely with the Ministries of

Justice Finance in identifying training needs, addressing diverse legal issues, and assisting an emerging Commercial Law Center in Vilnius. Under the auspices of the Commercial Law Center, ABA/CEELI volunteers held seminars on commercial law topics, which both GOL officials and private lawyers attended. ABA/CEELI was also instrumental in helping Vytautas Magnus University to develop plans for a three-year legal curriculum. In addition, ABA/CEELI has organized several and regional conferences on topics of relevant importance to judges, lawyers and other legal professionals. To help increase the impact of these conferences, the ABA/CEELI established the First Fridays legal club which provides an ongoing learning forum for lawyers to share personal experiences and ideas. An ABA/CEELI liaison also assists on an ad-hoc basis the Ministries of Economics, Finance, and Foreign Affairs, as well as the Parliament's legal department and the Lithuanian Bar Association.

Through approximately $3.7 million in interagency agreements with USAID, assistance is provided through the U.S. Department of Commerce's (DOC) Commercial Law Development Program (CLDP) and the United States Information Service (USIS). CLDP assists the GOL in international economic agreement negotiation and implementation and has also provided assistance on issues of trade, export control, admission to GATT and the strengthening of intellectual property rights. CLDP further supplied an expert to conduct a seminar on international law to the Lithuanian Economic and Foreign Investment Development Agency.

The International Development Law Institute (IDLI), specializing in international commercial transaction issues, conducts ongoing training in the form of conferences and seminars. One such seminar brought five Lithuanian lawyers to Rome during the course of the year for training courses on joint venture contracts. As a result, legal practitioners in key public and private sector institutions gain the requisite skills to effectively manage commercial legal transactions.

Two USAID-funded assistance programs are targeting collateral law and bankruptcy issues. Under a new program entitled Institutional Reform in the Informal Sector (IRIS), assistance will be provided to the GOL in drafting and implementing an effective collateral law with a central registry. The timing for this activity is optimal since the Lithuanians have made March 1995 a deadline for drafting a collateral law. The existence of a collateral law will increase the flow of credit by enabling banks to provide asset-based lending. Deloitte and Touche (D&T) is implementing a $1.5 million regional bankruptcy project to assist in the promotion of formal an informal bankruptcy procedures in order to facilitate the restructuring or closing of financially-troubled enterprises. Advisors for D&T have conducted a legal survey and analysis of the status of bankruptcy laws and practices by which to help determine further assistance needs.

- *Agriculture*

Land O' Lakes has organized business management training courses and a program of technical assistance in Lithuania under a $275,000 Central Europe regional grant.

Activities include training for dairy and other farmers through a series of seminars and specialized training in the U.S. on farming production processes, privatization and cooperative strategies. Land O' Lakes placed an advisor in the Birzai region for a four-month project to assist bendroves and private farmers in the region in elevating and regulating the quality of their milk, establishing a milk pricing structure and encouraging year-round calving. Land O' Lakes has also initiated assistance to the Ministry of Agriculture to combat dairy herd diseases.

Approximately $1 million in Baltic regional funding has been provided to Volunteers in Overseas Cooperative Assistance (VOCA) which provides short-term technical assistance to farmers, agribusinesses, cooperatives, and, to a limited degree, the GOL. Over 38 short-term volunteers were placed throughout Lithuania to provide assistance in agricultural cooperative development, farm building and agri-business management and marketing in FY 1994. VOCA also is providing volunteers to advise the Lithuanian Agricultural Advisory Service and promote a farm credit system and is helping identify agribusinesses to receive loans through the IBRD agricultural credit program.

- *Management Education*

Since FY 1992, the U.S. Information Agency (USIA) has administered a management training and economics education program in Lithuania. Under USIA's "small grant" project, Purdue University provided assistance to improve business management programs at Kaunas Technological University, Vytautas Magnus University, and the Lithuanian Academy of Agriculture. Funding covered expenses for visiting U.S. lecturers, development and implementation of thirteen-week training modules and translation of books and manuals.

USAID is currently negotiating with Texas A&M International University to provide a grant in collaboration with Kaunas Technological University to strengthen curricula in business management training and market economics education.

- *Participant Training*

The regional USAID Participant Training Program for Europe (PTPE) began in FY 1992. Over $200,000 has been provided under this program to train Lithuanians in fields which have not been addressed through other USG-funded programs. Twenty-nine participants traveled to the U.S. on training programs by the end of FY 1994. A second regional training program, implemented through five individual cooperative agreements with U.S. universities and non-governmental organizations, also provided training for an additional 29 Lithuanians in professional fields including human resource management, communications, and medicine.

Beginning in FY 1994, the ongoing Entrepreneur Management and Executive Development Program (EMED) enables owners and senior managers of small- and medium-sized companies to get short-term, on-site training in the U.S. It is expected that 100 Lithuanians will participate in EMED training over the next three years.

- *Energy and Infrastructure*

The USAID energy assistance program in Lithuania focuses on three main areas: energy efficiency and pricing; power sector restructuring and modernization; and nuclear safety. It also supports regional energy cooperation among the three Baltic countries and with neighboring countries. Approximately $3.5 million was obligated in Fys 91-94 for Lithuanian energy programs.

Building on the successful implementation by Resource Management Associates of a pilot industrial energy efficiency program under the Emergency Energy Project, a plan to conduct a demand-side management program was designed in 1994 to begin in 1995. RCG/Hagler-Bailly, Inc., in cooperation with the Kaunas Distribution Company and private Lithuanian consultants, will undertake implementation of this project. This program is coordinated with the Ministry of Energy and focuses on industrial users of electricity in the Kaunas service area.

USAID has been working closely with the World Bank and other donors on the reform of the electric power sector. Arthur Andersen provided assistance to the Lithuanian State Power System (LSPS) on financial reform in order to establish an internationally acceptable system of accounts. Electrotek Concepts, Inc. worked with LSPS on the planning and modernization of the LSPS dispatch center for inclusion in the planned World Bank power loan.

A utility partnership program, administered by the U.S. Energy Association (USEA), paired Alabama Power Company in July 1994 with the LSPS. Alabama Power Co. will collaborate with the LSPS in areas of general utility management and organization, information technical systems and financial and cost-benefit analysis techniques.

In cooperation with the U.S. Department of Energy (DOE) and the U.S. Nuclear Regulatory Commission (NRC), USAID programming is helping to improve the safety of the Ignalina Nuclear Power Plant (INPP) until it can be retired from service. Through a DOE subcontract, Brookhaven National Laboratory (BNL) installed an RBMK-1500 plant analyzer at the Lithuanian Energy Institute (LEI) for the Ignalina Safety Analysis Group (ISAG) and provided hands-on training for the ISAG staff. BNL began work on the development of a communications network between INPP and LSPS by evaluating the existing communication system, the needs of personnel from recipient countries and determining cost-effective solutions to improve the system. The NRC and the State Atomic Energy Safety Inspectorate (VATESI) signed an agreement on Thermal-Hydraulic Code Applications and Maintenance. This agreement will increase the level of cooperation surrounding the improvement of the reactor and plant and will ensure an exchange of technical information and safety of research reactors. The firm of Stone and Webster was contracted to oversee a configuration management program at INPP, which is currently in the contract process. USAID is cooperating closely with Sweden and other bilateral donors to coordinate efforts in this area.

Lithuania has actively participated in a regional electricity contracting and pricing program. Under a USAID contract, RCG/Hagler, Bailly, Inc., is providing technical assistance and training on the details of electricity sales contracts. This collaboration has been extremely productive leading to bilateral agreements between Estonia-Latvia and Lithuania-Latvia which in turn were the bases for negotiation of other bilateral agreements on electricity interchange between Lithuania-Belarus and Latvia-Russia. In addition, a ten-page draft multilateral agreement among the three Baltic electricity companies concerning the parallel operation of their systems has been prepared for adoption by the nine-member Baltic Energy Council that oversees the operation of the regional Baltic Dispatch Center in Riga to help provide a long-term financial outlet, a Baltic regional energy planning project has been initiated, coordinated by Electrotek Concepts, Inc., which introduced integrated resource planning, a requirement necessary for World Bank and EBRD energy loan applications. The USAID missions in the Baltics are coordinating their efforts in this field for a regional approach to mutual energy problems.

Quality of Life

•*Humanitarian Assistance*

At the end of September 1994, USAID sponsored six Lithuanians to attend a health care conference in Prague on the topic "Realizing the Vision of Health Reform." In earlier fiscal years, USAID awarded $500,000 to Project HOPE to leverage and facilitate the transport of purchased and donated medical supplies and pharmaceutical to Lithuania.

In FY 1992, the U.S. Department of Agriculture (USDA) provided Lithuania a total of 100,000 metric tons of feed grain valued at approximately $11 million. In addition, $8.8 million in agricultural credits were also provided in 1992. In FY 1993, USDA provided an additional 160,000 tons of corn and 125,000 tons of soybean meal under PL 480, Title I to Lithuania for a total of approximately $25 million including shipping costs. In FY94, over $15 million in PL 480 assistance was provided.

•*Environment*

The environmental program in Lithuania is designed to assist with economic restructuring and to reduce threats to human health through three objectives: to support the reform of environment and economic policies, prices, legislation and regulation; to improve the efficiency and effectiveness of public sector environmental investments; and to support the expansion of the role of the private sector in environment and investments.

A cooperative agreement with the Harvard Institute for International Development (HIID) is providing policy reform assistance through a long-term Environmental Policy Advisor at the Ministry of Environmental Protection (MEP), and through providing consultants, supporting local scholars and policy analysts and conducting seminars, conferences and workshops. The chief economist of MEP received training at HIID in July 1994.

The public sector institutional development component of the USG program is carried out through a $875,000 interagency agreement between USAID and the U.S. Environmental Protection Agency (USEPA). The USEPA improved the environmental monitoring system of the MEP by acquiring specialized monitoring and data equipment, installing computer hardware and software, and training specialists to use them; and by conducting systems and needs analysis in conjunction with the MEP. Workshops on environmental risk assessment have also been conducted by the USEPA at the MEP. In addition, the USEPA has confirmed project coordinators and technical support staff for the evaluation of the Siauliai drinking water supply which was seriously contaminated due to a large Soviet military airport adjacent to the city.

USEPA assistance includes activities in environmental monitoring, twinning/technical assistance and risk assessment training in cooperation with Latvian and Estonian environmental officials. Such regional assistance strengthens government-to-government cooperation on transboundary issues such as Baltic Sea pollution and encourages compatible environmental data management systems among countries in the Baltic region.

The Science Applications International Corp (SAIC), a USEPA contractor, presented analysis of existing data for the MEP about the Mazeikiai Oil Refinery through evaluation of air quality, emissions, waste water treatment and groundwater contamination. The SAIC team requested fuel product quality data but did not receive the samples. Another USEPA contractor, the Institute for Sustainable Communities, conducted three workshops for school teachers in Kedainiai on the topic of environmental education.

Expansion of private sector investments in the environment in the USG program is carried out through a cooperative agreement with the World Environmental Center (WEC), a U.S. non-profit organization. Since the inception of the program, WEC has focused its efforts in the areas of industrial pollution prevention and reduction through waste minimization demonstration and impact programs. The WEC is currently assisting several different industries and firms throughout Lithuania. In fall 1994, an evaluation of a waste minimization demonstration project, conducted by the WEC and Kedainiai State Chemical Plant, concluded that annual savings were estimated at 320 percent of the total value of purchased waste efficiency equipment. To expand on program impact, the WEC has held national and regional seminars on the topic of waste minimization and publicized and replicated the success of waste management intervention.

An Environmental Action Program (EAP) survey team undertook an initial three-week mission to Lithuania in September 1994 to verify primary sources of hazardous pollution and to evaluate sites as potential EAP projects. Based on the team's initial visit, Akmene Cement and Achema Fertilizer have been selected for future investment sites.

- *Democratic Institution Building*

The Rule of Law program has provided funds to send Lithuanian judges, administrators,

prosecutors, and attorneys to the U.S. for thirty days to examine the American legal system. Also, U.S. legal experts have participated in Lithuanian legal conferences. Specialized legal book collections have been provided on legal reform issues.

The American Bar Association's CEELI project offers short-term advisors for specific legal topics and provides legal analyses of draft legislation at GOL's request. ABA/CEELI's long-term advisor is working on judicial reform and education. These services are coordinated by the ABA/CEELI resident liaison, and are managed by a long-term resident liaison who concentrates solely on Rule of Law activities.

The International Republican Institute (IRI) and the National Democratic Institute (NDI) have been providing assistance to local democratic institutions. A long-term IRI advisor is conducting grass roots training through a series of ten workshops for local political parties throughout Lithuania to help them build organizational, communication and legislative skills. The first workshop was held in September 1994 in Kaunas. Forty-seven representatives from 10 of the registered 16 political parties participated in the two-day seminar. Three Lithuanian women participated in a "Young Women in Politics" conducted by NDI in February 1994. NDI will place a resident advisor in Lithuania in calendar year 1995 to provide assistance to local parties to strengthen the democratic process.

To assist in building strong parliamentary institutions functioning independently in a multi-party democratic environment, a grant of $1.5 million was provided to the Lithuanian legislature under the U.S. House of Representatives Special Task Force on the Development of Parliamentary Institutions in Eastern Europe (the Frost Task Force). This project included a three-day training seminar for 137 of the 141 members of Parliament on the topics of parliamentary responsibilities, economic transitions, security and organized crime. In addition, a parliamentary library and research facility were created with 350 books and periodicals and a computerized information system worth over $790,000, including 61 microcomputers, 4 notebook computers, 41 printers, and 3 copiers was given to the Parliament.

Since FY 1993, the AFL-CIO Free Trade Union Institute (FTUI) has conducted seminars on trade unionism, democracy and the transition to a market economy to labor activists in Lithuanian trade unions. In FY 1994, a printing press was purchased and installed in the Lithuanian Worker's Union and two printer tradesmen trained LWU in its use for two weeks. Three seminars were held in various cities across Lithuania on the issues of worker safety, health, labor law enforcement, privatization and payment of social insurance benefits.

To strengthen democratic institutions, the U.S. Information Agency (USIA) and USAID are providing in technical assistance and training in the areas of public administration and local government management, and constitutional and civil law reform.

An interagency Democracy Commission, chaired by the U.S. Ambassador, was established in 1994 to oversee the administration of $100,000 in SEED money. The Democracy Commission awards one-time grants of up to $24,000 to NGOs, PVOs, educational institutions and individual nationals for one-time projects which promote democratic development in Lithuania. To date, the Democracy Commission has approved seven projects for funding.

Under the Mass Media Training Project, USIA has provided Lithuanian journalists the opportunity to come to the U.S. to view U.S. radio and television programming and equipment. In October 1993, a U.S. media consultant came to Lithuania to work with reporters and other mass media personnel. Another communications consultant completed a 4-month program with Lithuanian State TV and the Institute of Radio and Journalism, and successfully drafted a plan for reorganization of the LTV news department. Equipment worth $10,000 was given to an independent, private television station, and Vilnius University received $100,000 in radio equipment.

USIA's English Language Teaching Program has placed an 'English as a Foreign Language' fellow in a Lithuanian training institute to conduct programs for local English teachers and improve technology. In FY 1994, two English Language Fellows were placed in institutes of higher learning in Vilnius and Klaipeda. The Klaipeda Fellow left early on in the assignment, leaving one Fellow resident in-country during the 1993-1994 academic year. Three Fellows are resident in the 1994-95 academic year, one of whom has been designated a Senior Fellow to coordinate the program in Lithuania.

The Peace Corps is providing English language training at sites identified by the Ministry of Education, in addition to the business-related technical assistance mentioned earlier.

U.S. ASSISTANCE TO LITHUANIA
TOTAL OBLIGATIONS
as of 30 September 1994
(US $000)

	Obligation Amount SAI/ESF/DA:	$29,567

A. STRENGTHENING DEMOCRATIC INSTITUTIONS

Political Process and Governance		
1800017.	Political Process	233
1800018.	Local Government and Public Administration	226
1800019.	Democratic Governance and Public Administration	388
1800020.	Rule of Law	311
Democratic Pluralism		
1800021.	Political and Social Process	829
1800022.	Independent Media	229
	Subtotal:	$2,215
	as % of Total:	7.5%

B. ECONOMIC RESTRUCTURING

Privatization and Assistance to Enterprises		
1800014.	Privatization and Enterprise Restructuring	3,854
1800023.	Technical Assistance to Enterprises	3,407
Improving the Business Climate		
1800026.	Competition Policy, Laws & Regulations	1,794
1800027.	Business Services	2,691
1800035.	Bank Training (Treasury)	167
1800010.05	Baltics Enterprise Fund	3,508
1800028.	American Business & Private Sector Dev. Initiative	769
Human Resources		
1800002.	Human Resources Program	460
1800029.	Management Training & Market Economics Education	947
1800045.	Participant Training	723
1800024.	Restructuring Agriculture and Agribusiness	1,106
Energy Efficiency		
1800015.	Emergency Energy Program	600
1800030.	Regional Energy Efficiency	4,294

	Subtotal:	**$24,319**
	as % of Total:	**82.3%**

C. IMPROVING THE QUALITY OF LIFE

1800016.	Humanitarian Emergency Medical Supply	839
1800032.	Non Governmental Organizations (NGO) Dev. Project	16
1800038.	Promotion of Private Health Markets	10
Environment		
1800004.	Environmental Initiatives	1,207
1800039.	Improved Public Sector Environmental Services	875
	Subtotal:	**$2,947**
	as % of Total:	**10.0%**

D. MISCELLANEOUS

1800249.	Audit, Evaluation, and Project Support	86
	Subtotal:	**$86**
	as % of Total:	**0.3%**

POLAND ANNEX

Economic Restructuring

Supporting Private Sector Development

The private sector has developed very rapidly in Poland. There remain problems however, and supporting private sector development continues to be one of the highest priorities in the U.S. Assistance Strategy for Poland. The program is broken out into five main areas - assistance to small and medium size enterprise, privatization, capital markets development, agriculture and participant training.

Assistance to Small and Medium-Sized Enterprises - SEED programs have focused in a large part on the development of small and medium-sized enterprises (SME). Assistance has been provided directly to individual firms; through the creation of training programs in entrepreneurship; and through support of institutions which foster a favorable business climate for the development of small and medium-sized enterprises.

- *International Executive Corps (IESC)* has access to 1300 retired US executive who are available for consulting assignments and provides these experts to Polish enterprises, municipalities, and public administrative bodies. This year, experts conducted 56 assignments in which they provided hands-on training and advice in management, business development, strategic planning, cost control, marketing and market research, and accounting. In addition, they identify potential business partners overseas. During one such assignment, an IESC volunteer developed a strategy for the economic development of the Rzeszow Voivodship which emphasized ways to attract foreign investment. His recommendations were implemented and ,by year end, two major US companies, Gerber and Owen, made substantial investments in the region.

- *Citizens Democracy Corps (CDC)* recruits highly-skilled, senior-level US volunteers who provide management assistance to small and medium-sized businesses and institutions which offer support services , training, or financing to SMEs. This year, a CDC advisor helped a private publisher of legal books and consumer magazines establish a sales force and develop a long-term marketing program. As a direct result of his intervention, the beneficiary company's revenues will increase revenues by 25-40% in the coming year.

- *Entrepreneurial Management and Executive Development (EMED)* consists of a business exchange program which brings senior managers and owners of private business to the US for on-the-job management skills and practices training. In 1994, 45 entrepreneurs travelled to the US under this program and 70 more executives will participate in 1995. Through the contacts developed during the visit to the US, the vice-president of a company which produces electronic parts

for air-conditioning systems signed a licensing and distribution agreement with a manufacturer of energy-savings systems for buildings.

- *Polish Business Advisory Service (PBAS)* is a multi-donor project involving the IFC and the EBRD as well as other European donors. PBAS fosters the development of the SMEs by providing entrepreneurs with access to management know-how, technology, and finance. In addition, financial advisory services provide help in financial restructuring through the preparation of business plans and investment proposals while technical services focus on company accounts and management information systems, marketing and distribution, and product quality improvements. PBAS also has a business consultant training program consisting of seminars in financial analysis, accounting, marketing, and operational management.

- *Free Enterprise Transition Center (FETC)* assists Peace Corps Volunteers and other assistance providers through its resource center, case-study library, training material files, and business video library. As the Sabre Foundation partner in Poland for the past 2 years, the FETC has distributed more than 40,000 books to over 100 Polish schools, libraries and organizations.

Privatization - Over the past two years, USAID has supported the privatization effort by funding the activities of the following technical advisors:

- *Price Waterhouse* helped privatize medium-sized firms, developed an auction system, and produced an analysis of the glass sector which led to the privatization of eight firms - one of which was the third largest transaction to date. In addition, it is leading a Business Skills Training project which educates management of state-owned enterprises, workers' councils, and local government officials.

- *Deloitte & Touche* prepared the national carrier, LOT Airlines, for attracting a strategic partner through; a full transformation of its financial accounts, the writing of a final draft of its business plan, and the spin-off of its ticketing, baggage-handling, and food-service departments. In addition, D&T completed a project to divest state-owned enterprises of social and ancillary assets and assisted the Ministry of Privatization in restructuring enterprises prior to their privatization.

- *KPMG Peat Marwick* assisted the Ministry of Privatization in its preparation of the Mass Privatization program through the design of a specific framework for the implementation of the National Investment Funds and share-trading mechanisms. The book value of the 444 companies participating in this program is $4 billion and 25 million Polish citizens will receive shares.

In addition, KPMG assisted in the analysis of the wood panelling and furniture sector, and the fruit and vegetable sector and privatized several firms. It also sent corporate finance advisors to the Ministry of Privatization to help in accelerating privatization.

- *Coopers & Lybrand* prepared a valuation of Huta Warszawa Steel Mill which led to its privatization and the formation of a joint-venture.

Capital Markets Development - In 1994, USAID began a major initiative to actively support the development of the capital market through technical assistance in establishing a modern regulatory framework for the securities industry through the funding of a resident advisor to and training for the Polish Securities Commission. In addition, the following activities will take place:

- *A National Depository of Securities* will be created as an independent body for the clearance, settlement, and deposit of securities according to international standards. This move will directly assist the continued growth and development of Poland's capital market and make possible the implementation of the Mass Privatization Program and of continuous trading which will greatly increase the number of new securities issues and trading volume. Specifically, the new Depository will process all ordinary and extraordinary corporate actions, including dividend processing, splits, rights issues, bankruptcies, take-overs, debt-retirements, and expirations. In addition, it will provide enhanced risk management and assessment of participant risk.

- *A Common Back Office* will be established for small independent brokers who are not affiliated with banks and who would not otherwise be able to afford the investment needed in computer services for processing, clearing, and settling customer stock orders. The outcome of this initiative will be a competitive securities industry which is not dominated by a few well-capitalized banks. Specifically, software capable of back-office processing will be developed, brokers will be linked with the major trading places (which will improve the accuracy and timeliness of trade orders), and brokers and computer programmers will be trained in how to use and upgrade the software. The broad results of the initiative will be the solution of present operational problems and the enhanced ability of the market to handle greater transaction flow.

- The development of *Regulated Investment Companies* will be assisted through the funding of an advisor at the Ministry of Privatization to review existing and proposed regulations governing their operation. Specifically, the advisor will make policy recommendations and draft procedures on: the valuation of portfolio securities in connection with the sale and redemption of funds' securities; requirements as to custody of funds' assets; dealings of the fund with the insiders

or "affiliates;" regulation of the fund manager's fees; disclosure and information relating to the fund for potential fund investors; and the limitations as to capital structure.

- *Unlisted Securities Market* will be developed along the lines of the US NASDAQ system through the funding of advisors to cooperate with the Ministry of Finance, the Securities Commission, the Association of Brokerage Houses and the Association of Polish Banks in developing procedures and regulations.

- *Consortia of American Business in Eastern Europe (CABE)* granted start-up costs for the Sun Diamond Growers' information offices to assist U.S. companies wishing to export to the CEE region.

Agriculture - USAID cooperates with the US Department of Agriculture in supporting the development of Polish agriculture through:

- *Polish American Extension Project* provided advisors to 31 vovoidships (out of a total of 49) to strengthen numerous aspects of extension center services. Their work was supported by two resident advisors at the Ministry of Agriculture and Food Economy (MAFE).

- *Economic Research Service* is cooperating with the MAFE, the Institute for Food Economics, the National Agricultural Statistics Service (NASS), and the Agriculture Marketing Agency (AMS) to develop economic information, including situation and outlook reports on food commodities, short-term impact analyses, and a farm income study. In addition, support was provided to an annual outlook conference, to the NASS in its work with the Polish Statistics Office to develop timely statistics on agriculture, to the AMS in its development of market news reports and grading standards, to a rural youth development program, and to the Cochran Fellowship Program which provides short-term training in the US to agribusiness specialists.

- *Agricultural Cooperative Development International (ACDI)* offers in-country training on cooperative principles to farmers and trainers from extension centers. Two training centers have been set up and 400 farmers trained. In addition, ACDI sends agriculturalists to the US for training in: dairy farming, cooperative banking, fruit and vegetable processing, extension, trade union organization, poultry breeding, bonded warehousing, and women agribusiness professionals.

- *Volunteers in Overseas Cooperative Assistance (VOCA)* provided agricultural organizations with 300 short-term advisors from the US to enhance their commercial or agribusiness service performance.

- *Land O' Lakes* is finishing its 3 year project of assistance to dairies in the field of production and management, using US and Polish experts. It continues its assistance to agribusiness through the creation of business plans and training in management and marketing. To date, 30 companies have received business plans, 40 workshops have been conducted, and 19 Polish professors have been trained at the University of Minnesota, creating a cadre of agribusiness specialists for the future.

- *American Breeders Service (ABS)* in a pilot project, ABS provided advisors to one of nine Artificial Insemination Stations to help in modernization and privatization. In addition, training was provided to 400 inseminators and managers in: customer-oriented sales of semen, cow evaluation, management, and information technology. Set up a Foundation to provide support services to private breeders.

- *Winrock International* implemented the Farmer to Farmer Program in which 25 volunteers from the US provided short-term technical assistance to improve food production, processing, and marketing.

- *RCG/Hagler, Bailly*: Integrated Resource Planning (IRP) and Electricity Pricing. RCG/Hagler provided technical assistance, training and computer models to develop the organization and capability within the Polish Power Grid Company to carry out supply and demand-side analyses. This enabled PPGC to meet a World Bank loan precondition. The electricity tariff analysis has provided the basis for multilateral bank pricing dialogue with the government.

Participant Training Project for Europe. The PTPE Project provided short-term, intensive, tailored training experience in the U.S. for 254 executives and decision makers to furnish them with skills and knowledge necessary for change agents in the transformation period.

- The training supported private sector and financial development through training participants from the Ministry of Privatization the Ministry of Industry and Trade; representatives of Regional Development Agencies, chambers of industry and commerce, consulting firms, and other organizations supporting private sector; inspectors from the Regional Tax Offices and banking specialists; managers from companies intended to be privatized, and businessmen from private companies.

- The program also assisted in the transformation of the public sector by training officials from voivodship (province) administration; officials from the Council of Ministers, Ministry of Transport, Ministry of Foreign Affairs, Ministry of Foreign Economic Relations, Ministry of Environmental Protection, National Sports and Tourism Agency, National Radio Communication Agency, and from the Supreme Chamber of Audits; executives from Polish steel industry; and prospective public servants from the National School of Public Administration.

- The program also trained members of Parliament; representatives of local/municipal government; journalists; academic faculty; and representatives from non-governmental organizations.

Financial Sector Development

Promoting financial sector reform aims to strengthen the banking system and financial markets, which presently remain key barriers to economic growth. Providing needed capital to avert crisis, and technical expertise and training in the adoption of sound lending practices are key to the reform.

- **Polish Stabilization Fund**: The U.S. allocated $200 million to the fund in 1990 as part of a U.S.-led multi-donor $1 billion hard currency reserve. The fund made possible limited convertibility of the Polish zloty by creating an additional foreign exchange reserve. That objective accomplished, the $200 million, plus amounts provided by other donors, will now be used by Poland to help recapitalize Polish state-owned banks as part of the banks privatization process.

- **Polish American Enterprise Fund** is the second largest U.S. assistance vehicle. U.S. obligations exceed $180 million, out of the planned $250 million total. Of the obligated amount, The Fund has disbursed over $120 million to help develop the private sector through equity investments, loans, technical assistance, and other measures. So far over 50 major direct equity investments and large loans have been made and 3,500 loans to small businesses approved. Many of these have been pioneering investments, helping, for example to create the first mortgage bank, initiating the first flotation of a privately owned firm on the stock exchange, financing one of the few leasing companies in Poland, and investing in firms that have been privatized. Small businesses have drawn down $67 million in loans through the Fund's "Enterprise Credit Corporation."

- **Department of Treasury** continues to provide a number of long-term advisers in assisting Poland develop its external debt management strategy, helping with bank privatization, and improving bank supervision. An advisor has assisted with negotiations with external creditors and donors, leading to the successful conclusion of debt rescheduling with external commercial banks.

- **Senior Commercial Bank Advisors** have provided guidance on bank privatization and assistance to private and privatizing public commercial bank management on improvements in bank operations, basic credit analysis, basic credit and accounting training programs, internal credit rating systems, credit approval process, credit administration etc.

- **Bank Przemyslowo Handlowy** technical assistance is being provided to develop loan work-out and credit underwriting capabilities, and identify services and products that could be offered by the bank's investment banking unit. The bank's

advisors have been instrumental in developing and winning acceptance of the investment bank unit's strategic plan.

- **Powszechny Bank Kredytowy** USAID is assisting in the privatization of this Warsaw-based bank, and is advising on developing portfolio management, credit analysis and investment banking capabilities. The bank's advisors have developed capital markets "templates" (including a handbook on the steps required to complete an initial public offering) that can be used by other banks and companies in Poland. Bank Supervision: Advisors drafted an on-site supervision manual tailored to specific Polish legal circumstances, which has been tested in actual on-site examinations. They have provided guidance on amending banking laws, promulgating regulations, and establishing a deposit insurance scheme. They have worked on improving reporting procedures for the banking industry and advice on the establishment of accounting and internal bank auditing procedures, and a unified bank reporting system. Finally, they have helped the National Bank establish procedures to deal with problem banks.

- **Warsaw Institute of Banking:** USAID has also supported its development through assistance in forming its curriculum, providing trainers, and organizing course content. Over 700 bankers have received training under the Institute's 32 courses. Emphasis is now being placed on trainers of trainers, so that teaching can be provided by Polish bankers and not external experts.

- **Financial Services Volunteer Corps (FSVC)** is providing financial expertise on a voluntary basis to the Government of Poland and financial institutions. Since its establishment in Poland, sixty volunteer assignments have been completed in Poland and the FSVC has designed training programs for sixty-three Polish nationals in the U.S.

- **World Council of Credit Union:** due to funding of the organization by USAID, 86 Credit Unions were registered and 68 were operational by July, 1994.

Fostering Democratic Institutions

These programs focus on building a more efficient and effective public sector to better support democratic civil society and market economy. They are also aimed at improving quality of life standards at a time of socially painful reforms. These activities are carried out through programs in Public Administration Reform, Labor Market Transition, Environmental Initiatives, Political and Social Process, Independent Media Project, Promotion of Health Markets and Partnerships and Support of Non-Governmental Organizations.

Public Administration Reform: This new three-year project, scheduled for implementation in February 1995, is designed to help the GOP improve its capacity to

formulate, analyze and implement public policy. USAID's efforts in public administration reform were kicked off in November 1994 with a seminar on the management and structure of the U.S. civil service system. The conference was attended by leaders from the Council of Ministers, ministries, voivodships and parliament. With a draft law on the Civil Service before the Sejm, the seminar was timely and opens the door to future cooperation.

- **Office of Public Procurement:** USAID provided crucial assistance and advice to the GOP as it developed a new law on public procurement, passed in June 1994. The law lays the foundation for an open, competitive procurement system, which will allow fair access by U.S. businesses to the Polish market. The law takes effect January 1, 1995. USAID will provide a resident advisor to assist the new, independent Office of Public Procurement, as well provide opportunities for advanced training for senior Polish procurement officials who will train other civil servants in the procurement process.

- Under a cooperative agreement **Rutgers**, the State University of New Jersey, and its Polish partner, the **Foundation in Support of Local Democracy** (FSLD) are continuing to strengthen local governments through a variety of training programs delivered through FSLD's network of 16 Regional Training Centers (RTCs). A dynamic cadre of 23 professional trainers has been developed. This group takes a team approach and is now capable of performing training needs assessments, developing new courses, and is well versed in adult training methodologies. Course modules have been developed in: management and organization of services, local finance and budgeting, human resources development, public and media relations. Under the new amendment to the agreement, FSLD is re-designing its training module in Personnel Management, and developing a new module in Procurement of Services in cooperation with the Office of Public Procurement, to reflect the changes brought about by passage of the new procurement law. Continued support will be provided to FSLD to strengthen its organization and management, and to promote its self-sufficiency. FSLD estimates that 60% of its income is generated from its own programs and products, with the remainder from a variety of donors and sponsors. FSLD is improving its capacity in strategic planning, financial planning and management, effective use of resources, and marketing and public relations.

- **Local Government Training:** In August 1992, Milwaukee County began a program to provide 6-week internships with appropriate Milwaukee County Government counterparts for 24 Polish local government officials per year. The program has given the participants new skills and knowledge to apply to their own community. USAID will work to ensure that the remaining participants are more directly linked to other USAID projects.

- **Improving the Capacity of East European Parliaments**: This project is managed under the direction of the House of Representatives Special Task Force on the Development of Parliamentary Institutions in Eastern Europe (the "Frost Committee") appointed by former Speaker Foley and by the Office of the Secretary of the Senate. An inter-agency transfer was made to allocate funds to the Library of Congress for implementing the project. Equipment was donated to the Polish Parliament through the Gift of Democracy, a program authorized by the U.S. Senate in October 1989. Technical assistance and training was also provided to parliamentary librarians, research directors and specialists. The program also sponsored two conferences -- on rules of procedure and on automation issues. Now in its third year, the assistance program has helped streamline the work of the Parliament by providing modern automation and office systems and by training key staff. The program also helped develop independent, effective information and analysis units which are able to serve the Members of Parliament and professional staff, so that the elected representatives can better perform their necessary role in a democratic society. The bureaus are also able to assist other parliaments in the region by hosting training or consulting on visits of parliamentary staff.

- **North Atlantic Assembly**: This four-year grant, ending in December 1995, facilitates the participation of legislators and their staff at the Spring and Autumn Meetings of the North Atlantic Assembly (NAA), an organization of legislators whose countries belong to the North Atlantic Treaty Organization (NATO). The Polish delegation was nominated in July 1992, and again in October 1993. It includes the Minister of Defense as the Chairman, one member of the Senate and four Sejm Deputies. Polish delegates also attended a series of seminars which were organized to complement normal NAA activities.

- **The American Bar Association Central and East European Law Initiative** (CELLI) has been providing U.S. legal expertise in the form of advisors, technical assistance and training to the governmental and non-governmental sectors in Poland. Legal workshops have been organized in conjunction with the Polish Lawyers Association, the Warsaw University School of Law and others. Comments were provided on major legislation such as Poland's draft constitution and the While Collar Crime Law. Such assistance, together with that administered by USIA in strengthening legal and judicial education reform, is instrumental in helping Poland restructure its legal system to protect the civil and political human rights of its citizens.

Labor Market Transition: The Project aims at assisting both
in the reform of social and economic institutions in areas such as employment services, as well as workers adversely affected by economic reforms through re-training, training for entrepreneurship and improved access to economic information. Implemented by the U.S. Department of Labor, the Labor Market Transition Project obligated

approximately $2.5 million in 1994 for Poland for the following activities:

- **The Bureau of International Labor Affairs (ILAB)** is assisting Polish trade unions, enterprises, and central government agencies to jointly develop a tripartite industrial relations system. The projects include training for the implementation of a new law requiring collective bargaining for public sector employees and training in minimally disruptive, non-adversarial process of dispute resolution for three major employers (PKP, the Polish railway system, a steel mill plant, and FSO, an automobile manufacturer). In addition, working with the U.S. Federal Mediation and Conciliation Service and other mediation practitioners in the U.S., ILAB will continue to provide training to Polish mediators.

- **ILAB** is assisting several regions in the development of improved employment services and active unemployment intervention through several programs such as a local office of assessment and management in the Gdańsk region, a vocational assessment and counseling program for Regional Vocational Counseling Coordinators, creating a model job-training center in Łódz with the cooperation of the regional labor office and the regional office of the Solidarity Trade Union, and assisting the Central Labor Office to assess the current operations of its new Regional Centers for Staff Training.

- **The U.S. DOL Bureau of Labor Statistics** is providing training assistance to improve Polish economic, labor and price statistics to enable monitoring of the emergent market economy. In addition, DOL is assisting the Central Labor Office to develop a manual for labor market information operations at the national, regional and local levels.

- **ILAB** is supporting the continuation of two construction crafts skills training centers operated by a partnership between the AFL-CIO's Building and Construction Trades Department and the Solidarity Trade Union.

- **ILAB** is completing the development of model program on self-employment and entrepreneurial skills training operated by the Economic Foundation of the Solidarity Trade Union. Specific activities include the implementation of a pilot job creation program for the disabled (working with the Gdańsk Regional Labor Office) and the development of a model training and loan disbursement program for the new Micro-Lending Fund (Polish-American Enterprise Fund).

- **DOL** is working with the Polish Social Insurance Agency (ZUS) to provide assistance in the reform of this sector. Activities include: Training government public relations officials to effectively present social insurance information to the public; Developing economic analysis and actuarial forecasting capabilities within the Government of Poland and the necessary data basis for such modeling efforts; Training programs to improve program and personnel management skills in ZUS;

Assisting in the education of the public regarding private pensions, worker's compensation, and the need to reform the current system; and Assisting the Government of Poland in the development of an international business-specialty media consortium to help present clear messages regarding the social insurance obligations of potential investors.

- **Economic Innovation International**, a private firm funded by DOL is providing intensive assistance to 6 local communities in order to reduce unemployment and to develop a comprehensive strategy for economic development and improvement in the local business climate.

- U.S. DOL and the German Labor Ministry will conduct a joint workshop on the development of job placement programs for workers with disabilities.

Improving the Quality of Life

Environmental Initiatives

- The **Local Environment Management (LEM) Project** initiated a series of wastewater training for municipal officials in southern Poland to strengthen the impact of technical and expert assistance delivered during the first two years of implementation. Additionally LEM introduced surface water monitoring system (DEMDESS) to Wroclaw authorities, and was requested by the GOP Council of Ministers to provide environmental assistance to Borne Sulimowo, badly polluted former Soviet air-base in Poland.

- Under **The Environmental Training Project (ETP)** over 1000 participants and over 100 trainers from state and private businesses, local administration, NGO and universities were trained in addressing managerial and financial strategies to cope with environmental problems confronted by small companies and heavy industry currently undergoing restructuring. Post-Diploma Studies in environmental protection at the Technical University of Upper Silesia for high-ranking steel sector managers.

- World Environmental Center (WEC) through **Waste Minimization** (WM) Project helped saved over $ 2,000,000 in Zachem Cheminal (previously paid as environmental fees and fines), as well as delivered a WM seminar for the whole chemical sector. Savings by other Polish companies, though not that spectacular, have been also significant. WEC has initiated, with similar success, WM activities in dairy, meat, steel and non-ferrous metal industries.

- **Krakow Low Emission Project** selected 8 U.S. companies to enter joint ventures with Polish firms to address the need to reduce low emission in the city with commercial/market solutions. These companies are expected to gradually market their products and services within Poland and CEE. The project was presented to CEE representatives during a conference in Plzen, April 1994.

- **The Environmental Action Program** initiated cooperation with authorities to develop approaches and identify bankable projects decreasing environmental pollution within the city and the province. The expected outcome is a society-driven, long term activity supported by local government streamlining funds for environmental protection.

Political and Social Process provides support for the development of political infrastructure necessary for a democratic, multi-party political system in the countries of Central Europe.

- **Trade Union Support**: This component is implemented by the Free Trade Union Institute (FATUI), this project is designed to strengthen the Solidarity Trade Union as a viable and effective national trade union center. The project has located a regional director in Warsaw. This director serves the northern tier region -- Poland, the Czech Republic, Slovakia, and Hungary -- by providing information on economic and political transformations to union leaders and membership, and well as access to resources such as economists, lawyers, academics and policy makers who have relevant experience.

- **FATUI** provides financial support to the regional Bureaus of Negotiation and Consultation (BKN). This activity with the BKN's provides consultations to workers who are threatened with lay-offs or who face privatization choices they do not fully understand. BKN professionals also write legal opinions on labor law and on drafts of contracts that are being negotiated and teach worker/activists the art of negotiating and coach them during negotiations so they can learn to fend for themselves in a free market system. It is estimated that these offices provide consulting services to workers in 2,000 cases and will represent workers in 300 collective bargaining negotiations. FATUI will organize an inter-regional conference for BKN representatives. In addition, FATUI will assist the BKN's in setting up a computerized information network which will link the thirteen BKN's with each other and the program coordinating office in Gdańsk.

International Media Fund (USIA) Warsaw Journalism Center

- The following workshops were held at the WJC: Fundamentals of Radio Broadcasting, News Reporting and Information Gathering Techniques,

Investigative and Public Affairs Reporting, Experimental Student Newspaper Workshop, Television Management and Production, Government Spokesperson and the Media, Newsroom Management, Civil and Human Rights.

Promotion of Health Markets: This project, operated by Healthcare Enterprise International, Inc. (HEI), is designed to stimulate the development of competitive, efficient and responsive health care systems in Central Europe. It supports public policy change that will promote sustainable health care markets, primarily by working to strengthen the management capability of health care institutions so that they will be able to attract capital for modernization from both public and private sources.

- **Managed Care Demonstration Projects in Kraków, Łódz and Gdańsk**: In 1994 an administrator and hospital director from KrakÓw attended a conference in the U.S. on managed care, and subsequently a group of 12 health care providers were sent to the U.S. for further training. In Łódz, a multi-disciplinary team of healthcare experts from HEI began work to develop a sustainable project. A waiver has been approved in principle by the Ministry of Health which will give local health care officials more flexibility in structuring health care services to meet the needs of the population in the most cost effective way. In Gdańsk, a private Polish medical company (CEN-MED) along with a major Polish insurance company (PZU) is working with the Catholic Church and local and regional government officials to develop an HMO, and HMO-treatment site, and a rehabilitation center. Work on this project has progressed to the stage of developing the business plan for implementation.

- **Quality Assurance and Cost Accounting**: In response to a request from the Polish Ministry of Health, HEI conducted an assessment of need in these related areas. In particular, HEI provided technical assistance for the development and augmentation of the cost accounting effort in Katowice to include: modification of the current cost accounting collection effort (i.e., specific guidance regarding valuation issues, such as depreciation and indirect cost allocation), development of a case-mix index for crude cost per department comparisons, and preparation of a seminar demonstrating the proper uses of cost accounting information to involve executives and health care institution directors from other parts of the country. In quality assurance, HEI arranged for intensive U.S. training of 12 health care professionals in innovative quality improvement strategies. These young leaders will introduce the new systems in their hospitals, which will serve as training sites and future reference points for the Polish health sector.

- **Capital Development Technical Assistance Project - Litewska Children's Hospital, Warsaw**: An HEI-sponsored team conducted an intensive feasibility analysis of the potential for establishing a capital development/fund-raising effort

at the hospital which would serve as a model and mentor for other medical institutions in Poland. Since then, a "western-style" foundation, "The Friends of Litewska Children's Hospital" has been formed, a Board of Trustees has been recruited which consists of the top leadership of the major Polish and international corporations and organizations in Warsaw, various committees have been created in the community, and extensive press coverage has been generated in Poland and abroad. Nearly $1.5 million was pledged by October 1994. A sister foundation is being formed in the United States to gather financial and in-kind support from the large "Polonia" population. A large group of experts has been working on a pro bono basis to help the foundation succeed. It has representation from prominent Polish and American leaders in architecture, accountancy, law, medicine, advertising, public relations, and capital development.

- **Pharmacy Retail/Wholesale/Distribution Mission**: HEI led a team of executives from major U.S. pharmacy chains and wholesaling enterprises that came to Warsaw to investigate the market in Poland for investment in the establishment of "American-style" pharmacies. Later, the team returned and visited five additional large population centers in Poland to develop concrete plans for setting up a chain of 24-hour-a-day drugstores, and a sophisticated wholesaling and distribution network throughout the country. Members of this team are currently working on the development of a complete business plan to implement their project. An international marketing/advertising organization was commissioned by HEI to conduct a nationwide demand survey. This survey was completed in 1994.

Partnerships in Health Care: The purpose of the Partnerships in Health Care Project is to facilitate the exchange of medical knowledge and technology, particularly as regards to the leading causes of death in Central Europe. This is accomplished by encouraging direct linkages between hospitals in the U.S. and the countries of the region.

- Cooperation between the **Milwaukee International Health Training Center (MIHTC)** and **Emergency Medical Service Organizations** in Poland: The project addresses training for emergency medical services in Kraków, Łódź and Białystok. Members of the Kraków physician team, trained in Milwaukee, have developed a manual of prehospital EM standards for Poland, based on U.S. standards. This manual has been approved by the Ministry of Health and Social Welfare for use by all ambulance service personnel in Poland.

- Partnership between the **Albany Medical College and the Marie Skłodowska-Curie Memorial Institute** in Warsaw, and the **Copernicus Medical Academy (CMA)** in Kraków: The project is to address and focus on breast cancer, which

is the primary cancer affecting Polish females. Three breast screening sites, two in Warsaw and one in Kraków, have been activated (with three U.S. mammography units donated under the grant), and assisted in implementation of training activities. Approximately 7,000 women are diagnosed with breast cancer in Poland per year. The activation of the three screening sites has attracted interest from other oncology sites. The Polish Ministry of Health and Social Welfare has procured eight oncology sites with mammography equipment (Opole, Lublin, Gliwice, Wroclaw, Gdynia, Poznań, Kielce and Łódź), thus enhancing breast cancer screening to spread on a national scale.

- Partnership between the **Albany Medical College and the Copernicus Medical Academy**, KrakÓw: Efforts to influence policy for delivery and financing of health care have been supported by the grant with Albany. This component of the project has been concentrated in Kraków in cooperation with the prestigious Copernicus Medical Academy of the Jagiellonian University through the School of Public Health. However, it became clear that there were fundamental infrastructure deficiencies that needed to be corrected before any financing or delivery system could be put in place. There was a great deal of concern about the lack of adequate medical record keeping, quality assurance and utilization management systems. A high standard of medical records was a prerequisite to obtaining quality data for clinical purposes, quality assurance and utilization purposes. Thus, Albany is in the first stages of launching a medical information systems management project in the John Paul II Specialist Hospital (cardiopulmonary hospital) and the Department of Internal Medicine. The main goal of this grant component is to improve the availability and management of medical information in Poland. Since hospitals constitute the bulk of health care expenditures in Poland, automated record keeping and delivering utilization data is critical in cost control of health care and to initiate any new health care policies as well as a new delivery system.

- **American Committee for Aid to Poland** -- Aid to American Schools and Hospitals Abroad: The Polish-American Children's Hospital (PACH) in Kraków, Poland was established by American citizens in the mid 1960's to further cooperative efforts and mutual understandings between the people of Poland and the United States. Built with USAID financing and dedicated in 1965, this institution was assigned the mission of providing specialized medical care for the eight provinces of southern Poland, and to serve as the pediatric training center for the Copernicus Medical Academy of Kraków. Under the guidance and support of USAID and Project Hope, the hospital opened a neonatal and premature baby intensive care unit, which also serves as a referral center for other hospitals in the country. Construction of the Clement Zablocki Children's Ambulatory Care Center at the PACH will be completed in December, 1994. Most of the facility is now open for patient care. The program of medical exchange of nursing, physician and biomedical engineering personnel between the

PACH and the U.S. institutions continues to be active. This is supported by Aid to American Schools and Hospitals Abroad.

Support of Non-Governmental Organizations: The Non-Governmental Organizations (NGO) Development Project develops and encourages programs to facilitate and assure maximum effective use of the resources of non-governmental organizations (NGOs) and private voluntary organizations (PVOs) in implementing U.S. foreign policy objectives. The short-term humanitarian assistance project is designed to support the transition to a free-market economy by providing support for humanitarian and development initiatives, while countries in the region undergo the difficult period of economic and political restructuring. This assistance is designed to promote self-sustaining resource flows from the US private sector to address economic and social problems in Central Europe. Many of the NGOs supported by USAID will expire in 1995 as they have fulfilled their original mandate and have been able to launch other activities which are sustainable without USAID assistance.

- **DELPHI International**: Early in 1991, people representing a dozen local organizations in the Ochota District of Warsaw gathered to see if there might be a way to strengthen their efforts by sharing information and resources. With assistance from the American Committee for Aid to Poland (ACAP), an informal association was created and funding was obtained for staff, office and equipment. Throughout the fall of 1993 and the spring of 1994, Delphi has continued to conduct training projects in Poland, always conscious of providing material that is relevant to the communities' present situation. For the Ochota Project, its success can be attributed to the fact that the training was taking place in incremental sessions over the course of a year, allowing for active trainer/trainee feedback and evaluation of methods tested in the workplace.

- **Democracy Network for Central Europe**: The purpose of the DEMOCRACY NETWORK is to develop and strengthen in Central Europe a broad range of indigenous public policy-oriented NGOs four priority sectors: (1) democracy, (2) environment, (3) economic growth, and (4) social sector restructuring. To do so, USAID/W expects to enter into cooperative agreements with 9 US NGOs which will in turn provide subgrants and technical assistance to indigenous CEE public policy-oriented NGOs.

- **TechnoServe**: This project was very successful in its Burbank-Russet potato production for the local fast food market. Formerly, McDonald's and Burger King were importing their potatoes from France and elsewhere in Western Europe. With TechnoServe's project, local farmers, bankers and middle men are all prospered with the introduction of the new, quality-standard potato, and are doing very well. TechnoServe has produced 2 years worth of the experiment and

has been very successful, and is expanding its operation with the farmer for the third year.

- **Opportunities Industrialization Centers, International (OICI)**: The overall goal of this program is to reduce unemployment through enterprise development, appropriate training and employment services. OICI has worked to provide job counselling and other job related activities to the skilled and semi-skilled unemployed. OIC/Poland has Also been created as a free standing, sustainable program which offers counselling in on how to create a business and how to participate in a free market system.

SOCIAL SECTOR RESTRUCTURING

Earlier this year, a comprehensive USG Policy Review (PRD 36) concluded that social sector restructuring (SSR) in Central Europe was a key element in completing the sustainable economic and democratic reforms that have been the core objective of US assistance to this region. President Clinton drew on this review at the January, 1994 Prague Summit, in announcing our intention to give increased attention to helping CEE nations cope with the social effects of economic reform. All sides agreed that the assistance provided under the SSR Program would be a partnership to facilitate and implement policy changes - and that the basic structure of the problem had already been well defined by the GOP and by previous assistance efforts.

A technical assistance package of activities is being designed that will be targeted to the realization of reforms in the financing and delivery of targeted pension, health care and other social services that reflect both Poland's financial capacity and a mixed market economy.

HOUSING SECTOR ASSISTANCE

Assistance efforts in the housing sector are structured at both the national level where policies are set and the local government level which is assuming a greater role as part of the decentralization program. The Housing Sector Assistance Project provides technical assistance and training to support the following: the decentralization of housing responsibilities to the municipal level; privatization of existing public housing; increased production of affordable housing by private developers and builders; and the development of a viable system for construction and mortgage financing. At the municipal level, the Housing Sector Assistance Project will help local authorities to improve their performance in providing land and infrastructure for shelter, and in carrying out regulatory functions affecting private developers and builders, such as land planning, land titling, and property taxation.

Housing & Urban Financing Policy: USAID is working closely with the World Bank, supplying short and long term technical assistance to establish the

basis for the implementation of a $425 million World Bank, EBRD, GOP, USAID capital program in housing. This includes: development of a long term strategy for a housing finance system including establishment of regulatory, supervisory, and operational systems for capital and savings mobilization, and the growth of the country's short and long term financial resources; training for all levels of bank management personnel in operations and planning related to housing; and short term training in construction lending, mortgage insurance, title search and recordation, and foreclosure procedures. Cooperation with the World Bank on common objectives has enabled USAID to leverage a substantial amount of capital assistance.

- provided short-term advisors to Bud-Bank and participating banks to define and implement an appropriate strategy for promoting the housing finance program introduce construction lending procedures and assist the bank with structuring a construction lending program, using the Kraków cooperative as a pilot.

- based upon earlier experience with the BUDBANK gained by FANNIE MAE consultants, PADCO consultants have provided assistance to the training- of-trainers program being developed for implementation through the Warsaw School of Banking. In 1994 the PADCO Finance Advisors have focussed their technical assistance on the participating banks, stream-lining operations and procedures and marketing and design of a market survey for the BUDBANK.

- provided assistance in the development of draft Condominium Law passed by Parliament in October 1994.

- provided hand-on assistance and training to a variety of financial institutions in adopting sound underwriting, loan origination and servicing procedures for housing and construction finance.

Local Government and Housing Privatization: The Municipal Credit Program was established at a national level to answer the needs of financing municipal infrastructure projects. Through local programs in Warsaw, Krakow, Lublin, Poznan and Gdansk/Gydenia specific technical assistance was provided to answer local needs.

- initiated a project to design a **Municipal Credit Program** for Poland. As part of this program, USAID is designing a $10 million pilot municipal credit program which will assist local governments to finance viable municipal infrastructure projects and gain access to long-term financing; assess and test the capability of municipal governments and the banking sector to support a municipal credit program.

- provided technical assistance in the areas of municipal management; municipal finance and budgeting; city personnel issues; and land use planning.

Warsaw:

- prepared economic analysis report for city of Warsaw, which entailed documenting the entire economic and demographic data archive, estimating urban development and real estate development property markets for the City, conducting assessments of the City's infrastructure, and projecting employment, population and costs associated with supporting that growth.

- prepared a feasibility study, which included a survey of over 40 warehousing facilities,

- developed a program to establish permanently an Economic Analysis Unit in Warsaw to provide economic assessments of the city for businesses and local government, and act as an economic information clearinghouse for the city

Krakow:

- provided expert assistance to Krakow's effort to reform the local property tax. Advisors are developing a series of models that will form the technical basis for Krakow's conversion from this area-based tax to an ad-valorem tax. The Ministries of Finance, Construction and Justice are now focusing on the property tax as a high priority in the national tax reform program and have requested USAID assistance on implementing a nation-wide ad-valorem property tax system.

- assisted city in introduction of computerized program budget system, identification of municipal infrastructure projects, development of a capital budget, and revising the city's accounting system.

- continued to provide resident advisor to work with Krakow city manager, the first such position in Poland.

Lublin:

- worked with city to redevelop impoverished neighborhoods.

- replicating the Krakow process, helped the city improve its budgetary process and city management skills to allow for more transforming and greater public participation.

Poznan:

- assisted with reorganization of Communal Housing Enterprise and in privatizing the City's housing stock

Gdansk/Gdynia:

- provided technical assistance in the development of a GIS/LIS (Geographic/Land Information System) implementation plan for Gdańsk. System serves as a

national model and has resulted in: cadastral database of 1,000 automated parcel maps; development of land ownership map, database of building registry,. deed registry, urban management plans, and revenue assessment from property transfers.

- developed urban planning curriculum with Gdansk Technical University in context of market economy and set up one-year post graduate program in urban planning

- provided technical assistance to Gdynia in industrial land development and waterfront development

Private Development of Housing: This area focuses on the private developer, building, and real estate industries within the overall market-oriented system that Poland is working toward; privatization of the large government building companies; and improvement in the operation of private housing cooperatives which have developed and will continue to develop a significant amount of housing.

- in regional activity, the National Association of Realtor's affiliate, the **Eastern Europe Real Property Foundation (EERPF)**, is helping to train and develop a private sector realtors industry. The primary goal of EERPF is to create a well structured, ethical, and educated real estate system committed to the protection of the public, promotion of home ownership, the establishment and preservation of private property, efficient and equitable real estate markets and the creation of the legal environment supportive of these objectives.

- assisted in formation of the **Polish Federation of Associations of Valuers**, which has served as catalyst for the formation of several local brokerage associations thereby increasing communication.

- the **U.S. Cooperative Housing Foundation (CHF)** designed and began implementation of a program to build the capacity of two local governments (Białystok, Zory) to support and facilitate the development of cooperative projects within their jurisdictions employing mechanisms consistent with a private market system. Thirty-nine row houses have been completed, with 40 more under construction in Zory, and 54 apartments in a mixed-use residential commercial complex have been completed in Bialystok. There has been widespread interest in replicating and institutionalizing this work and CHF has proposed a follow-on project.

- CHF will establish nongovernmental technical services agencies, "AIMs", which will support private sector development, assist development of the financial sector, and will help to develop democratically organized, private sector cooperatives.

- provided policy advice and technical assistance to the Ministry of Construction to identify areas where assistance should be provided to the private construction industry; priorities for technical assistance and training; as well as strategies for privatization of the construction sector and development of the private real estate market development. The final product of the team's work will constitute the strategy and action plan for the delivery of project specific (HG and World Bank) and general technical assistance and training to meet the needs of the private development and construction industries.

- A **PADCO** team identified 18 private and cooperative pipeline projects eligible for financing under the HG program

- provided hands-on assistance to developers to help reduce costs through improved design, contracting procedures, cash flow arrangement, and construction planning.

- proposed a detailed technical assistance and training program for the **Housing Finance Project Office** to provide assistance to developer's projects that would be financed under the HG and World Bank programs.

- The **American Polish Home Builders Institute** prepared a manual on wood frame house design and construction according to Polish codes and standards; organized lectures, seminars, and demonstration projects; promoted wood frame and energy efficient construction

- established the **Information Resource Center**, which provides information on new technologies, financial issues, and contacts to Polish or American producers.

- **APHBI** with assistance from NAHB, is helping to establish a building lobby, which would represent interests of its members before state authorities and coordinate efforts of individual builders in negotiations with producers of building materials.

Housing Guaranty Program: On November 9, 1992, a $25 million Housing Guaranty Loan Agreement was signed to allow for the reform of the housing finance sector and to support the development of market based Polish construction and mortgage lending system. The loan leverages $200 million from the World Bank and $225 million from EBRD, GOP and USAID.

USAID and the Ministry of Spatial Economy and Construction have agreed that PADCO assistance for HG program should be deployed in the following areas: analysis of subsidies in the sector, statutory regulations for implementation of condominium law, social "safety net" issues relating to the housing problems of lower income groups, including but

not limited to housing subsidy program, housing allowance programs and assisted housing programs, facilitating successful private sector involvement in real estate development and the shelter sector including private-public sector partnership.

- The first physical result of the **Housing Guaranty/Mortgage Fund Program** will be financing of 19 projects - 512 home units (total value $3,689,909). It is expected that projects totalling approximately 450 units will be approved for construction credit funding by year end. An additional 50-100 units will be approved for funding by the end of 1994. The increasing number of home units financed by the HG program through BUDBANK will serve as the basis for further implementation of the program.

- A supplementary $10 million technical assistance package is provided by USAID to build the financial and institutional expertise required to encourage housing sector development and to promote private sector initiative. Loans are made through Polish banks for residential projects and are "dual-indexed", adjustable market rate loans capped at a percentage of borrower income.

- The Government of Poland has also committed itself to strengthening the role of local governments. Poland's Local Self Government Act of March 1990 gave municipalities administrative and fiscal responsibility for municipal housing, infrastructure services, and other services which affect the social and economic well being of their populations. Infrastructure systems, especially water, sewer and solid waste are in serious need of upgrading and investment, especially in urban centers.

The **Municipal Infrastructure Finance Pilot Program** proposes a $10 million Housing Guaranty Loan and associated technical assistance to support the establishment of a municipal credit system in Poland. The immediate objectives are making Polish municipalities or their utilities/enterprises credit-worthy borrowers of long-term municipal credit; and creating a primary and secondary market for municipal credit, which will be an attractive and viable market for Polish banks. The strategic policy objectives of the pilot project are to expand the financial mechanisms in Poland capable of raising significant investment capital, both international and domestic, to inform the design and structuring of a broader municipal credit system under consideration by various relevant GOP ministries and to complement the current Housing Finance Guaranty Program.

U.S. ASSISTANCE TO POLAND
TOTAL OBLIGATIONS
as of 30 September 1994
(US $000)

	Obligation Amount SAI/ESF/DA:	**$718,533**

A. STRENGTHENING DEMOCRATIC INSTITUTIONS

Political Process and Governance		
1800003.	Support of Democratic Institutions	4,257
1800017.	Political Process	2,016
1800018.	Local Government and Public Administration	1,600
1800019.	Democratic Governance and Public Administration	5,384
1800020.	Rule of Law	268
Democratic Pluralism		
1800021.	Political and Social Process	3,931
1800022.	Independent Media	2,049
	Subtotal:	**$19,505**
	as % of Total:	**2.7%**

B. ECONOMIC RESTRUCTURING

1800008.	Polish Stabilization Fund (Treasury)	199,140
Privatization and Assistance to Enterprises		
1800014.	Privatization and Enterprise Restructuring	34,600
1800023.	Technical Assistance to Enterprises	22,956
Improving the Business Climate		
1800026.	Competition Policy, Laws & Regulations	5,135
1800027.	Business Services	11,714
1800035.	Bank Training (Treasury)	2,148
1800010.01	Polish Enterprise Fund	250,000
1800028.	American Business & Private Sector Dev. Initiative	3,292
1800047.	Removing Impediments to Trade Enhancement (RITE)	384
Human Resources		
1800002.	Human Resources Program	11,771
1800029.	Management Training & Market Economics Education	12,663
1800045.	Participant Training	3,469
1800005.	Assistance to Private Farmers (Poland)	4,225
1800024.	Restructuring Agriculture and Agribusiness	28,025
Energy Efficiency		
1800015.	Emergency Energy Program	516

1800030.	Regional Energy Efficiency		9,451
1800031.	Krakow Clean Fossil Fuels and Energy Efficiency		20,000
		Subtotal:	**$619,489**
		as % of Total:	**86.2%**

C. IMPROVING THE QUALITY OF LIFE

1800016.	Humanitarian Emergency Medical Supply	308
1800032.	Non Governmental Organizations (NGO) Dev. Project	7,250
1800033.	Labor Market Transition (DOL)	10,190
1800034.	Housing Sector Assistance	19,500
1800006.	Medical Supplies, Equipment & Training (Poland)	1,991
1800037.	Partnerships in Health Care	4,883
1800038.	Promotion of Private Health Markets	2,863
Environment		
1800004.	Environmental Initiatives	20,687
1800039.	Improved Public Sector Environmental Services	8,156
1800041.	Environmental Training	1,842
	Subtotal:	**$77,669**
	as % of Total:	**10.8%**

D. MISCELLANEOUS

1800249.	Audit, Evaluation, and Project Support	1,870
	Subtotal:	**$1,870**
	as % of Total:	**0.3%**

ROMANIA ANNEX

Economic Restructuring

- *Promoting Privatization*

  A public awareness campaign used television and radio to provide factual information on what can be expected from privatization and the benefits resulting from such a process. Additional assistance will be provided when appropriate legislation to privatize state enterprises is passed.

  SEED-funded USAID advisors assist the Transylvania Private Ownership Fund. To date, more than 140 companies representing over 12 percent of its original portfolio have been privatized.

- *Improving Governmental Budgeting*

  Technical assistance provided through the U.S. Department of Treasury assisted in (a) budget classification, presentation and the elaboration; (b) the restructuring of the Romanian Bank of Foreign Trade, and development of traditional commercial bank functions; and (c) fiscal sector reform assisting in drafting the regulations to implement the Romanian Value Added Tax (VAT) and corporate profit tax. These programs aided the government meeting its financing targets while remaining within its budgetary deficit limits.

- *Bettering Agricultural Policy, Production and Marketing*

  The Association of Romanian Animal Growers (ARCA) and the Romanian Millers and Bakers Association (RMBA), two new private business and professional associations, have been supported by USAID-financed programs (the International Fertilizer Development Center and the Agricultural Cooperative Development International, respectively). The two professional associations are aiding their members to be more professional and competitive businessmen, and are already exploring policy advocacy roles. ACDI's work with 110 private flour millers and bakers included training in Romania and a study tour to the United States for sixteen millers. Milling efficiency has since improved by nearly 20 percent over pre-training levels, to approach American standards.

- *Supporting Development of Agribusiness*

  Land O'Lakes (LOL) technical assistance made possible a World Bank loan for supporting the development of Romanian agribusiness. This is an excellent example of relatively small USAID technical assistance, leveraging the large resources of an International Financial Institution.

- *Enhancing Business Skills*

  A SEED-funded Center for Business Excellence has engaged six Romanian universities

to create a national training facility for business counselors. Hundreds of entrepreneurs have received business counseling as a result of the program. An expanding "management training for privatization" activity within the Center will work with senior staff of state-owned companies to facilitate adoption of market-driven business practices.

- *Developing Profitable Enterprises*
  In 1994, a total of over 1,200 small- and medium-sized enterprises (SMEs) received assistance in such areas as development of business plans, improving plant layout for increased productivity, and market analysis to determine consumer needs.

- *Strengthening Trade and Investment*
  The U.S. Department of Commerce's Commercial Law Development Program (CLDP) has helped the Romanian economy become more responsive to market principles by engaging in targeted assistance activities to strengthen the legal and structural framework necessary to advance international trade and investment. Additional assistance in the area of the GATT and intellectual property rights is planned.

- *Improving Commercial Policy*
  USAID contractor Deloitte Touche has been assisting in the promotion of formal and informal bankruptcy procedures in order to facilitate the restructuring of financially troubled enterprises.

Fostering Democratic Institutions

- *Encouraging Constituent Relations With Parliament*
  The International Republican Institute has conducted participatory training exercises for Parliamentarians helping them to better understand the importance of, and respond to, constituent needs and opinions. The interactive sessions have received support from all the political parties and are the result of expert analysis of parliamentarians' needs at this stage of democratic reform in Romania.

  Over 300 district constituent servicing offices have been established by Members of Parliament across the country, financed from the central budget, following outreach activities initiated with Parliament by several SEED-funded democratization programs.

- *Increasing the Information Flow to and from Parliament*
  Parliament's responsiveness and transparency has been further enhanced by the National Democratic Institute (NDI), working closely with its Romanian NGO counterpart, the Pro-Democracy Association (PDA). NDI/PDA lobbying efforts aided in the wider availability of draft laws, greater access by the public to the galleries and in the acceptance, for the first time in Romania's contemporary history, of television cameras in Parliamentary Commission meetings.

- *Improving Municipality Access to Other Donor Assistance*
  The City of Craiova is eligible for direct loan financing from the EBRD due to assistance from the International City/County Management Association (ICMA). These actions build on earlier assistance which allowed Craiova to realize a 12 percent increase in water availability through improved management practices. ICMA technical assistance on infrastructure management to the Cities of Brasov and Oradea also substantially reduced water and electricity consumption.

- *Organizing and Informing Mayors*
  The National Federation of Mayors has established a full-time professionally staffed office in Bucharest, after two years of concerted effort on the part of USAID and its partner agencies. This is a step towards airing the views of municipal officials in the Capital and allows mayors to better influence legislation and public policy issues.

- *Enhancing Public Advocacy by NGOs*
  About 70 NGOs participated in a National Forum of Romanian NGOs organized in March by the International Foundation for Electoral Systems (IFES) in early 1994. They collaborated in the production of position papers. The process was significant for groups which have difficulty working together.

Improving Quality of Life

- *Facilitating National, Local, Private and Public Cooperation for Problem-solving*
  Town meetings held in the environmental "hot spot" towns of Zlatna and Baia Mare are bringing community representatives, municipal authorities and NGOs directly into the debate between national government officials and industrial managers on necessary pollution-reduction and clean-up actions. Ongoing environmental health programs are working with all concerned groups in Zlatna to address critical issues of lead intoxication and sulfur dioxide emissions.

- *Targeting Energy Efficiency and Environmental Safety*
  As a result of collaborative SEED/World Bank efforts in early 1994, Romania established a new National Mineral Management Agency to spearhead attracting foreign investment in petroleum. The government also signed a $365 million Petroleum Sector loan with the World Bank, a project which USAID technical assistance played a key role in designing. TA and monitoring equipment installed in February 1994 is already making a difference at Arpechim, Romania's largest oil refinery and petrochemical complex, helping to reduce the discharge of pollutants into the groundwater system. More recently, the Romanian and American experts involved in the Arpechim project met with representatives of all other major refineries and petrochemical complexes in Romania, to share information on the waste minimization techniques used there.

- *Improving the Life of Abandoned and Malnourished Children*

  A SEED-funded project with Holt International helps over 1500 families, many with HIV positive children, to keep the children at home, rather than having to institutionalize them. Other Holt programs have trained 45 social assistants and supervisors, provided crisis counseling to more than 970 families, reunited 775 children with their Romanian families, placed 300 orphaned children with Romanian adoptive parents, and referred 288 for international adoption.

  World Vision, a SEED-funded grantee, has worked in five institutions to promote child development, and the rehabilitation of 0-3 year old and handicapped youth. Over 1,700 children have benefited directly or indirectly from this assistance. Feed the Children (FTC), another SEED-funded grantee, has rehabilitated eight facilities benefiting more than 1,400 children. Improvements include basic plumbing and heating improvements.

  Project Concern International (PCI) is testing new ways to take mildly handicapped adolescents out of institutions and give them the social and job skills they need to survive and live relatively normal lives; the first group of six youth all have jobs after one year of training.

- *Nourishing Childhood Development*

  UNICEF, with SEED funding, sponsored a training program which uses creative play to promote motor coordination, creativity, and readiness for school among normal and mildly handicapped 2-7 year old while involving these childrens' parents in the educational process. As this project expanded from 5 to 10 sites and this year, the new classroom teachers were completely trained by Romanian trainers under the supervision of an expatriate specialist. The lessons learned in the pilot program will provide a model for the new pre-school curriculum that the Ministry of Education will develop with UNICEF assistance. Another benefit of this project is the rejuvenation of the toy-making cottage industry in Romania which had nearly disappeared.

- *Supporting Social Work*

  The Support Center International and the National Association of Social Workers train social workers, accredit them, and work with Romanian universities to create and upgrade university-level curricula in social work. The first graduates in social work are to complete their training in FY 1995.

- *Expanding Family Planning Services*

  A family planning project has established three Romanian NGOs which provide quality, medically-sound family planning counseling, education, and services in five pilot high schools, and through a network of nine clinics serving over 15,000 women. As a result of multiple donor collaboration to promote strategic planning among the NGOs, a national and donor family planning task force has met which facilitated the first official dialogue between the governmental sector and the NGOs.

- *Improving Long-term Capability in the Health Sector*

  Three projects have provided professional medical training. Updating the knowledge of neonatal physicians and nurses led to the creation of the Romanian Neonatal Association and has provided the basic curriculum for the Ministry of Health's creation of a neonatology residency program. As a result of involving medical students in a knowledge, attitude and practice survey about preventive health care and health promotion, the head of the Epidemiology Department (an advisory board member for the primary health care project) has introduced and received approval to develop a new Department of Community Medicine and Family Practice in Romania. Through the Health Partnership Project, one cardiovascular surgery department has reduced its operative mortality rate by seven percent.

- *Increasing Health Sector Efficiency*

  Efficiencies were promoted through assistance in hospital management and the development of group medical practices. A hospital and ambulatory care operations improvement project has been initiated in three locations. The focus of this project is improvements in financial and clinical management, integration of delivery systems, and the design and use of information systems.

- *Enhancing the Housing Sector*

  An assessment of the housing sector targeted the maintenance of existing stock, facilitation of private real estate markets, definition of the role of government, and expansion of access to the housing market as prime areas of assistance. A pilot program has provided technical assistance for benefits helped in the formation of condominiums.

U.S. ASSISTANCE TO ROMANIA
TOTAL OBLIGATIONS
as of 30 September 1994
(US $000)

Obligation Amount
SAI/ESF/DA: $109,671

A. STRENGTHENING DEMOCRATIC INSTITUTIONS

Political Process and Governance		
1800003.	Support of Democratic Institutions	2,082
1800017.	Political Process	2,327
1800019.	Democratic Governance and Public Administration	172
1800020.	Rule of Law	463
Democratic Pluralism		
1800021.	Political and Social Process	4,077
1800022.	Independent Media	2,890
	Subtotal:	**$12,011**
	as % of Total:	**11.0%**

B. ECONOMIC RESTRUCTURING

Privatization and Assistance to Enterprises		
1800014.	Privatization and Enterprise Restructuring	6,661
1800023.	Technical Assistance to Enterprises	3,346
Improving the Business Climate		
1800026.	Competition Policy, Laws & Regulations	1,035
1800027.	Business Services	5,472
1800010.06	Romania Enterprise Fund	6,619
1800028.	American Business & Private Sector Dev. Initiative	1,118
1800047.	Removing Impediments to Trade Enhancement (RITE)	217
Human Resources		
1800002.	Human Resources Program	1,023
1800029.	Management Training & Market Economics Education	6,395
1800045.	Participant Training	1,829
1800052.	Customs Service Training	59
1800024.	Restructuring Agriculture and Agribusiness	10,073
1800048.	Agriculture Development Program - Romania	10,000
Energy Efficiency		
1800015.	Emergency Energy Program	1,497
1800030.	Regional Energy Efficiency	4,583

	Subtotal:	**$59,926**
	as % of Total:	**54.6%**

C. IMPROVING THE QUALITY OF LIFE

1800016.	Humanitarian Emergency Medical Supply	1,440
1800032.	Non Governmental Organizations (NGO) Dev. Project	11,296
1860001.	Humanitarian Assistance for Romanian Children	4,000
1800033.	Labor Market Transition (DOL)	925
1800034.	Housing Sector Assistance	1,586
1800037.	Partnerships in Health Care	4,376
1800038.	Promotion of Private Health Markets	1,284
1860002.	Romanian Family Planning	4,999
Environment		
1800004.	Environmental Initiatives	3,452
1800039.	Improved Public Sector Environmental Services	2,629
1800041.	Environmental Training	1,320
	Subtotal:	**$37,306**
	as % of Total:	**34.0%**

D. MISCELLANEOUS

1800249.	Audit, Evaluation, and Project Support	427
	Subtotal:	**$427**
	as % of Total:	**0.4%**

SLOVAKIA ANNEX

Economic Restructuring

- *Privatization*

The Slovak American Enterprise Fund (SAEF) seeks to foster small and medium-sized private enterprises through equity investments and loans. SAEF has made approximately $18 million in investments in 30 entities and plan to provide an additional $3 million for a total of $21 million. The majority of investments are in the areas of manufacturing, agriculture and agribusiness. The two largest investments to date, each exceeding $1 million, are in Pyrokontrol, a joint venture producing fire extinguishers, and Oligo, a firm producing corn based products. The Board has authorized a $3 million joint small lending program with the Slovenska Polnohospodarska Banka (SP). The program began in early 1994 and operates through 15 local branches of the SP Banka. Under the joint small lending program, 12 loans have been made to date.

Under a $3.8 million USAID-funded contract, KPMG Peat Marwick provides restructuring and privatization assistance to PPS Detva, former producers of armored personnel carriers, and ZTS Hrinova, component suppliers for military vehicles. Technical assistance focuses on restructuring and strategic planning pursuant to its activities for conversion from defense production to commercially viable civilian goods, and includes assistance in privatization, especially with a view toward foreign investment.

An important objective of the USAID privatization program is to foster the integration of the emerging financial institutions and privatization activities in Slovakia. The vast majority of enterprises in Slovakia are clients of the General Credit Bank (VUB). Because of that bank's vital position in the Slovak economy, USAID has provided approximately $3 million, through KPMG Peat Marwick, to rehabilitate the bank's Treasury management systems, credit work-out, and investment banking capabilities. The objective is to create a strong, skilled domestic banking institution with corporate finance and merchant banking capabilities, which in turn will facilitate the flow of credit and capital to Slovak enterprises.

Under a $1 million contract with USAID, Deloitte & Touche is assisting the GOS Financial Restructuring Committee to develop a methodology for resolving the "debt overhang." Restructuring plans are being developed and implemented for those 10 enterprises with the highest levels of non-performing debt. This exercise will serve as a "case study" for development of a broader debt conciliation process.

Deloitte & Touche received a $927,800 contract to prepare an assistance plan for privatizing the Istrochem chemical plant and to initiate a marketing study of the chemical sector. Deloitte & Touche was also awarded a $600,000 contract to

provide 'ad hoc' economic advice to the Ministry of Economy. Under this *ad hoc* Advice delivery order, USAID is assisting the Ministry of Privatization with the "second wave" of privatization through funding Slovak attorneys and industry specialists to prepare those enterprises selected for coupon (voucher) privatization, and to assist with a public education program. A 'transactions team' is advising the Ministry of Privatization on direct sales of state-owned enterprises to foreign investors, through a 12 month, $2 million delivery order through mid-1995. Deloitte & Touche advisors have also assisted the Ministry of Privatization to formulate a privatization implementation plan and have performed a financial survey of the National Property Fund.

A USAID contract with the Price Waterhouse International Privatization Group provided for a $1.7 million program to prepare firms for privatization by assisting with valuation, reordering company records in compliance with modern accounting principles, and making recommendations for restructuring. Price Waterhouse worked with four Slovak companies: Gemtex s.p. (knitwear), Izomat s.p. (building materials) in Nova Bana, Slovena s.p. (woolen fabric) in Zilina, and Tatralan s.p. (textiles).

USAID awarded a $350,000 contract to Coopers & Lybrand to assist in the privatization of the Chemko Straske enterprise. The assistance focused on helping the company to prepare internationally acceptable financial statements, assess markets and develop a business strategy for the company's products.

Until recently, the Department of Justice (DOJ) and the Federal Trade Commission (FTC) had a two-person long-term resident team consisting of an economist and a lawyer in Bratislava providing advice to the Slovak Anti-Monopoly Office. FTC/DOJ have established excellent relationship with the Anti-Monopoly Office, as well as the Ministries of Finance, Economy and the Consumer Federation to promote the creation of a competitive market. Specifically, through the team's efforts a new Slovak competition law was enacted in August 1994 and it incorporates many recommendations of the FTC/DOG advisors which greatly enhances the effectiveness of the government in dealing with regulatory and monopolistic issues. In addition, the team has provided critical assistance in formulating enforcement guidelines. The team has been instrumental in coordinating privatization and competition policies to ensure market-oriented competitive solutions to economic problems, and assisting on competition analysis of proposed privatization projects. Although resident advisor assistance was phased out in 1994, short-term assistance continues through targeted missions. Experts from FTC and DOJ continue to provide technical assistance in specific areas including telecommunications, transportation, and public utilities through December 1995. Slovak competition officials have interned in the U.S. with DOJ and FTC, obtaining detailed exposure to U.S. competition policy and law enforcement techniques. Conferences hosted by FTC and DOJ provide further education competition policy issues and provide Slovak officials and officials from

other Central European countries with a forum in which to discuss issues of mutual concern.

Under a $1.5 million USAID contract with Deloitte & Touche, Slovakia is receiving assistance in competition policy laws and regulations. Deloitte & Touche advisors have conducted a legal analysis of the status of bankruptcy laws and practices in Slovakia and may provide training workshops and advisory services.

The Treasury Department has provided Slovakia with three long-term advisors since 1992. A long-term advisor to the General Credit Bank worked on the formation of a problem loan workout function and establishment of an Asset-Liability Committee. Activities included assistance with the installation of an audit management system and the implementation/restructuring of the branch system. A long-term advisor to the Ministry of Finance worked on intergovernmental fiscal relations and budgetary policy issues. The budget staff at the Ministry also received training on budget concepts and principles. The third long-term advisor, a tax policy specialist, is helping the Ministry of Finance to address tax policy issues such as tax revenue estimation and formulation of tax analysis models.

Under a USAID contract with KPMG Peat Marwick, a diagnostic of bank supervision capabilities was created and, each quarter, a KPMG advisor visits Slovakia to develop on-site capabilities. The Treasury Department also provided three short-term advisors. A short-term advisor to the Ministry of Economy reviewed development programs for presentation to the World Bank and IMF, to ensure adequate standards. A short-term advisor worked with the Ministry of Finance on cash management and government securities issues while another worked with the Slovak National Bank and the Ministry of Finance on government securities issues.

The Securities and Exchange Commission and the Financial Services Volunteer Corps (FSVC) reviewed regulatory and operational issues related to trading investment company shares and shares of publicly held companies. A short-term SEC adviser provided technical assistance to the Ministry of Finance on regulatory aspects of trade and investment issues, including those involving the Bratislava Stock Exchange.

FSVC also provided assistance to Prva Investicna, an investment fund, in developing a program on corporate finance and fund capitalization, drafting a blueprint for capital market development for approval by the Council of Economic Ministers, and restructuring the Ministry of Finance's institutional structures that deal with capital market issues.

In bank training, the Institute of Banking Education was supported by Treasury's contract with KPMG Peat Marwick to train Slovak commercial bankers.

Under the Department of Labor, in 1992 SRI International assisted the Ministry of Economy in the development of a strategy for tourism. Also, under DOL, Economic Innovations International organized a community leadership workshop in March 1993. This workshop was designed to help five local communities identify and market their comparative commercial advantages.

- *Enterprise Development*

  The International Executive Service Corps (IESC) places expert volunteer advisors with individual firms and cities seeking assistance in management, marketing, production and quality control. IESC has provided over 75 volunteer executives to Slovakia.

  The IESC has also provided several long-term advisors to assist in the conversion of defense industrial capacity to non-military uses. The main task of the advisors was to identify commercially viable defense conversion projects.

  There are currently 12 MBA Enterprise Corps Volunteers in Slovakia. Four volunteers are placed the Slovak-American Enterprise Fund. Three volunteers work at the Entrepreneurship Center, a center which helps entrepreneurs at small and medium-size companies with business-related issues. Other placements include JC Efekt, a company marketing goods and raw materials from the former Soviet Union; PSB, a firm producing wire meshes and springs; FCS spol, a financial consulting firm; Tatra Banka, an Austrian-Slovak bank; and Delis Plus, a firm producing paper products.

  The Peace Corps currently has 15 small business volunteers (PCVs) in Slovakia. These PCVs advise local entrepreneurs at regional business advisory centers. The PCVs also develop workshops to address business management issues such as budgeting, personnel recruitment, and performance management and appraisal.

  The Entrepreneurial Management and Executive Development Project (EMED) provides entrepreneurs and senior level managers of small and medium size companies the opportunity to enhance their skills through practical management and development training with the U.S. business community. Areas for skill development include marketing, general business, export management, product development, quality control, and human resource management. To date, 49 entrepreneurs have been trained under EMED.

  The American Business Center (ABC), located in the center of Bratislava, opened for business in August 1994. The Center's goal is to provide a "soft landing" for American companies wanting to do business in Slovakia by offering temporary office space at below-market rates as well as telephone, fax and conference facilities. In addition, the center serves as a clearinghouse for general business information and available resources.

- *Trade and Development*

  The Trade and Development Agency (TDA) conducted a number of feasibility studies in Slovakia. Completed studies include a natural gas pipeline project, development of a hazardous waste incinerator, power plant rehabilitation, modernization of a copper smelter, and municipal waste management. The gas pipeline project was funded under the American Business Initiative program.

  The American Business Initiative supports economic reform while promoting U.S. investment and trade in the areas of telecommunications, environment, and energy. For example, the Telecommunications Industry Association assisted a Slovak entrepreneur in finding American suppliers of radio broadcast equipment for a new radio station in Bratislava. Also, the Department of Commerce's Eastern European Business Information Center (EEBIC) collects information on joint ventures and other business opportunities in Slovakia and publishes the information in the Eastern Europe Looks for Partners bulletin.

  Under two contracts with the U.S. Trade and Development Agency (TDA), the U.S. law firm of Squire, Sanders and Dempsey conducted studies and made recommendations for new legal and regulatory structures for the telecommunications sector in preparation for its privatization. Those 1992 studies involved working with federal officials from the former Czech and Slovak Federal Republic to develop policies on regulatory and legal structure for telecommunications.

- *Energy*

  The energy assistance program in Slovakia focuses on three main areas: Power Sector Restructuring, Energy Efficiency and Nuclear Safety.

  Power Sector Restructuring: Bechtel and Arthur Andersen provided assistance to the Ministry of Economy in evaluating the pros and cons of basic organizational options for restructuring the power sector. This work led to a Slovak Government decision to create a joint stock company that would be open to domestic and foreign investment. Bechtel energy planners have reviewed the draft Slovak Energy Policy White Paper and helped develop a capacity to evaluate in greater detail the implications of different scenarios and changes in various parameters (e.g. gas import prices). Related to these efforts, USAID, through the U.S. Energy Association and Bechtel/Arthur Andersen, has provided support and training to the Anti-Monopoly Office, Ministry of Finance, Ministry of Economy and Slovak Power Enterprise on economic regulatory issues that are being debated in the context of the preparation of a new energy law. A Slovak interagency delegation involved in drafting the new energy law visited the United States in October 1993 to follow-up on a May seminar in Slovakia and to visit with Federal and U.S. State energy regulators. Additional assistance is planned to help implement the new regulatory system once its basic structure and function have been approved. The issue of tariff setting is central to the regulatory process, and Bechtel and Arthur Andersen are preparing an electric

power tariff study. USAID is coordinating closely with the World Bank and EBRD on this study.

The Utility Partnership Program with the U.S. Energy Association has supported a cooperative management exchange program between the Southern Electric Company of Atlanta, Georgia and the Slovak Power Enterprise (SE). A strategic plan of activity has been developed which focuses on the areas of environmental management, human resources management, and utility regulatory affairs and will help the company prepare for the major changes resulting from the new privatization decisions and the expected introduction of a new regulatory system. A complementary program of financial advice by Deloitte & Touche/Solomon Brothers to SE will begin soon to help develop a financial strategy and identify thermal power project financing possibilities that would mobilize private capital.

Energy Efficiency in Industry and Buildings: The activities in energy efficiency focus on: (1) creating a framework for the development of energy service companies and third-party finance of energy efficiency projects; and (2) the demonstration of market-oriented approaches to improving energy efficiency in industry and buildings. RCG/Hagler, together with the U.S. National Association of Energy Service Companies, is beginning an effort to assess the policy, legal and financial issues in the development of energy service companies (ESCOs) and performance contracting. Under an interagency agreement with the U.S. Department of Energy, a demonstration energy efficiency project has been initiated in the town of Handlova, that will address the improvement of the district heating system and the potential for savings in an apartment complex. DOE is also implementing an energy/environmental improvement pilot project at the aluminum plant in Ziar nad Hronom, which will consider the potential for substituting natural gas for low-grade lignite.

Nuclear Safety: Slovakia has two reactors at Bohunice that are considered high-risk by the G-7. While the above efforts seek to develop economic alternatives to continued operation of these units, the US Department of Energy is implementing a short-term, operational safety program at Bohunice, including the provision of training, a plant analyzer and the preparation of a probabilistic risk assessment. A new Slovak Nuclear Safety Authority has been created with the responsibility for safety inspection and licensing of this plant. The U.S. Nuclear Regulatory Commission is working to upgrade the capacity of this organization by providing diagnostic computer safety codes, legal information, and inspector training.

- *Agriculture*

  Volunteers in Overseas Cooperative Assistance (VOCA) advise on organization and operation of agricultural cooperatives, privatization of state farms, privatization of state food processing industries, and promotion of tourism in rural areas. A primary

emphasis has been to assist private farmers. VOCA also provides assistance to the Ministry of Agriculture on policy issues.

Under USAID's Restructuring Agriculture and Agribusiness in the Private Sector (RAAPS) project, Iowa State University provides technical assistance directed toward the eventual privatization and restructuring of collective farms, as well as meat processing, input and commodities marketing, land management and appraisal, public information systems, and the legal processes, including bankruptcy, and finance.

Iowa State University also provides technical assistance to the emerging private agribusiness sector through its connections with Pioneer Hi-Bred International, the Iowa Farm Managers Association, Farmland Industries, Farm Credit Bank, Brenton Banks, Firstar Farm Management, Hertz Farm Management, Farmers National Company, Treynor State Bank, Wimmers Meat Products, and AgServices of America. The emphasis is on restructuring and privatization of agribusiness through technical assistance and training on marketing and management.

Land O'Lakes provides a number of training courses in the dairy sector including "Dairy Processing and Manufacturing," "Intermediate Marketing Principles," and "Dairy Herd Health and Nutrition." Land O'Lakes also sends candidates to the U.S. for short-term visits to U.S. farms.

Iowa State University (ISU) provided eight week-long seminars in agricultural management, finance, and marketing at the University of Agriculture in Nitra (UAN) in 1992. During 1993, ISU worked with UAN faculty on curriculum development and policy analysis, and organized management and marketing seminars for agribusiness managers at the Agroinstitute, a continuing education facility in Nitra.

Improving Quality of Life

- *Environment*

  USAID, the Environmental Protection Agency (EPA), and the World Bank assisted officials from the Czech and Slovak Federal Republic in drafting a national environmental strategy and action program which was adopted in 1991. This strategy was the basis for a $5 million sector grant which was allocated to Slovakia for the import of U.S. goods for monitoring the state of the environment.

  The World Environment Center (WEC) financed a long-term resident advisor on environmental and economic issues. The advisor helped the Ministry of Environment develop laws and procedures to remove environmental liability as a barrier to privatization, undertook water pricing and financing reforms, and provided training in environmental audits in industry. A follow-up long-term resident advisor

has been provided to address environmental economic policy through a cooperative agreement with the Harvard Institute for International Development.

To support investments in environmental protection, the U.S. private sector provides technical assistance and training in industrial environmental efficiency, industrial health safety, pollution prevention, and environmental economics. Several environmental assessments were undertaken and a number of no/low cost process and management reforms were identified and adopted by Slovak plant managers. The WEC is now conducting a comprehensive year-long waste minimization program at selected plants. This program also facilitates linkages between the U.S. business community and its Slovak counterparts. WEC is also helping to establish the Slovak Association of Industrial Environmental Managers as a center for propagation of waste minimization techniques and strategies.

A short-term consultant, financed by the Environmental Law Institute through USAID, performs research on the enforcement of environmental statutes and environmental compliance.

An agreement with the Environmental Training Project consortium headed by the University of Minnesota provides training in environmental policy and planning, business management, and public outreach. The consortium has delivered training sessions on environmental auditing, environmental impact assessment, business plan, and financing proposal development to participants from industry, environmental service firms, and government agencies. Training for private sector entrepreneurs and public sector officials on environmental auditing was held in Bratislava and Kosice. The consortium also provides training to non-governmental organizations in leadership development, strategic planning, management, technical skills, conflict mediation, and fund raising.

The EPA conducted training courses on topics such as risk assessment and environmental policy, in which members of the Slovak Parliament participated. Through an agreement with the Slovak Ministry of Environment, the EPA provided Geographic Information System (GIS) equipment and other technologies and training to improve Slovak information systems and monitoring capacity.

The Water and Sanitation for Health project (WASH) assists in the development of an overall institutional blueprint for the water supply and sewage system; provides support in the area of policy analysis; makes recommendations on strengthening the capacity of municipalities to both run and/or contract for water supply and sanitation services; and encourages the growing role of the private sector in the management of water supply and sewage services. The Danube Emissions Management Decision Support System (DEMDESS) was also provided by WASH as a water pollution data management system.

A contract with Sanders International, under the Capital Development Initiative, will further expand efforts to stimulate U.S. private investment in environmental protection, foster private sector development, and facilitate the transfer of U.S. environmental technology through technical assistance. Sanders International is also interested in problems such as the disposal and recycling of industrial products. For example, a Slovak company, Eurosarm, is receiving assistance from a U.S. company to recycle used tires through a joint venture.

Under the Capital Development Initiative program, an environmental business specialist was retained to provide technical assistance in preparing business proposals, facilitating opportunities for joint ventures, and providing access to financing between Slovak environment companies and U.S. firms. Technical assistance is also provided to familiarize Slovak environment companies with U.S. environmental equipment, technologies, and engineering consulting services. Beginning in 1994, in cooperation with International Financial Institutions, technical assistance is being provided for environmental investment projects.

The Regional Environmental Center (REC) promotes cooperation among diverse environmental groups in Central Europe. In Slovakia, REC has provided grants to non-government organizations to support institutional development of NGOs and their grassroots environment projects. Other activities of REC include a clearinghouse function on environmental issues and involvement in working groups dealing with government and private organizations on environment.

- *Health*

  Through the Health Markets project, USAID provides technical assistance and training for health sector reform, directed at both the public and private sectors. USAID is developing program directions and strategies with key leaders in Slovakia. The activities include:

  Assistance to the Ministry of Health on the development of strategies to (1) stabilize the health care financing and delivery systems, in the face of a significant shortfall in available funding to for the health sector; and (2) develop long-term reforms promoting efficient, high quality health care.

  Support for the formation of the health insurance agency which includes policy guidance to leaders in the establishment of a health insurance system; training programs for managers and staff in health insurance fundamentals and implementation strategies; and contributions of a significant number of technical documents which have been translated into Slovak for the Ministry of Health and the health insurance agency.

  Support of private initiatives which includes assistance to a private school of health care management in its establishment of a curriculum for hospital managers.

Supporting improved quality of care and operational efficiencies in hospitals and polyclinics through management training and intensive mentoring by U.S. experts.

Project HOPE works with medical entities to develop immediate and long-term plans to reform and improve biomedical engineering, health care management, nursing practices, neonatology, cancer screening for women, and resuscitation skills for health care personnel.

USAID provides assistance in establishing a high quality pediatric cardiology/cardiac surgery capability and to introduce state-of-the-art hospital management systems under the Health Care Partnership Project. The U.S. partners are Project HOPE and Boston Children's Hospital, and the Slovak partner is the Bratislava Children's Hospital.

USAID has provided emergency medical supplies to Slovakia to respond to shortages of medicine, vaccines and items such as sterile bandages and disposable syringes. USAID also supplied over 100,000 doses of influenza vaccine to Slovakia in 1991.

- *Housing*

  USAID, through the Urban Institute, produced a set of housing policy analyses, including a study on housing costs and affordability, and assisted with the drafting of a new Western-style condominium law, which allows the sale of individual apartment units for the first time in 40 years. In addition, USAID is assisting the Ministry of Labor, Social Affairs and Family in drafting legislation concerned with housing allowances. The goal is to reduce the strain on the state budget stemming from such allowances, and at the same time, ensure that needy families do not suffer.

  Under the same project, the Urban Institute sponsored conferences, for senior policy makers on general principles and advantages of market-oriented housing systems, financing mechanisms for infrastructure and housing, assistance programs to protect tenant rights, and methods of phasing out rent controls.

  USAID, through a contract with Planning and Development Collaborative International (PADCO), worked with the Association of Slovak Building Entrepreneurs and the Slovak Technical University (STU) to develop courses to train private contractors and developers in construction management and alternative housing construction technologies. Through PADCO, USAID has provided assistance to the Ministry of Transport and Public Works in public procurement and project management to increase opportunities for small private contractors to bid on new major building and infrastructure construction projects put out to bid by the GOS, international donors such as the World Bank, and others which will afford new construction investment in the country.

USAID is helping to develop a financing system for urban infrastructure and other local projects requiring capital. Working closely with Slovak ministries, banks and municipalities, the Urban Institute is designing an innovative, market-oriented approach to municipal finance. The program includes technical assistance to selected cities, including Trencin, Kosice, Banska Bystrica, Rimavska Sobota and Detva on an intensive basis, and to other localities through the Association of Towns and Communities.

Through a contract with the Urban Land Institute, USAID completed the initial phase of assistance to Trencin on the identification and formulation of strategies for the development of municipal-owned land by private developers.

- *Democratic initiatives*

  Under an initiative of the U.S. House of Representatives' Special Task Force for the Development of Parliamentary Institutions in Eastern Europe (the Frost Committee), the U.S. is supplying technical assistance and equipment to the Slovak Parliament. The objective of this program, administered by the Library of Congress, is to strengthen the legislative process by establishing an independent parliamentary research and reference capacity.

  The American Bar Association (ABA), through its Central and East European Law Initiative (CEELI), has a resident advisor providing assistance to non-governmental and governmental entities such as the Slovak Bar Advocates Association and the General Prosecutor's Office. Through the ABA-CEELI, a U.S. legal expert is assisting in the review of treaty law. Also, the ABA-CEELI is providing assistance to the Slovak Judges' Association to promote an independent judiciary system and to develop a new judicial code.

  The USIA Rule of Law program enabled an Assistant U.S. Attorney to spend six months working with the Slovak Ministry of Justice on criminal justice reform in 1992. USIA also sponsored the participation of three American Judges in the Slovak Association of Judges Conference in Trencianske Teplice in December 1992.

  Several IESC volunteers assisted the Ministry of Foreign Affairs in its organization, management, and training of diplomats. IESC assistance was followed by a two week course in which IESC volunteers introduced Slovak diplomats to concepts of establishing and managing the diplomatic and foreign policy process.

  The International City Managers' Association (ICMA) provided assistance to the Slovak Association of Towns and Communities (ATC) on financial management and review of its dues structure. In this program, ATC members traveled to the U.S. to visit city officials, university representatives, and other organizations to discuss municipal issues and association management methods. U.S. technical advisors also worked directly with the ATC and provided a small amount of equipment.

The IESC Public Administration Program provided American advisors to a number of Slovak mayors and city managers, including Rimavska Sobota, Kokava nad Rimavicou, Modra, Spisske Podhradie, for improving public administration management.

The International Media Fund assisted in establishing the first private radio broadcasting station in CEE at Comenius University and the Center for Independent Journalism in Bratislava. The Media Fund also provides equipment and training to a number of emerging private radio and independent newspaper organizations.

The University of Northern Iowa is collaborating with the Pedagogical Institute of Comenius University and the Slovak Ministry of Education to restructure basic schools and develop a teacher training program that will foster an "ethic of democracy." Independent thinking, risk taking and personal responsibility, traits essential for democratic ideals, will be promoted through instructional practices and revised curricula.

The German Marshall Fund (GMF) provides grants to support individuals and organizations that engage in defending the rights of citizens, with a particular concern for the rights of minorities, ethnic and sectarian groups; increase journalists' understanding of rights issues; and promote cooperation between the governmental and NGO communities. The GMF has provided grants to entities including the Center for Independent Journalism and the 21st Century Foundation in Bratislava.

USIA recently initiated a new Democracy Small Grants program, through which Slovak NGO's can apply for funding for projects supporting democracy, citizens' participation and building a vibrant civic society.

Through USAID's Management Training and Economics Education project, Slovakia has drawn on regional programs providing management and economics training in CEE. Two university consortia involving American and Slovak institutions are providing training in management and economics:

The University of Pittsburgh works with the Czechoslovak Management Center and the Center of Economic Research and Graduate Education (CERGE) in Celakovice, Czech Republic. Nearly 40 percent of the students participating in CERGE programs are Slovak. The University of Pittsburgh also assigned an Economics professor to Academia Istropolitana in Bratislava for 1993-94.

Iowa State University (ISU) professors collaborated with faculty from the Agroinstitute and the Economics University in Bratislava on a case study of a collective farm in Nitra. The study was presented at an international conference and used as a teaching tool at the Agroinstitute seminars. ISU also produced a video

series on agriculture in a market economy, which was broadcast on Slovak television.

The Participant Training Project for Europe (PTPE) provides assistance in developing human resources not sufficiently covered by U.S. or other donors. This training program is key to reinforcing USAID's private sector development strategy as it is focused on training in the financial sector. To date, some 57 participants traveled to the U.S. under PTPE for training in the financial sector. In addition, 35 other people were trained through programs partially funded by USAID, including small enterprise, market economics, public sector administration and telecommunications.

The YMCA promotes and implements youth service programs through institutional strengthening of the newly re-emerging Slovak YMCA. The programs include English language classes, child care, education for deaf children, summer camps, and youth community information and counseling.

USAID and USIA administer a number of democratic initiative programs supporting educational reform, English language instruction, media training, rule of law, management training, books for democracy program, and participant training. Slovaks travel to the U.S. on visits under these programs and U.S. experts will travel to Slovakia.

U.S. ASSISTANCE TO SLOVAKIA
TOTAL OBLIGATIONS
as of 30 September 1994
(US $000)

	Obligation Amount SAI/ESF/DA:	**$107,181**

A. STRENGTHENING DEMOCRATIC INSTITUTIONS

Political Process and Governance		
1800003.	Support of Democratic Institutions	384
1800017.	Political Process	77
1800018.	Local Government and Public Administration	325
1800019.	Democratic Governance and Public Administration	391
1800020.	Rule of Law	255
Democratic Pluralism		
1800021.	Political and Social Process	940
1800022.	Independent Media	1,433
	Subtotal:	**$3,805**
	as % of Total:	**3.6%**

B. ECONOMIC RESTRUCTURING

1800043.	Czechoslovakia (Environment)	5,000
Privatization and Assistance to Enterprises		
1800014.	Privatization and Enterprise Restructuring	16,441
1800023.	Technical Assistance to Enterprises	4,199
Improving the Business Climate		
1800026.	Competition Policy, Laws & Regulations	1,857
1800027.	Business Services	3,668
1800035.	Bank Training (Treasury)	1,074
1800010.03	Czech & Slovak Enterprise Fund	36,936
1800028.	American Business & Private Sector Dev. Initiative	558
1800047.	Removing Impediments to Trade Enhancement (RITE)	259
Human Resources		
1800002.	Human Resources Program	1,050
1800029.	Management Training & Market Economics Education	1,888
1800045.	Participant Training	1,607
1800024.	Restructuring Agriculture and Agribusiness	3,443
Energy Efficiency		
1800015.	Emergency Energy Program	749
1800030.	Regional Energy Efficiency	7,207

	Subtotal:	**$85,935**
	as % of Total:	**80.2%**

C. IMPROVING THE QUALITY OF LIFE

1800016.	Humanitarian Emergency Medical Supply	734
1800032.	Non Governmental Organizations (NGO) Dev. Project	497
1800033.	Labor Market Transition (DOL)	904
1800034.	Housing Sector Assistance	4,117
1800037.	Partnerships in Health Care	2,460
1800038.	Promotion of Private Health Markets	1,006
Environment		
1800004.	Environmental Initiatives	3,155
1800039.	Improved Public Sector Environmental Services	3,284
1800041.	Environmental Training	1,057
	Subtotal:	**$17,215**
	as % of Total:	**16.1%**

D. MISCELLANEOUS

1800249.	Audit, Evaluation, and Project Support	227
	Subtotal:	**$227**
	as % of Total:	**0.2%**

SLOVENIA ANNEX

Economic Restructuring

- *Improving the Banking Sector*

  The SEED program in the financial sector began in January 1994. It is composed of technical assistance to the Bank Supervision Department of the Bank of Slovenia (Central Bank), to the Bank Rehabilitation Agency (BRA), and to Slovenia's largest bank, Ljubljanska Banka, which is socially-owned. Because of Slovenia's relatively advanced state of development compared to other countries in the region, this program was designed as a short-term demonstration project for other similar programs region-wide.

  Program results, however, have been mixed, reflecting in some part the slow progress the Slovenian government is making in privatizing its banking sector. Some solid infrastructure support will come from the year of SEED technical assistance at the Bank of Slovenia: an off-site supervision system, procedures and experience in on-site examinations, and possibly a more solid banking law. Nevertheless, the start-up costs for this project have been large, because of the reluctance of the counterparts at the Bank of Slovenia to use the technical assistance proactively many months after initiation.

  At the Bank Rehabilitation Agency, USAID-contract SEED advisors are working in the area of asset disposition and debt restructuring for those banks which carry heavy debt loads from major state-owned and socially-owned enterprises. A determination will soon be made on the need to continue this work. The USAID effort at Ljubljanska Banka has focused on asset disposition and strategies to allow partial privatization of the bank. Short-term U.S. Treasury advisors have worked with the Ministry of Finance on the development of a government securities market.

  Thus, while the financial reform program may not serve as the demonstration project as initially hoped, U.S. assistance will leave behind solid financial infrastructure support, if the Slovenians choose to use it.

- *Privatization*

  During the next year, USAID will explore opportunities to provide targeted assistance, including but not limited to legal advice, to the Slovene Privatization Agency or other Slovenian agencies on the privatization of selected industries. USAID will also examine the interest and capacity of Slovenia to absorb SEED technical assistance in developing an investment banking capability within the banking system.

- *Telecommunications*

  SEED technical assistance in 1994 was focused on new Slovene legislation as well as training in telecommunications. Advisors reviewed and suggested changes to the Slovene draft telecommunications law, which had its first reading in Parliament late in 1994. Two in-country seminars on telecommunications policy and spectrum management were funded in 1993 and two on principles of regulation in telecommunications and frequency management in 1994. In addition, five Slovene officials participated in U.S. Telecommunications Training Institute (USTTI) courses.

  Short-term advisors from the Federal Communications Commission (FCC) and the National Telecommunications and Information Administration (NTIA) have been working with the Ministry of Transport and Communications on the preparation of its long-term telecommunications strategy, a new regulatory regime, tariff controls, and modernization of the Slovene national telecommunications monopoly, PTT Slovenia.

Fostering Democratic Institutions

- *Media and Training*

  To foster democratic institutions and practices, USIA, through interagency agreement, is implementing programs in English teaching, books for democracy, media training, small grants in management training and market economics education, and Democracy Commission grants. For example, under the independent media in-country training program, a USIA-sponsored professional-in-residence worked with the Maribor daily newspaper Vecer (tied for position as the second largest Slovenian daily) on media marketing. The newspaper quickly put into effect the consultant's recommendations on increasing the paper's advertising revenues and circulation to make it more commercially viable.

  The International Media Fund equipment grants in previous years aided the development of Sovenia's first independent television station, Kanal A, and the newspaper Slovenec, thereby creating needed alternative viewpoints in the Slovene media. The IMF project also resulted in an arrangement with Kanal A through which University of Ljubljana journalism students used the station's equipment to produce their own show for airing, in the process helping develop a corps of promising young broadcast journalists.

  SEED finances participant training programs, and USIA contributes its own funds for Muskie Scholarships and Central Europe Graduate Fellowships and Top-up Scholarship grants.

U.S. ASSISTANCE TO SLOVENIA
TOTAL OBLIGATIONS
as of 30 September 1994
(US $000)

		Obligation Amount SAI/ESF/DA:
		$5,108

A. STRENGTHENING DEMOCRATIC INSTITUTIONS

Political Process and Governance		
1800020.	Rule of Law	77
Democratic Pluralism		
1800021.	Political and Social Process	110
1800022.	Independent Media	393
	Subtotal:	**$579**
	as % of Total:	**11.3%**

B. ECONOMIC RESTRUCTURING

Privatization and Assistance to Enterprises		
1800014.	Privatization and Enterprise Restructuring	2,192
1800023.	Technical Assistance to Enterprises	89
Improving the Business Climate		
1800026.	Competition Policy, Laws & Regulations	707
1800027.	Business Services	426
1800028.	American Business & Private Sector Dev. Initiative	59
Human Resources		
1800002.	Human Resources Program	187
1800029.	Management Training & Market Economics Education	270
1800045.	Participant Training	500
Energy Efficiency		
	Subtotal:	**$4,429**
	as % of Total:	**86.7%**

C. IMPROVING THE QUALITY OF LIFE

1800016.	Humanitarian Emergency Medical Supply	100

Environment

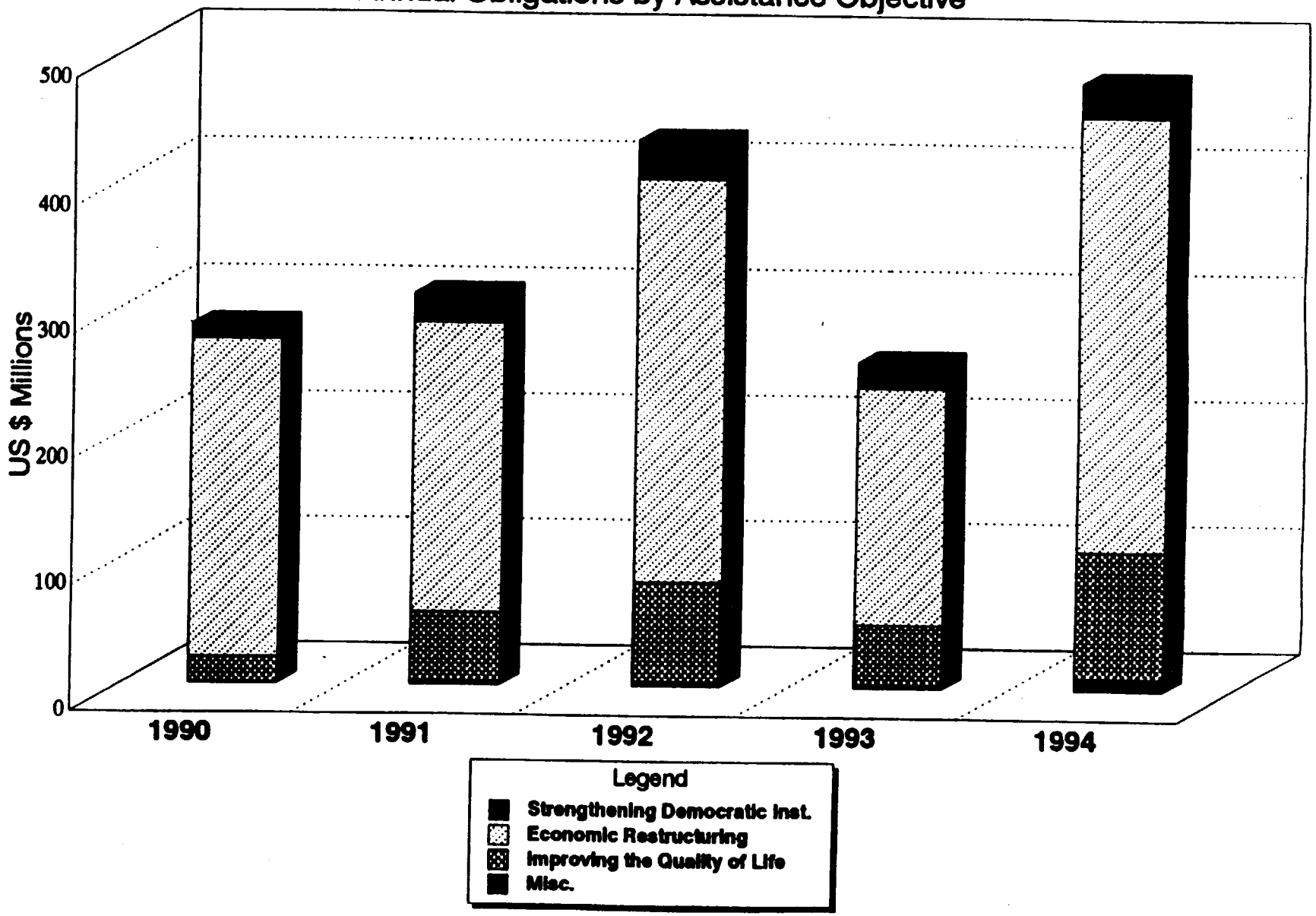
Subtotal:	**$100**
as % of Total:	**2.0%**

D. MISCELLANEOUS

Subtotal:	**$0**
as % of Total:	**0.0%**

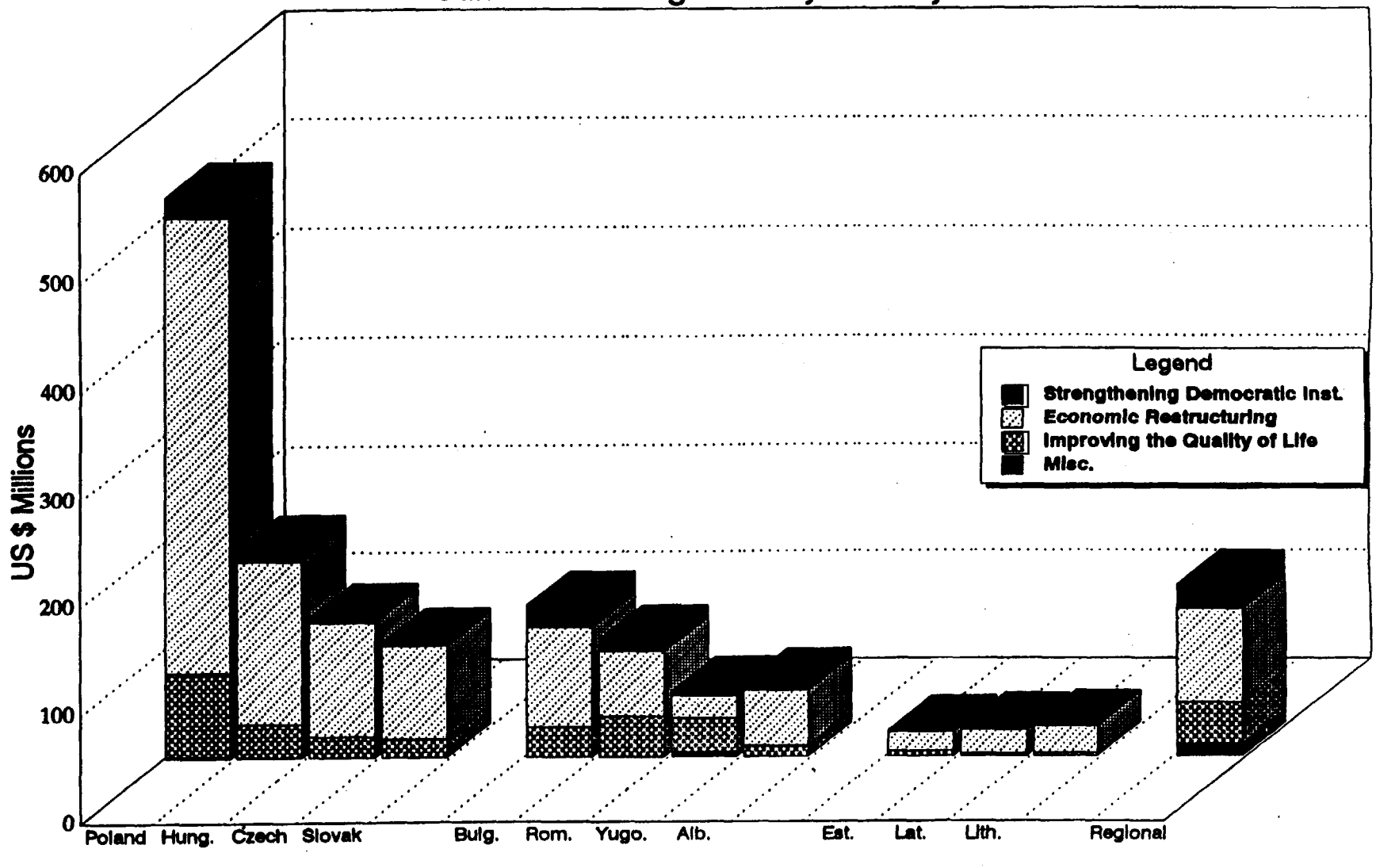
SEED Assistance to Central Europe

Annual Obligations by Assistance Objective



SEED Assistance to Central Europe

Cumulative Obligations by Country



*: Note: 1. Countries are presented in order of program initiation
2. Obligations for Poland do not include $199.1 mill Polish Stabilization fund.
3. Reflects cumulative obligations as of 9/30/94

12/19/94 12 08
PMIS Report

U.S. ASSISTANCE FOR CENTRAL AND EAST EUROPE
FY 90–94 OBLIGATION SUMMARY*
as of 30 September 1994
(In US$ 000's)

	ALB	BOS	BUL	CRO	CZE	EST	HUN	LAT	LIT	MAC	POL	ROM	SVK	SLO	YUG	REG	TOTAL
Country Totals:	$68,433	$15,004	$141,484	$15,550	$130,631	$24,272	$194,670	$26,345	$29,567	$19,009	$718,533	$109,671	$107,181	$5,108	$6,566	$159,531	$1,771,636
A. STRENGTHENING DEMOCRATIC INSTITUTIONS																	
1. Political Process and Governance	1,844	0	7,265	234	3,496	1,208	7,627	1,303	1,157	187	13,525	5,044	1,432	77	728	13,584	58,214
2. Democratic Pluralism	5,602	280	14,237	1,004	2,140	804	3,944	1,015	1,058	1,167	5,980	6,967	2,373	503	968	9,585	54,673
SUBTOTAL:	7,446	280	21,501	1,238	5,636	2,012	11,571	2,318	2,215	1,354	19,505	12,011	3,805	579	1,697	23,168	$112,887
as % of Country Total:	10.9%	1.9%	15.2%	8.0%	4.3%	8.3%	5.9%	8.8%	7.5%	7.1%	2.7%	11.0%	3.6%	11.3%	25.8%	14.5%	6.4%
B. ECONOMIC RESTRUCTURING																	
1. Macroeconomic Support	0	0	10,000	0	10,000	0	10,000	0	0	0	199,140	0	5,000	0	0	0	234,140
2. Privatization and Assistance to Enterprises	5,153	0	10,754	0	31,970	6,267	26,995	7,771	7,261	4,309	57,556	10,006	20,640	2,281	2,076	10,125	196,576
3. Improving the Business Climate	5,586	0	11,129	90	4,894	2,401	11,337	3,519	4,651	183	18,997	6,507	6,599	1,133	141	20,023	95,784
4. Investment and Trade	230	0	23,096	59	28,728	3,557	72,811	4,764	4,277	0	253,676	7,953	37,753	59	0	20,041	456,888
5. Human Resources	4,050	620	8,817	1,126	15,948	2,360	16,545	2,171	2,130	1,951	27,903	9,306	4,544	956	760	26,025	120,559
6. Agriculture and Agribusiness	5,575	0	16,031	0	3,932	1,100	6,605	1,235	1,106	1,631	32,250	10,073	3,443	0	0	1,032	82,381
7. Agriculture Sector Programs	29,767	0	0	0	0	0	0	0	0	0	0	10,000	0	0	0	0	39,767
8. Energy Efficiency	0	25	11,966	0	9,532	1,717	7,140	2,074	4,894	550	29,967	6,080	7,956	0	1,633	9,341	92,300
SUBTOTAL:	50,360	645	91,793	1,275	105,005	17,403	151,433	21,534	24,319	8,623	619,489	59,926	85,935	4,429	4,610	86,587	$1,318,395
as % of Country Total:	73.6%	4.3%	64.9%	8.2%	80.4%	71.7%	77.8%	81.7%	82.3%	45.2%	86.2%	54.6%	80.2%	86.7%	70.2%	54.3%	74.4%
C. IMPROVING THE QUALITY OF LIFE																	
1. Short-term Emergency & Humanitarian Aid	6,742	13,919	3,907	10,828	2,434	456	4,314	455	855	4,112	7,558	16,736	1,231	100	0	2,306	46,995
2. Employment and the Social Safety Net	149	0	1,270	0	250	0	3,277	0	0	0	10,190	925	904	0	0	7,618	24,582
3. Housing	967	0	4,484	0	3,688	0	6,205	0	0	0	19,500	1,586	4,117	0	0	14,400	54,947
4. Health	2,124	0	6,814	2,188	4,177	1,355	5,843	20	10	0	9,737	10,659	3,466	0	0	2,352	46,356
5. Environment	504	0	11,403	0	9,187	2,804	11,091	1,863	2,082	0	30,684	7,400	7,497	0	248	11,117	95,880
SUBTOTAL:	10,486	13,919	27,877	13,016	19,736	4,615	30,730	2,338	2,947	4,112	77,669	37,306	17,215	100	248	37,793	$268,760
as % of Country Total:	15.3%	92.8%	19.6%	83.7%	15.1%	19.0%	15.8%	8.9%	10.0%	21.5%	10.8%	34.0%	16.1%	2.0%	3.8%	23.7%	15.2%
D. MISCELLANEOUS																	
	141	161	513	21	254	242	936	156	86	5,000	1,870	427	227	0	11	11,982	16,843
SUBTOTAL:	141	161	513	21	254	242	936	156	86	5,000	1,870	427	227	0	11	11,982	$16,843
as % of Country Total:	0.2%	1.1%	0.4%	0.1%	0.2%	1.0%	0.5%	0.6%	0.3%	26.2%	0.3%	0.4%	0.2%	0.0%	0.2%	7.5%	1.0%

* Country specific attributions are based on the best information available.

291

12/19/94 11:55
PMIS Report

CEE FY 1990 - 94
OBLIGATIONS BY COUNTRY *
as of 30 September 1994
(in US$ 000s)

Grand Totals

	OBLIGATION AMOUNT	Albania	Bulgaria	Czech	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Former Yugoslavia	Region
FY 1990	$285,705	$0	$2,116	$1,087	$0	$10,109	$0	$0	$263,101	$6,306	$705	$751	$1,529
FY 1991	$311,519	$5,386	$29,373	$32,860	$3,840	$58,234	$3,772	$3,800	$115,202	$14,538	$19,195	$5,731	$19,589
FY 1992	$433,157	$31,589	$39,680	$34,035	$3,864	$51,359	$5,206	$6,326	$151,520	$21,546	$28,550	$3,118	$56,364
FY 1993	$259,653	$15,043	$27,355	$18,327	$4,441	$32,551	$4,286	$7,327	$62,191	$34,695	$15,507	$8,428	$29,502
FY 1994	$481,603	$16,415	$42,959	$44,323	$12,127	$42,416	$13,082	$12,114	$126,519	$32,587	$43,224	$43,290	$52,547
TOTAL	$1,771,636	$68,433	$141,484	$130,631	$24,272	$194,670	$26,345	$29,567	$718,533	$109,671	$107,181	$61,318	$159,531

		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
A. STRENGTHENING DEMOCRATIC INSTITUTIONS		$116,338	$7,446	$21,501	$5,636	$2,012	$11,571	$2,318	$2,215	$19,505	$12,011	$3,805	$5,148	$23,168
% of Cum. Subtotal Obligations	$116,338	100.0%	6.4%	18.5%	4.8%	1.7%	9.9%	2.0%	1.9%	16.8%	10.3%	3.3%	4.4%	19.9%
% of Total Obligations	$1,771,636	6.6%	0.4%	1.2%	0.3%	0.1%	0.7%	0.1%	0.1%	1.1%	0.7%	0.2%	0.3%	1.3%
1. Political Process and Governance														
1800003. Support of Democratic Institutions														
.01	SUNY/Albany	550	0	0	0	0	550	0	0	0	0	0	0	0
.02	NED	10,442	0	1,845	764	0	1,317	0	0	3,530	2,082	384	308	211
.03	USIA	1,350	0	0	0	0	623	0	0	727	0	0	0	0

* CEE projects are regionally programmed. Country-specific attributions are based on the best information available.

292

		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
	Project Total for FY90	12,341	0	1,845	764	0	2,490	0	0	4,257	2,082	384	308	211
.01	SUNY/Albany	92	0	0	0	0	0	0	0	0	0	0	0	92
.02	NED	1,523	0	787	0	0	0	0	0	0	0	0	0	736
	Project Total for FY91	1,616	0	787	0	0	0	0	0	0	0	0	0	829
	PROJECT TOTAL:	13,957	0	2,633	764	0	2,490	0	0	4,257	2,082	384	308	1,040
1800017.	**Political Process**													
.01	Political orgs. (incl. elect. monitoring)	3,621	623	1,172	0	0	0	0	0	0	1,299	0	331	196
.02	Baltics grant agreements	700	0	0	0	234	0	233	233	0	0	0	0	0
.03	Citizens' Networks (USIA)	2,000	87	415	77	0	663	0	0	463	39	77	50	129
	Project Total for FY91	6,320	710	1,587	77	234	663	233	233	463	1,338	77	381	325
.01	Political orgs. (incl. elect. monitoring)	2,176	210	51	0	0	170	0	0	16	846	0	0	883
.04	AFL-CIO support	3,274	34	56	0	0	393	0	0	1,537	143	0	0	1,111
	Project Total for FY92	5,450	244	107	0	0	563	0	0	1,553	989	0	0	1,994
	PROJECT TOTAL:	11,770	954	1,694	77	234	1,225	233	233	2,016	2,327	77	381	2,318
1800018.	**Local Government and Public Administration**													
.01	Grants competition	800	0	350	225	0	0	0	0	0	0	225	0	0
.02	USIA grants to Baltics	700	0	0	0	237	0	270	192	0	0	0	0	0
.03	AID grants to Baltics	100	0	0	0	33	0	33	33	0	0	0	0	0
	Project Total for FY91	1,600	0	350	225	271	0	304	226	0	0	225	0	0
.01	Grants competition	2,550	0	0	100	0	750	0	0	1,600	0	100	0	0

* CEE projects are regionally programmed. Country-specific attributions are based on the best information available.

		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
	Project Total for FY92	2,550	0	0	100	0	750	0	0	1,600	0	100	0	0
	PROJECT TOTAL:	4,150	0	350	325	271	750	304	226	1,600	0	325	0	0
1800019.	**Democratic Governance and Public Administration**													
.01	Technical Assistance & Equipment (Frost)	2,019	0	504	505	0	610	0	0	400	0	0	0	0
	Project Total for FY91	2,019	0	504	505	0	610	0	0	400	0	0	0	0
.01	Technical Assistance & Equipment (Frost)	6,054	0	442	943	10	1,384	10	10	256	0	29	0	2,970
.02	Senate - Gift of Democracy/Team Technology	749	0	0	0	0	0	0	0	749	0	0	0	0
.03	North Atlantic Assembly	637	0	0	0	0	0	0	0	0	0	0	0	637
.04	Public Management	1,500	118	80	210	110	165	110	132	115	146	140	39	137
.05	Local Government	325	0	0	0	0	0	0	0	325	0	0	0	0
.06	USIA	60	0	60	0	0	0	0	0	0	0	0	0	0
	Project Total for FY92	9,325	118	582	1,153	120	1,549	120	142	1,444	146	169	39	3,744
.01	Technical Assistance & Equipment (Frost)	4,305	540	601	358	218	540	232	194	490	0	164	0	967
.03	North Atlantic Assembly	256	0	64	32	0	64	0	0	64	0	32	0	0
.05	Local Government	1,270	0	0	0	0	0	0	0	1,270	0	0	0	0
.07	Public Administration	342	0	313	0	0	25	0	0	4	0	0	0	0
	Project Total for FY93	6,173	540	977	390	218	630	232	194	1,828	0	196	0	967
.01	Technical Assistance & Equipment (Frost)	3,899	0	0	0	0	0	0	0	0	0	0	0	3,899
.03	North Atlantic Assembly	419	26	52	26	52	52	52	52	52	26	26	0	0
.05	Local Government	750	0	0	0	0	0	0	0	750	0	0	0	0
.07	Public Administration	1,314	0	162	0	0	0	0	0	909	0	0	0	243
	Project Total for FY94	6,381	26	214	26	52	52	52	52	1,711	26	26	0	4,142

* CEE projects are regionally programmed. Country-specific attributions are based on the best information available.

		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
	PROJECT TOTAL:	23,897	684	2,277	2,075	390	2,841	404	388	5,384	172	391	39	8,853
1800020.	**Rule of Law**													
.01	USIA	626	13	22	20	88	94	57	82	11	106	10	0	123
	Project Total for FY91	626	13	22	20	88	94	57	82	11	106	10	0	123
.01	USIA	402	10	83	38	0	48	0	0	79	96	48	0	0
.02	ABA Grant	1,000	0	33	7	0	0	0	11	22	11	4	33	879
	Project Total for FY92	1,402	10	116	45	0	48	0	11	101	107	52	33	879
.01	USIA	65	0	0	0	0	0	0	0	0	0	0	0	65
.02	ABA Grant	1,464	80	70	74	99	68	167	114	65	113	82	240	291
.03	DOJ/AOJ	25	0	0	0	0	0	0	0	25	0	0	0	0
	Project Total for FY93	1,555	80	70	74	99	68	167	114	90	113	82	240	356
.01	USIA	6	0	0	0	0	0	0	0	0	0	0	0	6
.02	ABA Grant	1,342	103	103	116	127	112	138	103	66	137	111	225	0
	Project Total for FY94	1,356	103	103	116	127	112	138	103	66	137	111	225	13
	PROJECT TOTAL:	4,938	207	311	255	314	321	362	311	268	463	255	498	1,372
2.	**Democratic Pluralism**													
1800021.	**Political and Social Process**													
.01	Educational Reform (USIA)	2,000	57	130	97	0	158	0	0	246	117	97	136	962
.02	Minority Issues (incl. Graceland College)	50	0	50	0	0	0	0	0	0	0	0	0	0
.03	Books for Democracy (USIA)	2,000	0	347	111	8	570	8	8	303	235	111	94	205
.04	Books for Albania	555	555	0	0	0	0	0	0	0	0	0	0	0

* CEE projects are regionally programmed. Country-specific attributions are based on the best information available.

		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
	Project Total for FY91	4,605	612	527	208	8	728	8	8	549	352	208	230	1,167
.01	Educational Reform (USIA)	2,138	137	223	135	69	374	84	77	372	95	67	77	427
.02	Minority Issues (incl. Graceland College)	117	0	117	0	0	0	0	0	0	0	0	0	0
.03	Books for Democracy (USIA)	1,561	45	127	22	18	83	52	18	37	82	10	0	1,067
.05	Political orgs. (incl. elect. monitoring)	98	10	10	3	48	10	0	0	10	0	7	0	0
.08	AFL-CIO support	1,456	0	255	0	109	252	109	109	154	224	56	0	188
.09	German Marshall Fund	589	9	5	0	0	0	0	0	24	4	0	0	548
.10	American University of Bulgaria	1,000	0	1,000	0	0	0	0	0	0	0	0	0	0
	Project Total for FY92	6,959	201	1,736	160	244	719	244	204	597	405	140	77	2,230
.01	Educational Reform (USIA)	1,875	125	120	45	75	120	120	125	45	120	120	240	620
.03	Books for Democracy (USIA)	1,000	99	54	47	28	18	29	29	31	79	94	72	420
.05	Political orgs. (incl. elect. monitoring)	3,148	534	724	0	0	0	0	0	0	1,055	0	483	352
.08	AFL-CIO support	840	0	0	0	0	0	0	0	840	0	0	0	0
.10	American University of Bulgaria	2,072	0	2,072	0	0	0	0	0	0	0	0	0	0
.11	Yugoslav New Republics (USIA)	400	0	0	0	0	0	0	0	0	0	0	400	0
	Project Total for FY93	9,334	758	2,970	92	103	138	149	154	916	1,254	214	1,195	1,392
.01	Educational Reform (USIA)	2,549	100	0	200	0	400	100	0	800	500	0	0	449
.02	Minority Issues (incl. Graceland College)	370	60	60	0	0	50	0	0	70	60	60	0	10
.05	Political orgs. (incl. elect. monitoring)	4,025	648	898	0	237	0	296	279	0	1,011	318	279	59
.08	AFL-CIO support	3,708	0	903	0	0	183	0	184	1,000	495	0	0	943
.10	American University of Bulgaria	5,880	0	5,880	0	0	0	0	0	0	0	0	0	0
.12	Educational Reform (centers)	10	0	0	0	0	0	0	0	0	0	0	0	10
	Project Total for FY94	16,542	808	7,741	200	237	633	396	463	1,870	2,066	378	279	1,471
	PROJECT TOTAL:	37,440	2,379	12,974	660	592	2,218	797	829	3,931	4,077	940	1,781	6,261
1800022.	**Independent Media**													
.01	International Media Fund grant (USIA)	5,000	422	313	340	13	668	13	13	521	1,583	340	448	325

* CEE projects are regionally programmed. Country-specific attributions are based on the best information available.

		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
.02	Media Training (USIA)	1,500	6	90	168	0	40	0	0	162	129	84	7	814
.03	USIA Media Training - Baltics	350	0	0	0	117	0	117	117	0	0	0	0	0
	Project Total for FY91	6,850	428	403	508	130	708	130	130	683	1,712	424	455	1,139
.01	International Media Fund grant (USIA)	3,750	1,050	160	512	6	270	6	6	284	316	102	592	447
.02	Media Training (USIA)	450	7	40	3	10	0	9	0	0	40	2	40	298
.04	News Print - Albania (USIA)	300	150	0	0	0	0	0	0	0	150	0	0	0
.05	Printing press - Albania	1,250	1,250	0	0	0	0	0	0	0	0	0	0	0
	Project Total for FY92	5,750	2,457	200	515	16	270	15	6	284	506	104	632	745
.01	International Media Fund grant (USIA)	3,750	233	340	250	18	435	18	18	625	342	450	545	475
.02	Media Training (USIA)	550	55	55	7	48	38	55	55	7	55	55	99	25
	Project Total for FY93	4,300	288	395	257	66	473	73	73	632	397	505	644	500
.01	International Media Fund grant (USIA)	2,771	50	265	200	0	275	0	21	450	275	400	410	425
.02	Media Training (USIA)	515	0	0	0	0	0	0	0	0	0	0	0	515
	Project Total for FY94	3,286	50	265	200	0	275	0	21	450	275	400	410	940
	PROJECT TOTAL:	20,186	3,223	1,263	1,480	212	1,726	218	229	2,049	2,890	1,433	2,141	3,324

B. ECONOMIC RESTRUCTURING		$1,333,367	$50,360	$91,793	$105,005	$17,403	$151,433	$21,534	$24,319	$619,489	$59,926	$85,935	$19,582	$86,587
% of Cum. Subtotal Obligations	$1,333,367	100.0%	3.8%	6.9%	7.9%	1.3%	11.4%	1.6%	1.8%	46.5%	4.5%	6.4%	1.5%	6.5%
% of Total Obligations	$1,771,636	75.3%	2.8%	5.2%	5.9%	1.0%	8.5%	1.2%	1.4%	35.0%	3.4%	4.9%	1.1%	4.9%

1. Macroeconomic Support

1800008. Polish Stabilization Fund (Treasury)

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		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
	FY 90	199,140	0	0	0	0	0	0	0	199,140	0	0	0	0
	PROJECT TOTAL:	199,140	0	0	0	0	0	0	0	199,140	0	0	0	0
1800036.	**Hungary (Energy)**													
	FY 91	10,000	0	0	0	0	10,000	0	0	0	0	0	0	0
	PROJECT TOTAL:	10,000	0	0	0	0	10,000	0	0	0	0	0	0	0
1800043.	**Czechoslovakia (Environment)**													
	FY 91	15,000	0	0	10,000	0	0	0	0	0	0	5,000	0	0
	PROJECT TOTAL:	15,000	0	0	10,000	0	0	0	0	0	0	5,000	0	0
1800044.	**Bulgaria (Agriculture)**													
	FY 91	10,000	0	10,000	0	0	0	0	0	0	0	0	0	0
	PROJECT TOTAL:	10,000	0	10,000	0	0	0	0	0	0	0	0	0	0
2.	**Privatization and Assistance to Enterprises**													
1800014.	**Privatization and Enterprise Restructuring**													
	FY 90	895	0	0	0	0	0	0	0	500	0	0	195	200
	FY 91	13,906	40	0	3,402	451	3,042	385	441	2,513	33	2,546	687	366
	FY 92	27,511	699	1,612	9,625	1,040	2,240	703	1,172	6,703	2,498	1,194	0	25
	FY 93	41,442	565	3,750	6,211	861	6,909	904	1,657	13,417	1,452	3,497	758	1,462

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258

		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
	FY 94	58,625	1,031	1,470	8,064	1,670	8,809	2,608	583	11,468	2,677	9,204	5,343	5,699
	PROJECT TOTAL:	142,379	2,334	6,832	27,302	4,022	20,999	4,599	3,854	34,600	6,661	16,441	6,983	7,752
1800023.	**Technical Assistance to Enterprises**													
.01	IESC Private Enterprise grant	6,315	24	231	778	317	1,549	316	316	1,975	14	334	461	0
.02	APRE IRIS & Gemini	1,999	0	0	0	0	0	0	0	1,999	0	0	0	0
.04	IFC Business Advisory Services	2,000	0	0	0	0	0	0	0	2,000	0	0	0	0
.05	MBA Enterprise Corps	634	0	0	235	0	127	0	0	171	0	101	0	0
	Project Total for FY91	10,947	24	231	1,013	317	1,676	316	316	6,145	14	435	461	0
.01	IESC Private Enterprise grant	5,355	303	0	896	374	756	334	0	1,025	655	384	628	0
.02	APRE IRIS & Gemini	125	0	0	0	0	0	0	0	125	0	0	0	0
.03	CIPE (Chamber)	1,500	0	0	0	167	1,000	167	167	0	0	0	0	0
.05	MBA Enterprise Corps	645	0	0	151	0	215	0	0	215	0	64	0	0
.06	WOCCU (Poland)	700	0	0	0	0	0	0	0	700	0	0	0	0
.07	Peace Corps	1,448	7	302	0	9	0	9	9	1,105	8	0	0	0
.09	IESC Defense Conversion grant	1,200	0	0	0	0	0	0	0	600	0	600	0	0
	Project Total for FY92	10,973	310	302	1,047	549	1,971	509	175	3,770	663	1,048	628	0
.01	IESC Private Enterprise grant	2,192	140	89	195	152	216	145	89	260	199	109	594	5
.02	APRE IRIS & Gemini	1,800	0	0	0	0	0	0	0	1,800	0	0	0	0
.04	IFC Business Advisory Services	500	0	0	0	0	0	0	0	500	0	0	0	0
.05	MBA Enterprise Corps	1,200	0	0	240	0	150	0	0	630	0	180	0	0
.06	WOCCU (Poland)	1,400	0	0	0	0	0	0	0	1,400	0	0	0	0
.07	Peace Corps	2,507	207	488	92	271	139	271	271	496	201	72	0	0
.11	Entrepreneurial Mgmt & Executive Dev.	500	0	0	0	0	0	0	500	0	0	0	0	0
.15	PSC's	75	0	0	0	0	0	0	0	0	0	0	0	75
	Project Total for FY93	10,175	346	577	527	423	505	416	860	5,086	400	361	594	81
.01	IESC Private Enterprise grant	7,120	420	715	1,080	540	418	410	472	1,480	715	870	0	0
.02	APRE IRIS & Gemini	674	0	0	0	0	0	0	0	642	0	33	0	0

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		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
.03	CIPE (Chamber)	3,500	287	544	124	155	566	155	155	124	420	204	0	765
.05	MBA Enterprise Corps	3,400	0	80	53	240	400	0	213	1,467	0	533	0	413
.06	WOCCU (Poland)	3,293	0	0	0	0	0	1,031	862	1,400	0	0	0	0
.07	Peace Corps	909	8	256	40	20	45	40	60	93	40	40	0	266
.10	CSIS Poland	500	0	0	0	0	0	0	0	500	0	0	0	0
.11	Entrepreneurial Mgmt & Executive Dev.	3,233	223	423	0	0	413	293	293	813	353	423	0	0
.12	Albanian Small Business Activity	1,200	1,200	0	0	0	0	0	0	0	0	0	0	0
.13	Small Business Strategy Activities	265	1	4	3	2	2	2	1	2	3	2	0	242
.14	CDC Business Enterprise Project	3,666	0	789	781	0	0	0	0	934	735	0	0	428
.15	PSC's	933	0	3	0	0	0	0	0	500	3	250	0	177
	Project Total for FY94	28,692	2,140	2,813	2,081	957	1,845	1,930	2,056	7,955	2,268	2,355	0	2,292
	PROJECT TOTAL:	60,787	2,820	3,922	4,668	2,246	5,996	3,172	3,407	22,956	3,346	4,199	1,683	2,373

3. Improving the Business Climate

1800026. Competition Policy, Laws & Regulations

.01	Tax Policy & Admin (Treas)	511	43	43	22	83	43	83	83	43	43	22	0	0
.02	Antitrust Law Advice (DOJ/FTC)	487	0	0	160	0	0	0	0	150	15	160	0	2
.03	Transition to World Mkts (OECD Grant)	1,500	0	0	0	0	0	0	0	0	0	0	0	1,500
.04	Telecommunications policy (State)	40	0	20	0	0	20	0	0	0	0	0	0	0
.05	- Commerce (Gov't to Gov't)	0	0	0	0	0	0	0	0	0	0	0	0	0
.11	TDP Telecom	90	0	0	45	0	0	0	0	0	0	45	0	0
.12	AID Telecom	391	0	98	49	0	98	0	0	98	0	49	0	0
	Project Total for FY91	3,018	43	161	276	83	161	83	83	291	58	276	0	1,502
.01	Tax Policy & Admin (Treas)	2,147	221	222	111	5	222	5	4	572	222	111	6	446
.02	Antitrust Law Advice (DOJ/FTC)	3,165	0	202	421	27	279	47	47	1,033	62	419	0	627
.03	Transition to World Mkts (OECD Grant)	2,700	0	0	0	0	0	0	0	0	0	0	0	2,700
.04	Telecommunications policy (State)	361	0	66	0	40	91	0	35	0	60	0	0	70
.05	- Commerce (Gov't to Gov't)	1,046	150	296	0	0	0	0	150	300	0	0	0	150
.06	- Intl Dev Law Inst (IDLI) Grant (Legal)	580	0	145	0	0	145	0	145	145	0	0	0	0
.07	- Amer Bar Assoc (ABA) Grant (Prof Assoc)	1,300	325	325	0	0	0	0	325	325	0	0	0	0

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		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
.11	TDP Telecom	600	0	0	165	0	270	0	0	0	0	165	0	0
.12	AID Telecom	78	0	0	0	0	78	0	0	0	0	0	0	0
	Project Total for FY92	11,977	696	1,256	697	72	1,085	52	706	2,375	345	695	6	3,993
.01	Tax Policy & Admin (Treas)	252	0	0	0	0	0	0	0	0	0	0	0	252
.02	Antitrust Law Advice (DOJ/FTC)	3,200	0	435	144	78	371	78	78	919	78	720	0	300
.03	Transition to World Mkts (OECD Grant)	2,480	0	0	0	0	0	0	0	0	0	0	0	2,480
.04	Telecommunications policy (State)	850	0	0	0	0	0	0	0	0	0	0	600	250
.05	- Commerce (Gov't to Gov't)	800	232	0	0	0	0	0	81	177	47	0	50	213
.06	- Intl Dev Law Inst (IDLI) Grant (Legal)	932	0	148	0	0	148	0	191	148	0	0	0	299
.07	- Amer Bar Assoc (ABA) Grant (Prof Assoc)	475	78	82	17	1	29	0	92	103	17	1	57	0
.11	TDP Telecom	100	0	0	100	0	0	0	0	0	0	0	0	0
.14	Bankruptcy	232	0	0	0	0	0	0	0	0	0	0	0	232
	Project Total for FY93	9,321	310	664	261	79	547	78	442	1,347	141	720	707	4,026
.01	Tax Policy & Admin (Treas)	246	0	0	0	0	0	0	0	0	0	0	0	246
.02	Antitrust Law Advice (DOJ/FTC)	72	0	0	0	0	0	0	0	0	0	0	0	72
.04	Telecommunications policy (State)	309	0	0	2	0	0	0	0	0	0	1	0	306
.05	- Commerce (Gov't to Gov't)	1,938	228	313	0	275	0	280	129	68	256	0	0	389
.06	- Intl Dev Law Inst (IDLI) Grant (Legal)	718	115	49	0	0	1	42	82	198	115	0	0	117
.07	- Amer Bar Assoc (ABA) Grant (Prof Assoc)	1,928	224	221	83	111	159	136	298	290	120	112	173	0
.09	- Evaluation	163	0	54	0	0	0	0	54	54	0	0	0	0
.13	Collateral Law (IRIS)	2,653	0	0	53	0	0	0	0	511	0	53	0	2,034
.14	Bankruptcy	172	0	0	0	0	0	0	0	0	0	0	0	172
.17		1,539	0	0	0	0	0	0	0	0	0	0	0	1,539
	FY 94	9,739	566	638	139	386	161	459	563	1,121	491	166	173	4,876
	PROJECT TOTAL:	34,055	1,616	2,719	1,372	620	1,954	672	1,794	5,135	1,035	1,857	886	14,396

1800027. Business Services

.01	TA/Finan Serv (Treas)	1,474	0	74	82	217	371	217	217	297	0	0	0	0
.02	FSVC grant (buy-in to PRE)	1,000	100	100	225	0	150	0	0	250	100	0	75	0

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301

		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
	Project Total for FY91	2,474	100	174	307	217	521	217	217	547	100	0	75	0
.01	TA/Finan Serv (Treas)	11,881	1,403	1,934	632	24	2,298	763	763	2,435	803	719	60	50
.03	Securities Market T.A. (SEC)	900	0	0	0	0	450	0	0	450	0	0	0	0
	Project Total for FY92	12,781	1,403	1,934	632	24	2,748	763	763	2,885	803	719	60	50
.01	TA/Finan Serv (Treas)	16,780	1,200	2,000	400	1,200	2,000	400	800	3,900	2,750	1,200	0	930
.02	FSVC grant (buy-in to PRE)	1,700	0	50	200	33	50	33	33	1,100	0	200	0	0
.05	AID - Managed Financial Reform	65	0	0	0	0	0	0	0	0	0	0	0	65
	Project Total for FY93	18,545	1,200	2,050	600	1,233	2,050	433	833	5,000	2,750	1,400	0	995
.01	TA/Finan Serv (Treas)	15,039	1,170	1,790	390	0	1,170	1,170	780	2,290	1,560	780	200	3,739
.02	FSVC grant (buy-in to PRE)	4,505	98	313	513	141	745	98	98	984	259	764	326	166
.05	AID - Managed Financial Reform	239	0	0	6	0	3	0	0	9	0	6	0	216
	Project Total for FY94	19,783	1,268	2,103	909	141	1,917	1,268	878	3,283	1,819	1,549	526	4,121
	PROJECT TOTAL:	53,584	3,971	6,262	2,448	1,615	7,236	2,681	2,691	11,714	5,472	3,668	661	5,166
1800035.	**Bank Training (Treasury)**													
	FY 91	636	0	34	17	167	34	167	167	34	0	17	0	0
	FY 92	8,400	0	2,100	1,050	0	2,100	0	0	2,100	0	1,050	0	0
	FY 93	406	0	14	7	0	14	0	0	14	0	7	0	350
	FY 94	110	0	0	0	0	0	0	0	0	0	0	0	110
	PROJECT TOTAL:	9,551	0	2,148	1,074	167	2,148	167	167	2,148	0	1,074	0	460

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		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
4. Investment and Trade														
1800010.01	**Polish Enterprise Fund**													
	FY 90	34,192	0	0	0	0	0	0	0	34,192	0	0	0	0
	FY 91	69,000	0	0	0	0	0	0	0	69,000	0	0	0	0
	FY 92	85,000	0	0	0	0	0	0	0	85,000	0	0	0	0
	FY 94	61,808	0	0	0	0	0	0	0	61,808	0	0	0	0
	PROJECT TOTAL:	250,000	0	0	0	0	0	0	0	250,000	0	0	0	0
1800010.02	**Hungarian Enterprise Fund**													
	FY 90	4,962	0	0	0	0	4,962	0	0	0	0	0	0	0
	FY 91	21,000	0	0	0	0	21,000	0	0	0	0	0	0	0
	FY 92	21,000	0	0	0	0	21,000	0	0	0	0	0	0	0
	FY 93	7,500	0	0	0	0	7,500	0	0	0	0	0	0	0
	FY 94	15,538	0	0	0	0	15,538	0	0	0	0	0	0	0
	PROJECT TOTAL:	70,000	0	0	0	0	70,000	0	0	0	0	0	0	0
1800010.03	**Czech & Slovak Enterprise Fund**													
	FY 91	5,000	0	0	1,700	0	0	0	0	0	0	3,300	0	0
	FY 92	22,000	0	0	7,480	0	0	0	0	0	0	14,520	0	0
	FY 93	1,600	0	0	800	0	0	0	0	0	0	800	0	0

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		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
	FY 94	36,400	0	0	18,084	0	0	0	0	0	0	18,316	0	0
	PROJECT TOTAL:	65,000	0	0	28,064	0	0	0	0	0	0	36,936	0	0
1800010.04	**Bulgaria Enterprise Fund**													
	FY 92	10,000	0	10,000	0	0	0	0	0	0	0	0	0	0
	FY 94	11,000	0	11,000	0	0	0	0	0	0	0	0	0	0
	PROJECT TOTAL:	21,000	0	21,000	0	0	0	0	0	0	0	0	0	0
1800010.05	**Baltics Enterprise Fund**													
	FY 94	10,525	0	0	0	3,508	0	3,508	3,508	0	0	0	0	0
	PROJECT TOTAL:	10,525	0	0	0	3,508	0	3,508	3,508	0	0	0	0	0
1800010.06	**Romania Enterprise Fund**													
	FY 94	6,619	0	0	0	0	0	0	0	0	6,619	0	0	0
	PROJECT TOTAL:	6,619	0	0	0	0	0	0	0	0	6,619	0	0	0
1800028.	**American Business & Private Sector Dev. Initiative**													
.03	Commerce - (CABEE,EEBIC,ABC/W)	2,673	0	0	0	0	0	0	0	61	0	0	0	2,612
.04	TDP	1,505	0	0	253	0	450	0	0	150	0	253	0	400
	Project Total for FY91	4,178	0	0	253	0	450	0	0	211	0	253	0	3,012
.01	Capital Development Initiative (contracts)	9,795	0	0	0	0	2	0	0	0	0	0	0	9,793
.03	Commerce - (CABEE,EEBIC,ABC/W)	495	0	0	0	0	0	0	0	223	0	0	0	271
.04	TDP	5,025	0	650	239	0	977	990	720	650	560	239	0	0

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304

		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
.06	OPIC Feasibility Studies	3,000	0	41	0	0	109	0	0	0	0	0	0	2,850
	Project Total for FY92	18,315	0	691	239	0	1,088	990	720	873	560	239	0	12,915
.01	Capital Development Initiative (contracts)	632	0	0	0	0	150	0	0	386	96	0	0	0
.02	Capital Dev Initiative (grants)	335	0	126	0	0	209	0	0	0	0	0	0	0
.03	Commerce - (CABEE,EEBIC,ABC/W)	839	0	0	0	0	0	0	0	0	0	0	0	839
.04	TDP	2,500	200	1,000	0	0	0	0	0	600	400	0	0	300
.06	OPIC Feasibility Studies	600	0	62	55	49	0	49	49	102	62	55	118	0
.08	RSSA with DOC (Environment Advisor)	209	0	0	0	0	0	0	0	0	0	0	0	209
	Project Total for FY93	5,113	200	1,188	55	49	359	49	49	1,088	558	55	118	1,347
.01	Capital Development Initiative (contracts)	1,770	0	0	0	0	0	0	0	0	0	0	0	1,770
.02	Capital Dev Initiative (grants)	1,766	0	0	36	0	568	0	0	1,120	0	0	0	43
.03	Commerce - (CABEE,EEBIC,ABC/W)	694	0	0	0	0	0	0	0	0	0	0	0	694
.08	RSSA with DOC (Environment Advisor)	25	0	0	0	0	4	0	0	0	0	12	0	10
	Project Total for FY94	4,255	0	0	36	0	572	0	0	1,120	0	12	0	2,516
	PROJECT TOTAL:	31,862	200	1,879	581	49	2,469	1,039	769	3,292	1,118	558	118	19,791
1800047.	**Removing Impediments to Trade Enhancement (RITE)**													
	FY 92	417	0	0	83	0	125	0	0	167	0	42	0	0
	FY 93	1,583	30	217	0	0	217	217	0	217	217	217	0	251
	PROJECT TOTAL:	2,000	30	217	83	0	342	217	0	384	217	259	0	251

5. Human Resources

1800002. Human Resources Program

.01	VOCA	996	0	0	0	0	0	0	0	996	0	0	0	0

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		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
.02	Deloitte & Touche	500	0	0	0	0	500	0	0	0	0	0	0	0
.03	USIA	2,943	0	0	0	0	1,000	0	0	1,943	0	0	0	0
.04	USDA	225	0	0	0	0	0	0	0	225	0	0	0	0
.05	Credit Union National Association	80	0	0	0	0	80	0	0	0	0	0	0	0
.06	IESC	653	0	0	0	0	0	0	0	0	0	0	0	653
.07	Int'l Student Exch Program (Georgetown)	1,962	0	0	0	0	0	0	0	1,962	0	0	0	0
.11	Agreement with Treas (interim funding)	100	0	0	0	0	0	0	0	100	0	0	0	0
.15	Amendment to DOL contract	1,675	0	0	0	0	295	0	0	1,380	0	0	0	0
	Project Total for FY90	9,134	0	0	0	0	1,875	0	0	6,606	0	0	0	653
.07	Int'l Student Exch Program (Georgetown)	3,000	0	0	0	0	1,000	0	0	2,000	0	0	0	0
.09	English Teaching (USIA)	3,000	0	244	285	0	356	0	0	496	207	284	224	904
.10	Agreement with BLS (D.A. funding)	150	0	0	38	0	0	0	0	0	0	37	0	75
.11	Agreement with Treas (interim funding)	87	0	0	0	0	0	0	0	0	0	0	0	87
.13	American University Bulgaria	600	0	600	0	0	0	0	0	0	0	0	0	0
.14	USIA Baltic grant	300	0	0	0	100	0	100	100	0	0	0	0	0
.15	Amendment to DOL contract	354	0	0	0	0	0	0	0	0	0	0	0	354
	Project Total for FY91	7,491	0	844	323	100	1,356	100	100	2,496	207	321	224	1,420
.09	English Teaching (USIA)	2,000	163	163	82	67	163	67	67	163	163	81	163	661
.11	Agreement with Treas (interim funding)	(11)	0	0	0	0	0	0	0	0	0	0	0	(11)
.12	Seagram's Scholarships	400	0	0	0	0	0	0	0	0	0	0	0	400
.15	Amendment to DOL contract	31	0	0	0	0	0	0	0	0	0	0	0	31
	Project Total for FY92	2,420	163	163	82	67	163	67	67	163	163	81	163	1,080
.07	Int'l Student Exch Program (Georgetown)	6,000	0	0	330	0	540	0	0	1,890	0	240	0	3,000
.09	English Teaching (USIA)	2,500	37	231	158	155	267	157	119	267	304	158	110	541
.11	Agreement with Treas (interim funding)	21	0	0	0	0	0	0	0	0	0	0	0	21
	Project Total for FY93	8,521	37	231	488	155	807	157	119	2,157	304	398	110	3,562
.07	Int'l Student Exch Program (Georgetown)	3,000	0	0	0	0	0	0	0	0	0	0	0	3,000
.08	Title VIII Program (DA 92/SAI earmark 93)	3,609	0	0	0	0	0	0	0	0	0	0	0	3,609

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306

		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
.09	English Teaching (USIA)	2,870	150	250	250	120	350	175	175	350	350	250	450	0
.11	Agreement with Treas (interim funding)	1	0	0	0	0	0	0	0	0	0	0	0	1
.16	Fultz School Albania	800	800	0	0	0	0	0	0	0	0	0	0	0
	Project Total for FY94	10,280	950	250	250	120	350	175	175	350	350	250	450	6,610
	PROJECT TOTAL:	37,846	1,149	1,487	1,143	442	4,551	499	460	11,771	1,023	1,050	946	13,325
1800029.	**Management Training & Market Economics Education**													
.01	Large Grants Competition	13,593	700	1,497	3,093	0	2,694	0	0	3,938	1,176	496	0	0
.02	Small Grants Competition (USIA)	5,800	0	402	800	500	723	500	500	1,017	430	0	373	555
	Project Total for FY91	19,393	700	1,899	3,893	500	3,417	500	500	4,955	1,606	496	373	555
.01	Large Grants Competition	9,986	0	1,123	2,118	0	1,288	0	0	3,428	882	377	0	770
.02	Small Grants Competition (USIA)	3,326	313	0	0	67	0	67	67	0	0	0	0	2,813
	Project Total for FY92	13,312	313	1,123	2,118	67	1,288	67	67	3,428	882	377	0	3,582
.01	Large Grants Competition	11,266	0	747	2,556	0	2,843	0	0	2,942	1,588	489	0	100
.02	Small Grants Competition (USIA)	4,300	95	235	165	300	235	350	305	190	140	125	235	1,925
	Project Total for FY93	15,566	95	982	2,721	300	3,078	350	305	3,132	1,728	614	235	2,025
.01	Large Grants Competition	9,495	326	413	4,050	0	1,500	0	0	749	1,779	0	218	461
.02	Small Grants Competition (USIA)	3,950	275	400	350	325	350	75	75	400	400	400	900	0
	Project Total for FY94	13,445	601	813	4,400	325	1,850	75	75	1,149	2,179	400	1,118	461
	PROJECT TOTAL:	61,717	1,709	4,818	13,132	1,192	9,633	992	947	12,663	6,395	1,888	1,726	6,623
1800045.	**Participant Training**													
.01	PIET	1,000	0	0	0	0	0	0	0	0	0	0	0	1,000

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307

		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
.02	USIA	1,775	20	300	90	50	140	50	20	100	60	90	80	775
.03	Salzburg Seminar	125	0	0	0	0	0	0	0	0	0	0	0	125
.04	Institute for Diplomatic Training	443	222	222	0	0	0	0	0	0	0	0	0	0
	Project Total for FY92	3,343	242	522	90	50	140	50	20	100	60	90	80	1,900
.01	PIET	4,777	116	291	226	144	477	144	151	695	226	187	47	2,073
.02	USIA	1,850	77	168	105	84	168	77	70	105	91	105	600	200
	Project Total for FY93	6,627	193	459	331	228	645	221	221	800	317	292	647	2,273
.01	PIET	6,868	221	541	400	120	606	120	120	1,504	421	290	740	1,786
.02	USIA	2,000	90	320	250	100	250	80	80	200	300	150	180	0
.05	Monitoring Evaluation	119	0	0	0	0	0	0	0	0	0	0	0	119
.06	USIA - Muskie Scholarship	3,000	206	362	362	0	362	0	0	440	440	206	619	0
.07	Small Grants Program	3,192	239	277	240	229	298	210	282	425	291	578	124	0
	Project Total for FY94	15,179	757	1,500	1,252	449	1,517	409	482	2,569	1,452	1,224	1,663	1,904
	PROJECT TOTAL:	25,149	1,191	2,481	1,673	727	2,302	680	723	3,469	1,829	1,607	2,390	6,077
1800052.	**Customs Service Training**													
	FY 93	500	0	32	0	0	59	0	0	0	59	0	350	0
	PROJECT TOTAL:	500	0	32	0	0	59	0	0	0	59	0	350	0
6.	**Agriculture and Agribusiness**													
1800005.	**Assistance to Private Farmers (Poland)**													
	FY 90	4,225	0	0	0	0	0	0	0	4,225	0	0	0	0
	PROJECT TOTAL:	4,225	0	0	0	0	0	0	0	4,225	0	0	0	0

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208

		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
1800024.	**Restructuring Agriculture and Agribusiness**													
.01	VOCA grant	3,250	300	600	175	217	200	216	217	1,000	300	25	0	0
.02	Coop Training Grant ACDI	2,400	190	450	187	134	153	133	133	650	195	175	0	0
.03	NCBA	500	0	0	140	0	200	0	0	100	0	60	0	0
.05	USDA	6,000	50	1,000	260	0	500	0	0	3,950	0	240	0	0
.06	ACDI (World Bank-related)	500	0	0	0	0	0	0	0	500	0	0	0	0
.07	Dairy farming/Land O'Lakes (DA Funding)	4,000	450	500	162	167	300	167	166	1,500	500	88	0	0
	Project Total for FY91	16,650	990	2,550	924	518	1,353	516	516	7,700	995	588	0	0
.01	VOCA grant	5,500	1,320	1,600	60	0	150	0	0	1,200	1,080	90	0	0
.02	Coop Training Grant ACDI	2,000	300	600	0	50	250	50	50	300	400	0	0	0
.03	NCBA	750	0	0	150	0	250	0	0	250	0	100	0	0
.04	Agribusiness TA & training (ACDI, ect.)	5,600	0	1,600	663	0	800	0	0	1,600	0	937	0	0
.05	USDA	4,625	0	840	60	0	90	0	0	3,455	0	30	0	150
.06	ACDI (World Bank-related)	700	0	0	0	0	0	0	0	700	0	0	0	0
.07	Dairy farming/Land O'Lakes (DA Funding)	4,000	26	891	557	51	458	64	51	1,576	325	0	0	0
.08	Other Private Sector (FY92) ABS	500	0	0	0	0	0	0	0	500	0	0	0	0
.09	Albania Sector Support (IFDC)	1,900	1,900	0	0	0	0	0	0	0	0	0	0	0
	Project Total for FY92	25,575	3,546	5,531	1,490	101	1,998	114	101	9,581	1,805	1,157	0	150
.01	VOCA grant	3,900	464	550	280	223	400	238	223	752	490	279	0	0
.02	Coop Training Grant ACDI	1,333	100	348	0	33	0	33	33	365	370	50	0	0
.03	NCBA	500	0	0	100	0	200	0	0	100	0	100	0	0
.04	Agribusiness TA & training (ACDI, ect.)	6,090	0	1,229	866	0	1,732	0	0	1,399	0	866	0	0
.05	USDA	3,000	0	1,375	0	0	0	0	0	1,625	0	0	0	0
.06	ACDI (World Bank-related)	500	0	0	0	0	0	0	0	500	0	0	0	0
.07	Dairy farming/Land O'Lakes (DA Funding)	5,000	0	2,500	0	0	0	0	0	0	2,500	0	0	0
.08	Other Private Sector (FY92) ABS	264	0	0	0	0	0	0	0	264	0	0	0	0
.10	Romania Sector Support (IFDC)	2,505	0	0	0	0	0	0	0	0	2,505	0	0	0
.11	PSC	109	0	0	0	0	0	0	0	0	0	0	0	109
	Project Total for FY93	23,202	564	6,002	1,246	256	2,332	271	256	5,005	5,865	1,295	0	109

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		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
.01	VOCA grant	6,000	430	636	73	224	272	334	233	821	669	328	1,411	570
.02	Coop Training Grant ACDI	1,387	45	276	0	0	0	0	0	386	460	0	220	0
.03	NCBA	500	0	0	200	0	150	0	0	75	0	75	0	0
.04	Agribusiness TA & training (ACDI, ect.)	1,486	0	486	0	0	500	0	0	500	0	0	0	0
.05	USDA	2,078	0	550	0	0	0	0	0	1,450	78	0	0	0
.06	ACDI (World Bank-related)	2,007	0	0	0	0	0	0	0	2,007	0	0	0	0
.08	Other Private Sector (FY92) ABS	500	0	0	0	0	0	0	0	500	0	0	0	0
.11	PSC	328	0	0	0	0	0	0	0	0	200	0	0	128
.12	Privatization and Agriculture	74	0	0	0	0	0	0	0	0	0	0	0	74
	Project Total for FY94	14,360	475	1,948	273	224	922	334	233	5,739	1,407	403	1,631	773
	PROJECT TOTAL:	79,787	5,575	16,031	3,932	1,100	6,605	1,235	1,106	28,025	10,073	3,443	1,631	1,032

7. Agriculture Sector Programs

1800046. Agriculture Development Program - Albania

FY 92	10,950	10,950	0	0	0	0	0	0	0	0	0	0	0
FY 93	4,317	4,317	0	0	0	0	0	0	0	0	0	0	0
PROJECT TOTAL:	15,267	15,267	0	0	0	0	0	0	0	0	0	0	0

1800048. Agriculture Development Program - Romania

FY 93	10,000	0	0	0	0	0	0	0	0	10,000	0	0	0
PROJECT TOTAL:	10,000	0	0	0	0	0	0	0	0	10,000	0	0	0

1800049. Restructuring Albania Agriculture

FY 92	5,000	5,000	0	0	0	0	0	0	0	0	0	0	0
FY 93	5,000	5,000	0	0	0	0	0	0	0	0	0	0	0

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30

		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
	FY 94	4,500	4,500	0	0	0	0	0	0	0	0	0	0	0
	PROJECT TOTAL:	14,500	14,500	0	0	0	0	0	0	0	0	0	0	0
8.	**Energy Efficiency**													
1800015.	**Emergency Energy Program**													
	FY 91	11,666	0	516	749	574	1,117	574	600	516	1,497	749	1,633	3,142
	FY 92	66	0	0	0	0	56	0	0	0	0	0	0	10
	PROJECT TOTAL:	11,732	0	516	749	574	1,174	574	600	516	1,497	749	1,633	3,152
1800030.	**Regional Energy Efficiency**													
.02	PASA/IAA with DOE	2,900	0	650	1,175	0	450	0	0	600	0	0	0	25
.03	Energy Information Systems	300	0	0	0	0	0	0	0	0	0	0	0	300
.04	Grant to USEA	2,675	0	0	450	0	665	0	0	665	0	450	0	445
.05	IAA with NRC	575	0	0	144	0	288	0	0	0	0	144	0	0
.06	IQC	198	0	0	0	0	0	0	0	198	0	0	0	0
.07	Grant to IEA	200	0	0	0	0	0	0	0	0	0	0	0	200
	Project Total for FY91	6,848	0	650	1,769	0	1,403	0	0	1,463	0	594	0	970
.01	Industry Contracts/Utility Grants	14,688	0	1,972	925	361	1,142	361	363	4,202	2,390	1,015	0	1,956
.02	PASA/IAA with DOE	5,850	0	2,050	1,525	0	400	0	500	300	0	1,000	0	75
.03	Energy Information Systems	300	0	0	0	0	0	0	0	0	0	0	0	300
.04	Grant to USEA	1,498	0	600	0	166	0	166	166	0	330	0	0	70
.05	IAA with NRC	1,050	0	282	164	0	349	0	91	0	0	164	0	0
.06	IQC	439	0	0	0	0	0	0	0	439	0	0	0	0
.07	Grant to IEA	400	0	0	0	0	0	0	0	0	0	0	0	400
.08	Department of Interior	160	0	0	0	0	160	0	0	0	0	0	0	0

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		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
	Project Total for FY92	24,385	0	4,904	2,614	527	2,051	527	1,120	4,941	2,720	2,179	0	2,801
.01	Industry Contracts/Utility Grants	706	0	155	40	16	65	15	15	285	75	40	0	0
.02	PASA/IAA with DOE	5,600	0	1,230	905	0	400	150	930	175	0	1,360	0	450
.03	Energy Information Systems	309	0	0	0	0	0	0	0	0	0	0	0	309
.04	Grant to USEA	3,212	0	500	300	100	300	200	200	500	300	300	200	312
.05	IAA with NRC	1,623	0	155	725	0	155	0	230	0	0	308	0	50
.06	IQC	56	0	0	0	0	0	0	0	56	0	0	0	0
	Project Total for FY93	11,505	0	2,040	1,970	116	920	365	1,375	1,016	375	2,008	200	1,120
.01	Industry Contracts/Utility Grants	6,629	0	1,982	407	142	545	142	212	1,400	1,045	445	0	312
.02	PASA/IAA with DOE	4,612	0	1,200	700	0	400	0	900	0	0	1,400	0	12
.04	Grant to USEA	5,000	0	545	464	358	517	466	437	494	443	452	350	474
.05	IAA with NRC	1,500	0	130	860	0	130	0	250	0	0	130	0	0
.06	IQC	138	0	0	0	0	0	0	0	138	0	0	0	0
.09	EBRD Nuclear Safety Fund	500	0	0	0	0	0	0	0	0	0	0	0	500
.10		25	0	0	0	0	0	0	0	0	0	0	25	0
	FY 94	18,404	0	3,857	2,431	500	1,592	607	1,798	2,031	1,488	2,427	375	1,298
	PROJECT TOTAL:	61,142	0	11,451	8,784	1,143	5,966	1,500	4,294	9,451	4,583	7,207	575	6,189
1800031.	**Krakow Clean Fossil Fuels and Energy Efficiency**													
	FY 91	3,000	0	0	0	0	0	0	0	3,000	0	0	0	0
	FY 92	5,500	0	0	0	0	0	0	0	5,500	0	0	0	0
	FY 93	7,000	0	0	0	0	0	0	0	7,000	0	0	0	0
	FY 94	4,500	0	0	0	0	0	0	0	4,500	0	0	0	0

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	OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
PROJECT TOTAL:	20,000	0	0	0	0	0	0	0	20,000	0	0	0	0
C. IMPROVING THE QUALITY OF LIFE	$299,906	$10,485	$27,677	$19,736	$4,515	$30,730	$2,338	$2,947	$77,669	$37,306	$17,215	$31,394	$37,793
% of Cum. Subtotal Obligations $299,906	100.0%	3.5%	9.2%	6.6%	1.5%	10.2%	0.8%	1.0%	25.9%	12.4%	5.7%	10.5%	12.6%
% of Total Obligations $1,771,636	16.9%	0.6%	1.6%	1.1%	0.3%	1.7%	0.1%	0.2%	4.4%	2.1%	1.0%	1.8%	2.1%
1. Short-term Emergency & Humanitarian Aid													
1800016. Humanitarian Emergency Medical Supply													
FY 91	5,500	1,316	912	375	167	0	167	166	308	0	734	1,200	155
FY 92	6,400	1,300	400	0	273	318	272	273	0	1,340	0	1,400	824
FY 93	1,000	400	0	0	0	0	0	400	0	100	0	100	0
FY 94	10,767	0	0	0	0	0	0	0	0	0	0	10,744	22
PROJECT TOTAL:	23,667	3,016	1,312	375	440	318	439	839	308	1,440	734	13,444	1,002
1800032. Non Governmental Organizations (NGO) Dev. Project													
.02 - Romanian Child Health Grant	1,500	0	0	0	0	0	0	0	0	1,500	0	0	0
.03 - CDC Grant	1,800	292	292	146	16	292	16	16	292	292	146	0	0
.07 - NGO Humanitarian Grant	11,553	0	1,625	1,700	0	2,899	0	0	3,460	1,869	0	0	0
Project Total for FY91	14,853	292	1,917	1,846	16	3,191	16	16	3,752	3,661	146	0	0
.02 - Romanian Child Health Grant	1,500	0	0	0	0	0	0	0	0	1,500	0	0	0
.03 - CDC Grant	2,557	426	426	213	0	426	0	0	426	426	213	0	0
.05 - ORT (Albania)	2,908	2,908	0	0	0	0	0	0	0	0	0	0	0

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213

		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
.07	- NGO Humanitarian Grant	1,483	0	0	0	0	0	0	0	1,019	463	0	0	0
	Project Total for FY92	8,447	3,334	426	213	0	426	0	0	1,445	2,389	213	0	0
.02	- Romanian Child Health Grant	2,500	0	0	0	0	0	0	0	0	2,415	0	0	85
.06	- Yugoslav War Victims	2,198	0	0	0	0	0	0	0	0	0	0	2,198	0
.07	- NGO Humanitarian Grant	2,669	0	252	0	0	329	0	0	1,367	287	123	311	0
	Project Total for FY93	7,367	0	252	0	0	329	0	0	1,367	2,702	123	2,510	85
.02	- Romanian Child Health Grant	2,543	0	0	0	0	0	0	0	0	2,543	0	0	0
.03	- CDC Grant	194	0	0	0	0	50	0	0	0	1	16	0	127
.05	- ORT (Albania)	660	100	0	0	0	0	0	0	0	0	0	0	560
.06	- Yugoslav War Victims	3,505	0	0	0	0	0	0	0	0	0	0	3,505	0
.07	- NGO Humanitarian Grant	650	0	0	0	0	0	0	0	650	0	0	0	0
.08	- PVO Workshop	36	0	0	0	0	0	0	0	36	0	0	0	1
.09	- New Grants Competition	531	0	0	0	0	0	0	0	0	0	0	0	531
	Project Total for FY94	8,120	100	0	0	0	50	0	0	686	2,544	16	3,505	1,219
	PROJECT TOTAL:	38,787	3,726	2,595	2,059	16	3,996	16	16	7,250	11,296	497	6,015	1,304
1800054.	**Sarajevo Emergency Rehabilitation**													
	FY 94	9,500	0	0	0	0	0	0	0	0	0	0	9,500	0
	PROJECT TOTAL:	9,500	0	0	0	0	0	0	0	0	0	0	9,500	0
1860001.	**Humanitarian Assistance for Romanian Children**													
	FY 90	4,000	0	0	0	0	0	0	0	0	4,000	0	0	0
	PROJECT TOTAL:	4,000	0	0	0	0	0	0	0	0	4,000	0	0	0

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	OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
2. Employment and the Social Safety Net													
1800033. Labor Market Transition (DOL)													
FY 91	5,615	75	0	200	0	850	0	0	3,700	0	200	0	590
FY 92	6,000	0	450	50	0	600	0	0	2,250	0	350	0	2,300
FY 93	6,000	74	520	0	0	1,377	0	0	2,240	175	354	0	1,262
FY 94	6,967	0	300	0	0	450	0	0	2,000	750	0	0	3,467
PROJECT TOTAL:	24,582	149	1,270	250	0	3,277	0	0	10,190	925	904	0	7,618
3. Housing													
1800034. Housing Sector Assistance													
FY 91	5,378	0	771	448	0	1,437	0	0	2,153	0	448	0	121
FY 92	22,565	105	932	830	0	1,529	0	0	5,190	0	814	0	13,165
FY 93	7,192	0	800	800	0	800	0	0	3,454	400	800	0	138
FY 94	19,812	862	1,981	1,611	0	2,439	0	0	8,703	1,186	2,054	0	975
PROJECT TOTAL:	54,947	967	4,484	3,688	0	6,205	0	0	19,500	1,586	4,117	0	14,400
4. Health													
1800006. Medical Supplies, Equipment & Training (Poland)													
FY 90	1,991	0	0	0	0	0	0	0	1,991	0	0	0	0

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		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
	PROJECT TOTAL:	1,991	0	0	0	0	0	0	0	1,991	0	0	0	0
1800037.	**Partnerships in Health Care**													
	FY 91	2,525	0	1,592	0	0	933	0	0	0	0	0	0	0
	FY 92	9,671	0	1,200	1,000	0	2,010	0	0	2,680	1,080	1,200	0	501
	FY 93	7,107	0	1,100	550	0	950	0	0	1,472	1,980	650	0	405
	FY 94	10,741	1,335	1,848	596	1,335	265	0	0	731	1,316	610	2,188	517
	PROJECT TOTAL:	30,044	1,335	5,740	2,146	1,335	4,158	0	0	4,883	4,376	2,460	2,188	1,423
1800038.	**Promotion of Private Health Markets**													
.01	Health Markets	5,000	433	458	620	20	1,033	20	10	1,061	458	413	0	472
	Project Total for FY92	5,000	433	458	620	20	1,033	20	10	1,061	458	413	0	472
.01	Health Markets	2,126	29	86	590	0	286	0	0	580	86	86	0	383
	Project Total for FY93	2,126	29	86	590	0	286	0	0	580	86	86	0	383
.01	Health Markets	4,379	326	329	821	0	365	0	0	1,222	740	507	0	69
.02	Health & Social Safety Net	5	0	0	0	0	0	0	0	0	0	0	0	5
	Project Total for FY94	4,384	326	329	821	0	365	0	0	1,222	740	507	0	74
	PROJECT TOTAL:	11,509	788	874	2,031	20	1,684	20	10	2,863	1,284	1,006	0	929
1860002.	**Romanian Family Planning**													
	FY 91	1,500	0	0	0	0	0	0	0	0	1,500	0	0	0

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2/6

		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
	FY 92	1,500	0	0	0	0	0	0	0	0	1,500	0	0	0
	FY 93	1,999	0	0	0	0	0	0	0	0	1,999	0	0	0
	PROJECT TOTAL:	4,999	0	0	0	0	0	0	0	0	4,999	0	0	0
5.	**Environment**													
1800004.	**Environmental Initiatives**													
.01	World Environmental Ctr grant	700	0	0	0	0	350	0	0	350	0	0	0	0
.02	World Wildlife Fund	100	0	0	25	0	50	0	0	0	0	25	0	0
.03	Health Financing Study	130	0	43	22	0	44	0	0	0	0	21	0	0
.04	DOE 632(b)	9,776	0	0	0	0	0	0	0	9,776	0	0	0	0
.06	Regional Environment Center	1,573	0	228	276	0	238	0	0	84	225	275	248	0
.07	Krakow Air/Water	1,573	0	0	0	0	0	0	0	1,573	0	0	0	0
	Project Total for FY90	13,852	0	271	323	0	682	0	0	11,783	225	321	248	0
.01	World Environmental Ctr grant	4,000	0	754	500	0	714	0	0	714	754	564	0	0
.06	Regional Environment Center	1,470	0	294	147	0	294	0	0	294	294	147	0	0
.07	Krakow Air/Water	1,470	0	0	0	0	0	0	0	1,470	0	0	0	0
	Project Total for FY91	6,941	0	1,048	647	0	1,008	0	0	2,478	1,048	711	0	0
.01	World Environmental Ctr grant	3,692	0	492	288	333	650	333	333	525	275	409	0	53
.07	Krakow Air/Water	1,940	4	0	4	0	4	0	0	1,920	4	4	0	0
.08	IPA Contract/WEC	102	0	0	0	0	0	0	0	0	0	0	0	102
	Project Total for FY92	5,734	4	492	292	333	654	333	333	2,445	279	413	0	155
.07	Krakow Air/Water	1,635	0	0	0	0	0	0	0	1,635	0	0	0	0
.08	IPA Contract/WEC	146	0	0	0	0	0	0	0	0	0	0	0	146
.10	RSSA with EPA	111	0	0	0	0	0	0	0	0	0	0	0	111

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		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
.12	Env. Investments: Pride	675	0	0	0	0	0	0	0	0	0	0	0	675
.13	PSC: Parks	98	0	0	0	0	0	0	0	0	0	0	0	98
	Project Total for FY93	2,664	0	0	0	0	0	0	0	1,635	0	0	0	1,029
.01	World Environmental Ctr grant	8,253	0	1,207	601	637	260	636	630	1,275	1,244	715	0	1,048
.08	IPA Contract/WEC	10	0	0	0	0	0	0	0	2	0	3	0	5
.10	RSSA with EPA	55	0	0	0	0	0	0	0	0	0	0	0	55
.11	HIID	6,531	0	536	945	319	643	244	244	911	656	888	0	1,146
.12	Env. Investments: Pride	525	0	0	158	0	0	0	0	158	0	105	0	105
.13	PSC: Parks	133	0	0	3	0	0	0	0	0	0	0	0	130
.14	EAP Analytical: WRI	273	0	0	0	0	0	0	0	0	0	0	0	273
	Project Total for FY94	15,780	0	1,743	1,706	956	903	880	874	2,346	1,900	1,710	0	2,761
	PROJECT TOTAL:	44,970	4	3,554	2,968	1,290	3,247	1,213	1,207	20,687	3,452	3,155	248	3,946
1800039.	**Improved Public Sector Environmental Services**													
.01	IAA with EPA	8,100	0	1,045	2,615	0	1,695	0	0	1,200	0	630	0	915
.02	Center for Clean Air Policy	500	0	0	250	0	0	0	0	0	0	250	0	0
.03	World Wildlife Fund	800	0	225	100	0	175	0	0	200	0	100	0	0
.05	USDA	400	0	80	40	0	80	0	0	80	80	40	0	0
.07	WASH Buy-in (Danube)	1,000	0	300	0	0	300	0	0	0	150	250	0	0
	Project Total for FY91	10,800	0	1,650	3,005	0	2,250	0	0	1,480	230	1,270	0	915
.01	IAA with EPA	4,961	0	455	1,119	275	485	275	350	1,417	0	134	0	451
.02	Center for Clean Air Policy	499	0	0	250	0	0	0	0	0	0	249	0	0
.04	National Park Service	825	0	450	0	0	100	0	0	0	275	0	0	0
.05	USDA	750	0	338	0	0	24	0	0	25	338	25	0	0
.06	Local Government	1,950	0	0	0	0	940	0	0	1,010	0	0	0	0
.07	WASH Buy-in (Danube)	1,250	0	313	0	0	313	0	0	0	313	313	0	0
	Project Total for FY92	10,235	0	1,556	1,369	275	1,862	275	350	2,452	926	721	0	451

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318

		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
.01	IAA with EPA	6,325	0	665	200	175	425	200	275	1,235	250	400	0	2,500
.04	National Park Service	120	0	120	0	0	0	0	0	0	0	0	0	0
.06	Local Government	1,000	0	0	0	0	482	0	0	518	0	0	0	0
.07	WASH Buy-in (Danube)	2,972	0	905	0	0	303	0	0	0	785	222	0	757
	Project Total for FY93	10,417	0	1,690	200	175	1,210	200	275	1,753	1,035	622	0	3,257
.01	IAA with EPA	5,350	100	745	500	175	250	175	250	1,500	0	500	0	1,155
.04	National Park Service	580	0	380	0	0	0	0	0	0	0	0	0	200
.06	Local Government	1,291	0	0	0	0	620	0	0	671	0	0	0	0
.09	Water Quality & Investment (GEF)	1,500	0	251	0	0	182	0	0	0	438	21	0	608
.10	EAP Investments	900	0	150	300	0	0	0	0	300	0	150	0	0
.11	Albania Forestry	400	400	0	0	0	0	0	0	0	0	0	0	0
.13		889	0	0	0	889	0	0	0	0	0	0	0	0
	FY 94	10,910	500	1,526	800	1,064	1,052	175	250	2,471	438	671	0	1,963
	PROJECT TOTAL:	42,362	500	6,421	5,374	1,514	6,374	650	875	8,156	2,629	3,284	0	6,586
1800041.	**Environmental Training**													
	FY 91	1,000	0	165	150	0	190	0	0	215	80	150	0	50
	FY 92	3,148	0	483	253	0	849	0	0	715	560	288	0	0
	FY 93	1,400	0	280	158	0	127	0	0	405	223	207	0	0
	FY 94	3,000	0	500	285	0	305	0	0	506	457	413	0	535
	PROJECT TOTAL:	8,548	0	1,428	845	0	1,470	0	0	1,842	1,320	1,057	0	585

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		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
D. MISCELLANEOUS		$22,025	$141	$513	$254	$242	$936	$156	$86	$1,870	$427	$227	$5,194	$11,982
% of Cum. Subtotal Obligations	$22,025	100.0%	0.6%	2.3%	1.2%	1.1%	4.2%	0.7%	0.4%	8.5%	1.9%	1.0%	23.6%	54.4%
% of Total Obligations	$1,771,636	1.2%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.3%	0.7%
1650053. Macedonia Cash Transfer (ESF)														
FY 94		5,000	0	0	0	0	0	0	0	0	0	0	5,000	0
PROJECT TOTAL:		5,000	0	0	0	0	0	0	0	0	0	0	5,000	0
1800001. A.I.D Administrative Expenses														
FY 90		463	0	0	0	0	0	0	0	0	0	0	0	463
FY 91		1,528	0	0	0	0	0	0	0	0	0	0	0	1,528
FY 92		491	0	0	0	0	0	0	0	0	0	0	0	491
FY 93		286	0	0	0	0	0	0	0	0	0	0	0	286
PROJECT TOTAL:		2,768	0	0	0	0	0	0	0	0	0	0	0	2,768
1800249. Audit, Evaluation, and Project Support														
FY 90		509	0	0	0	0	100	0	0	407	0	0	0	2
FY 91		2,036	43	80	21	0	43	0	0	140	0	19	11	1,680
FY 92		3,605	62	405	188	86	125	86	86	117	361	183	0	1,907
FY 93		2,809	19	10	1	81	223	4	0	540	66	4	21	1,840

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		OBLIGATION AMOUNT	ALB	BUL	CZE	EST	HUN	LAT	LIT	POL	ROM	SVK	Fmr. YUG	REG
.01	Evaluation	871	0	14	11	0	12	0	0	22	0	7	0	805
.02	Project Support	1,492	6	4	4	0	8	67	0	16	0	4	25	1,359
	Project Total for FY94	5,297	16	18	44	75	444	67	0	666	0	21	161	3,786
	PROJECT TOTAL:	14,257	141	513	254	242	936	156	86	1,870	427	227	194	9,214

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124