

**U.S. AGENCY FOR
INTERNATIONAL DEVELOPMENT
BUCHAREST, ROMANIA**

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FY2000**

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A. Overview

The victory of the Democratic Convention coalition at the end of 1996 augured well for Romania and for opportunities for the SEED program to play a critical role in achieving political, social and economic reform. The new Government, headed by President Emil Constantinescu and Prime Minister Victor Ciorbea immediately issued a comprehensive reform program which included the removal of energy and agricultural subsidies, the sale of residual government shares in some 2500 companies, privatization of the major industrial loss makers (mostly utilities), devolution of power to local government, and improved child protection.

In the Strategic Plan for 1998—2000, USAID consolidated its program in order to directly support the government's intended structural, public administration and other reforms—by phasing out of mature, “retail” level activities, strengthening and expanding programs pertinent to the reforms—such as local government, and beginning new programs in privatization and technical assistance to the parliament and executive offices.

After one year in power the GoR's performance was positive in implementing macro-stabilization measures but mixed in putting into place structural reforms. The new government moved quickly in dismantling much of the extensive price control system, demonopolizing procurement and distribution procedures, privatizing most farmland, removing controls on energy prices, and maintaining a tight monetary policy. To a large extent, implementation of stabilization measures led to dismal economic and fiscal performance for 1997. In 1997, GDP and industrial production fell by 6.6% and 8.2%, respectively. Inflation was 151% for the year while the average gross monthly salary for 1998 was only \$130,00.

There are positive aspects in the GoR's performance. While, the privatization target was extremely ambitious, in 1997, the GoR privatized 1,300 firms, representing 35% of all companies privatized since 1992. The rate of companies sold doubled to 105 sold per month vs. 57 during the 1992-96 period. Revenues from privatization in 1997 totaled \$1 billion. In January 1998, the GoR passed improved privatization and investment legislation, which should show results in 1998. It also passed bankruptcy, competition, investment, and leasing legislation key to private sector growth.. The amount of foreign direct investment made in 1997 was \$587 million, bringing the total cumulative FDI since 1990 to \$2.87 billion.

Nevertheless, the GoR did not move as quickly in privatization as the international donors had hoped and missed several major opportunities in consummating large investments which would have raised FDI to a much more impressive total. Also, after setting extremely ambitious targets for energy restructuring in the beginning of the year, performance was mixed. In the petroleum sector, two refineries were privatized, but much of the control of the sector was placed in the vertically-integrated, state-owned Romanian Oil Company. While the Electricity Law to restructure the power sector was sent to the cabinet, its passage was

detained by the political struggle within the coalition.

B. Factors Affecting Performance

Since the SEED program for Romania was tailored to support the GoR reforms, much of the success of the program depended on the resolve and ability of the GoR to implement reforms.

The following factors hampered the GoR in carrying out announced reforms, and slowed progress in several of USAID's objectives.

Lack of Capacity to Implement Reform: In February 1997, the Prime Minister announced drastic stabilization and structural adjustment measures, consistent with agreements with the IMF and World Bank. Such measures included the privatization of 50 companies per week (2,500 total), and *regie autonomes* (utilities). These targets included the largest loss makers. Faced with opposition by labor unions and vested interests, the political leaders balked at moving forward with a number of important privatization actions.

For example, the USAID-supported Privatization Operations Center (POC), depended on the State Ownership Fund and the GoR to provide it with all the approvals to privatize residual shares of some 2,300 companies. The cumbersome SOF bureaucracy and a complicated and unclear legal framework prevented effective use of the POC capabilities.

Similarly GoR resolve to privatize the energy sector displayed at the beginning of 1997, did not materialize in the form of legislation. While USAID assisted the President of RENEL, the national power company, in drafting a plan and legislation to restructure and privatize the power sector, by the time the new law was ready to be introduced in the cabinet, the government was in turmoil. Thus, the expectations of the major donors raised at the beginning of the 1997, were unmet at the end of the year.

New officials at the upper levels have been generally inexperienced in governing, while many of the lower and middle level entrenched bureaucrats were not supportive of implementing major reforms. For example, SOF employees, who so long managed state-owned firms, neither embraced nor knew how to quickly implement the sale of SOF-owned shares. Not only was the major privatization proposed in conflict with their interests, but they were unfamiliar with the new mechanisms proposed. Generally, responsibilities among the ministries for implementing reform were not clearly spelled out, and coordination among GoR entities was very poor. All of these factors slowed the reform process.

Confusing, Inadequate Legal Framework: Most of the legal framework for accelerating reform was not in place when the government took power, and the government was faced with drafting many laws in its first year. It set an overly ambitious target of passing 99 laws by December 1997. Many of the quickly drafted laws or executive orders were ill-conceived and either difficult or impossible to implement. Other draft legislation, even if well thought-out, did not successfully survive the political process.

Political Turmoil: Disagreements within the coalition on the direction and pace of the reform process led to political crises for most of the second half of 1997 and the beginning of 1998. The primary tension was between the two leading parties of the coalition—the Democratic Party (PD) and the Peasant/Christian Democrats (PNTCD). Although public approval of the government remained favorable, the PD, while expressing dissatisfaction with the reform process, threatened to leave the coalition. Former Prime Minister Ciorbea had to reshuffle his cabinet during December 1997. In the policy dialogue relating to SEED activities, the U.S. Mission had to establish relationships with new ministers of Finance, Reform, Privatization, Industry and Commerce, Health and Agriculture. Finally, at the end of March 1998 President Constantinescu replaced Prime Minister Ciorbea with a new Prime Minister, Radu Vasile, who appointed many new ministers. In some cases, the policy dialogue is being carried on with third or fourth ministers and state secretaries.

C. Progress Toward Achievement of Strategic Objectives

Considering the constraints described above which affected primarily the privatization and energy restructuring SOs, the assistance program made much progress during the past year. The high priority, “quick-start” programs—privatization, assistance to the parliament, the Romanian Government Transition Support Activity, and other new activities to support the GoR's reform program were operational in just a few months. While relatively mature SOs, such as SO 1.4 Financial Markets, continued to deliver solid results, in other areas—SO 2.3 Local Government and SO 3.2 Welfare of Children/Women—the GoR looked to USAID to lead new initiatives. The SEED program very quickly mobilized technical assistance and training in support of GoR reform, while improving the implementation of other donors' major programs. Ratings and informal and formal evaluation findings or corrective measures are summarized below.

Objective Name	Rating	Evaluation Findings
SO 1.1 Increased Transfer of State Assets	Expectations not being met	Targets too ambitious; negotiate new targets.
SO 1.3 Development and Growth of Private Ent.	Expectations met	Concentrate on agribusiness and SMEs.
SO 1.4 More Comp. And Mkt Responsive Fin. Sec.	Expectations exceeded	CDIE eval.3/98: assistance had high impact/short time.
SO 1.5 More Econ Sust. and Environ. Energy Sec.	Expectations met	Donor's should coordinate to help GoR pass laws
SO 1.6 Increased Environ. Management Capacity for Sustained Econ. Growth	Expectations met	Implement Recommendations of Inst. Needs Assessment
SO 2.1 Increased, better-informed Cit. Participation in pol/econ. decisions.	Expectations met	SO requires more resources
SO 2.3 More Effective, Responsive & Accountable Local Government	Expectations exceeded	A viable counterpart national local gov. NGO needed.
SO 3.2 Improved Welfare of Women and Children	Expectations met	Opportunities in positive new policies
Percent funding through	NGOs / PVOs-FY98 56%	FY99 68%FY00 75%

SO 1.1 Privatization: Given a brand new government and major institutional and legislative constraints, the target of 2200 companies privatized in 1997 was too high. Deeming this target “unmet” was a close call: the SEED-funded Privatization Operations Center (POC) did put into place a mechanism which privatized 137 SMEs and established the privatization auction process in all counties. Technical assistance to the SOF and Ministry of Privatization was important to the passage of greatly improved privatization legislation. The GoR has promised to turn over nearly 2,000 companies for auction by the POC during the next year.

SO 1.3 Enterprise Development: The private sector increased its share of contribution to GDP from 52% in 1996 to 58% in 1997. Improved legislation was passed to promote the following: fluid land market; lower income and profit taxation; increased open competition; increased foreign direct investment; and leasing. During 1997, USAID activities provided assistance to 932 SME firms and micro-enterprises, 8 NGOs, 3,000 artisans and families, increasing sales by an average of 43%. In addition, as of December 1997, the Romanian American Enterprise Fund had provided loans to 15 large companies, 23 small companies (total \$1.5 million) and 223 micro-enterprises (total \$1.0 million).

SO 1.4 Financial Markets: In terms of no. of companies listed, RASDAQ, after one year of operation, made it possible for over 11 million Romanian shareholders to trade their shares. Trading volume in 1997 was at 782 million shares worth \$383 million. There are now 160 broker/dealer firms. The National Broker Dealer Association (ANSVM) and the Romanian Securities and Exchange Commission (CNVM) continue to improve their regulation of the market. USAID implemented a comprehensive banking supervision training project in Romania's central bank.

SO 1.5: Energy: Oil pipeline tariffs and pipeline operator regulations put into place with USAID technical assistance are being implemented. Two refineries were privatized, four more are being restructured for privatization and the remaining two are being incorporated as part of the newly formed National Oil Company. USAID technical advisors helped draft the electricity law and the power restructuring plan which are pending approval by the cabinet.

SO 1.6 Environment: During the past year, USAID SO 3.3, consisting mostly of plant level interventions, was converted to SO 1.6, which is focused on the government-private sector partnership which will make environmental management in Romania sustainable in the long run. In the future, assistance will be centered on local environmental authorities working with industries in implementing compliance to environmental norms and laws. USAID completed a comprehensive sector assessment which will help define GoR and international donor programs. Important legislation was passed, including environmental norms for privatization and content of environmental audits, and other regulations.

SO 2.1 Citizens' participation in Decision making: NGOs increased their role in developing and reviewing legislation such as laws in energy efficiency, clean water, secondary school reform and community-based services to prevent AIDS. The SEED program helped form a national coalition to advocate a "sponsorship law" which will provide tax and other incentives for NGO development. At the same time, with USAID assistance, the parliament improved its responsiveness to civil society by establishing a Bureau of Public Information and allowing press coverage of committee hearings. During 1997, the democracy network provided training directly to over 100 NGOs and to larger Romanian umbrella NGOs which in turn train smaller NGOs. In the future SEED assistance will help strengthen local NGOs to participate in the \$20 million World Bank Social Development Fund.

SO 2.3 Local Government: Targets were surprisingly positive in a number of areas. Seven cities now make comprehensive use of program performance budgeting, while 14 local governments use budget compilations software. Program budgeting as well as citizens' information programs are being replicated in cities which were not directly assisted by USAID technical assistance by those which were. Success in legislation for fiscal decentralization was unexpected. The law on Local Revenues and Taxes was passed, while the Local Public Finance Law and the Patrimony Law were sent to the Parliament. Importantly, it is estimated that local governments now control 70% of their budgets. These developments point to unprecedented cooperation between the national and local governments in proceeding with decentralization.

SO 3.2 Welfare of Women and Children: During 1997, the GoR appointed a State Secretary for Child Protection (new position), and issued a strategy for Child Protection--reflecting de-institutionalization, family and community-based support and other measures. It also passed legislation to devolve responsibility for child welfare to county governments, including corresponding financing. USAID actively joined other donors in supporting these efforts and is establishing a major, model child welfare program with U.S. PVOs in 3 large counties. This program, key to the GoR's implementation of its strategy will help shape the programs of other donors.

D. Expected Progress Through 2000

A new coalition government has been formed and the new Prime Minister has already issued a new "Ruling Program--Basic Goals". That program confirms reform priorities of the previous government. The priorities cited in the GoR's restated program reflects priorities in SEED Strategic Objectives, for example: competition, banking supervision, improving security market regulation, accelerating privatization, restructuring the energy sector, continuation of local public administration efforts and developing SMEs and agribusiness.

SEED assistance can continue to play an important role in accelerating GoR reforms. Now that the political crises seems to have subsided, USAID hopes to achieve some of the targets postponed in the past year. For example, under the privatization effort, USAID expects pending companies to be delivered to the Privatization Operations Center--enabling the POC to directly privatize 2,000 companies. Once the energy law is passed, USAID hopes to begin to help the GoR in the restructuring of RENEL--Romania's national electric company.

Not only is the SEED Program critical to GoR implementation of reform, but other donors, especially the World Bank, depend on USAID-provided technical assistance and training for the successful implementation of their programs. As in the past, the World Bank counts on USAID technical assistance to help implement its \$600 million program in energy assistance. Targets in USAID privatization assistance continue to be included in World Bank FESAL conditionality. The World Bank will soon sign an agreement with USAID to tie USAID PVO assistance to its \$20 million Social Development Fund, and the Child Welfare program, beginning in 1998, will shape World Bank and EU assistance in Child Welfare.

USAID expects to get back on track in the two SOs hampered by the slow progress in reform--i.e. privatization and energy. By 2000, USAID expects to either meet or exceed targets under the other Strategic Objectives. At \$25 million SEED resources levels planned for 2000 are not adequate given opportunities and needs in Romania. As discussed in the Resource Requirements section, an additional \$5 million is required primarily to increase momentum in SME development and democracy activities.

The confusing and inadequate legal framework, across all sectors, continues to impede economic growth, while the judiciary is in need of major, comprehensive reform. Thus far, donors have provided little assistance to the judicial sector. The USG can take the lead in establishing such reform. At the same time, the USAID should also use its comparative advantage and experience in providing additional assistance to Romania in SME development. This sector can pull the economy out of its economic doldrums.

E. Relationship to U.S. National Interests

USAID's SOs directly support U.S. interests and strategies established in the U.S. Strategic Plan for International Affairs (SPIA). SOs 1.1, 1.3, and 1.4 contribute to **increasing global economic growth, promoting broad-based growth in developing and transitional economies, as well as expanding U.S. exports.** SOs 1.5 (energy) and 1.6 (environment) contribute to the above SPIA strategies and to **securing a sustainable global environment.** SOs 2.1 (democracy) and 2.3 (local government) will help increase Romania's **adherence to democratic practices and respect for human rights,** while SO 3.2 (welfare of children and women) will help **protect human health and increase respect for human rights.**

USAID/Romania is well-integrated into the Mission Performance Plan process. It appears that economic prosperity and democracy will be defined as the higher priority national interests, to which USAID SOs are contributing significantly. The core of the U.S. Mission's support for global issues and humanitarian response are contained in SOs 1.5/1.6 and 3.2, respectively.

In terms of modalities for delivering assistance, the U.S. Mission will emphasize U.S. - Romanian partnerships in all MPP objectives and USAID SOs and the use of volunteer corps activities. This will be reflected in an increase in funding through PVOs from 56% in 1998 to 75% in 2000.

II. Progress Towards Achieving Objectives

SO 1.1 Increased transfer of state assets

1. Overall Rating and Assessment of Progress toward SO 1.1

During the past year, progress toward achievement of SO 1.1 **fell short of expectations although progress has been positive**. The 1997 Romanian privatization program represented one of the most ambitious privatization programs ever undertaken in the Central and Eastern European transition economies. Although the Government of Romania (GoR) only achieved about one-half of its 1997 targets, that in itself was a considerable achievement. The 1997 targets were overambitious in that political leadership and bureaucratic momentum were lacking to sell or liquidate thousands of companies for which so little was known. The failure to achieve such high goals should not overshadow the progress that was made, in a very short time, privatizing a significant number of enterprises, and in establishing new mechanisms to accelerate privatization.

The GoR privatized 1304 of the 2224 companies targeted for privatization in 1997. Thirty-five percent of all companies privatized since 1992 occurred in 1997. The number and revenue from companies increased markedly over prior years: 105 companies per month sold in 1997 vs. 57 for 1992-96; 62 large companies sold in 1997 vs. 69 companies in all of the five previous years. Eighty-two percent of those sold in 1997 were small companies, 14 percent were medium-sized companies and about 4 percent were large companies. Privatization proceeds were 23 times the 1996 level. Several sectors achieved almost total privatization (>90percent): textiles, food packaging, plastic packaging. Others came close (>50percent): building materials, cement, fertilizer, paints, soaps and cosmetics. However, the heavy industries - telecommunications, banks and energy industries have far to go. Legislation was approved to convert the State energy and infrastructure monopolies (RA's) into commercial companies. New privatization and investment legislation was also enacted that supports market mechanisms for selling SOEs.

USAID's strategy was to focus on selling or liquidating small and medium enterprises. Therefore, USAID developed and funded the Privatization Operations Center (POC). The POC is staffed mainly by Romanians from the private sector and operates as a self-contained unit working with the SOF. The POC sells residual shares of SOF companies on the RASDAQ for cash or sells SOF companies for cash through outcry auctions throughout Romania. The POC focuses on implementing quick sales or liquidations of SMEs for two important reasons: SMEs are important, but missed, opportunities for economic growth; and, their aggregate liabilities are a financial drag on the economy, particularly State revenues.

Approximately \$1 billion total cash and investment revenues resulted from all privatization sales in 1997. Approximately \$7 million revenue of cash and investment was generated by approximately 137 companies sold through the POC. In 1997, the sale of the 46 large companies by the SOF generated approximately \$900 million: \$500 million in cash and \$400

million in investment. Forty-four foreign contracts with 20 countries were signed for large companies. Eighty-two percent of all companies were sold through direct negotiation.

USAID provides legal and other technical advice to the GoR to establish a legal and regulatory framework to enable the sale and liquidation of SOEs. Intensive legal, investment, and general operating policy advice was provided to the President and senior managers of the SOF and the Minister of Privatization (MOP). This advice contributed significantly to the positive change in attitude and knowledge of senior management in the SOF and MOP. USAID-funded legal and regulatory advice focused on three key areas: privatization and investment laws; environmental impact and indemnity; and bankruptcy. USAID attorneys, brokers and bankers from several activities provided the government and Parliament frequent advice on corporate law, investment law, banking, capital markets, and bankruptcy. USAID technical assistance was instrumental in providing a system to conduct environmental audits and establish an environmental indemnity fund (see SO 1.6). Advisors from USAID's capital markets legal and securities trading project teamed with the SOF and Romania's securities industry (S.O. 1.4) to draft legislation, regulations, and instructions to initiate the unique use of the RASDAQ trading system for cash sales of SOF shares of SOEs. USAID's banking supervision project (S.O. 1.4) assisted the national bank and the SOF in preparation for the privatization of state banks.

Generally, USAID has provided more legal and regulatory advice on privatization than any other donor. Even though 1997 targets have not been met, the results most certainly could have been worse without USAID's technical presence and ability to respond quickly. Dismantling archaic government structures and replacing inappropriate laws with market attitudes will take longer than expected. However, customer feedback reveals positive and enthusiastic support for USAID assistance among the SOF staff working to implement the auctions and RASDAQ sales. Although the 1997 performance data does not reflect the changes in attitude among the SOF staff, their new skills and improved knowledge about market structure and operations are gradually improving the process of privatization in Romania.

In sum for 1997: USAID, the SOF, and the securities industry created innovative machinery for privatization for SMEs. However, objectives and levels of assistance should be adjusted for the remainder of 1998 and possibly future years. Policy and management technical assistance should remain in place in 1998 with the reliable expectation that accelerated privatization will be achieved.

2. Performance Analysis

USAID assistance under SO 1.1 targets three intermediate results (IRs): IR 1 Increased public auction sale of state assets; IR 2 Reduced economic and social impact of privatization; and IR 3 Market oriented bankruptcy system.

IR 1 Increased public auction sale of state assets

USAID is chiefly responsible for assisting the State Ownership Fund (SOF) in the sale of its portfolio of small and medium enterprises. The World Bank provides investment advisors to prepare the sale of large companies to strategic investors. The EU and other countries also provide assistance to selected companies and sectors.

USAID established the Privatization Operations Center (POC) to streamline the sale of more than 2000 SMEs through open outcry auctions and special electronic auctions of SOF share packages using RASDAQ in 1997-98. Two pilot RASDAQ auctions of 13 SMEs were conducted in 1997: the share price averaged 165 percent above RASDAQ trading share price; the auctions were 200 percent oversubscribed; and each auction lasted approximately two hours. In August 1997, USAID and the SOF signed a "Partnership" agreement that specified numbers of small, medium, and large companies that would be sold by the end of 1998. The targets were 2,376 total SOE enterprises, or about 200 SOEs per month. The POC opened in September and 137 companies were sold. The largest disappointment was the failure of the SOF and the MOP to quickly engage the RASDAQ auction system, which was clearly proven to be efficient and transparent by the two successful pilot auction events detailed above.

The Government did not provide sufficient numbers of companies and delayed the enactment of laws, regulations and procedures to permit the POC to work.

USAID's 1997 target of the privatization of 220 enterprises was not met. The index of laws necessary to accelerate privatization target was met, but not until December 29, 1997. Poor numerical results only tell part of the story. Considerable institutional capacity was developed to sell residual SMEs effectively.

IR 2 Reduced economic and social impact of privatization

The slow pace of privatization in 1997 at least reduced the number of displaced workers; about 200,000 Romanians were displaced by privatization of SOEs. Other labor statistics indicate that as many as one million public workers were displaced by privatization or downsizing. If the GoR's 1998 privatization targets are achieved, national unemployment could double to 12-14 percent, i.e., more than 500,000 displaced. Vulnerable groups such as women and elderly workers are likely to be most affected, as are rural workers. Presently, about 42 SOEs are included in the Ministry of Labor and Social Protection's (MOLSP) labor redeployment program (Ord. no. 9) and more will surely be added. Regrettably, there has been insufficient coordination to mobilize labor programs within the MOLSP, the Ministries of Privatization, Reform, Finance, the SOF, and elsewhere. A contract has now been signed that should improve the situation.

The POC and the U.S. Department Of Labor (DOL) attempt to work in affected SOEs before they are privatized to create labor-management committees to mitigate labor disruptions. Each judet established a local coordinating committee that works with the local MOLSP

office to select projects. \$8.5 million of World Bank loans will be disbursed through contracts to local service providers to provide employment services. Other resources, e.g., SOF sales proceeds, may be available.

The labor redeployment program has been slow to mobilize. Laws and regulations need to be developed to enable the implementation of a complex, decentralized program that provides services for displaced workers and helps to ensure their reintegration into the labor force. Generally, funds for severance payments were not in place. Six months was needed by DOL to draft legislation that authorized labor employment services. Local MOLSP offices may now organize and fund labor services instead of relying on centrally planned programs. This is an important step because it enables the MOLSP and DOL to work with those directly affected, avoiding bureaucratic bottlenecks in the center.

IR 3 Market oriented bankruptcy system

Of the 3000 bankruptcy cases pending at the outset of 1997, 1000 cases were resolved in 1997. USAID believes that many bankruptcy cases settled in 1997 were handled as company liquidations. Opportunities to restructure these enterprises were lost because judges could not hire court administrators and business services blocking restructuring opportunities. Bankruptcy caseloads could triple in 1998-99 if privatization targets are achieved. The current bankruptcy law works satisfactorily only for small, simple insolvent firms. Moreover, there are virtually no trained bankruptcy administrators, trustees, or receivers. The bankruptcy judges, the Ministry of Justice and private sector are keen to see such bankruptcy administration and liquidation services developed.

In 1997 USAID's technical advisor catalyzed dialogue between the bankruptcy judges and the Ministry of Justice to discuss reform of the bankruptcy laws. Previously, the Ministry wrote the law with only minimal contact with the judges. USAID-funded bankruptcy advisors assisted in the creation of the Romanian Bankruptcy Institute, which is serving as an advocate for improved bankruptcy laws and procedures, and training Romanian bankruptcy judges and administrators.

The target for training bankruptcy officials was not met for 1997, but plans are now on target. Late in 1997, a resident bankruptcy manager was placed in Romania. Since then, several training programs have taken place and needs assessments and other surveys galvanized judiciary support for change.

3. Expected Progress and Management Actions

USAID expects to achieve our 1998 targets (2223 SMEs privatized) by mid-1999. USAID expects to end SME privatization activities by the end of FY 1999. This depends on cooperation and commitment from both the SOF and the GoR.

4. Performance Data Tables

OBJECTIVE: SO 1.1 Increased transfer of state assets APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME:			
INDICATOR: Percent of GDP from the private sector versus the state sector			
UNIT OF MEASURE: GDP SOURCE: National Commission of Statistics or best available source by the private sector/total value of GDP COMMENTS:	YEAR	PLANNED	ACTUAL
	1995		45%(B)
	1996	55%	52%
	1997	60%	58%
	1998	62%	
	1999	65%	
	2000	70%	
OBJECTIVE: SO 1.1 Increased Transfer of State Assets APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME:			
INDICATOR: Number of state owned companies			
UNIT OF MEASURE: Commercial Companies SOURCE: National Office of the Commerce Registry INDICATOR DESCRIPTION: The number of companies in which the State Ownership Fund owns at least 10% COMMENTS: Measure excludes banks, strategic assets and some municipal assets.	YEAR	PLANNED	ACTUAL
	1995		7220 (B)
	1996	N/A	6717
	1997	4217	5554
	1998	3954	
	1999	2000	
	2000	1954	

OBJECTIVE:SO 1..1 Increased Transfer of State Assets APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME:IR 1.1.1 Increased sale of state assets through public auction and tenders			
INDICATOR: Number of privatized companies per year			
UNIT OF MEASURE: Privatization through commercial company sales: numbers and value of sales purchases SOURCE: State Ownership Fund INDICATOR DESCRIPTION: The total number of commercial companies privatized annually; the total book asset value at time of sale ("social capital") in USD COMMENTS: Excludes banks, strategic assets and some municipal assets.	YEAR	PLANNED	ACTUAL
	1995	N/A	N/A
	1996	N/A	3862
	1997	2701 \$2 billion	1304 \$980 million
	1998	2707 \$3 billion	
	1999	N/A	
	2000	N/A	
OBJECTIVE: SO 1.1 Increased Transfer of State Assets APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME:IR1.1.1Increased sale of state assets through public auctions and tenders			
INDICATOR: Sale of SME companies thru RASDAQ special auctions and open outcry auctions conducted with assistance of Privatization Operations Center (POC)			
UNIT OF MEASURE: Total no. of commercial companies and total cash value of sales (USD-millions) SOURCE: POC POC assistance COMMENTS: POC and SOF responsible for sale of SOF sale or liquidation of SMEs. SOF and World Bank responsible for sale or liquidation of large companies, ie.e., >\$2.5 million USD	YEAR	PLANNED	ACTUAL
	1995	N/A	
	1996	N/A	
	1997	220 \$20 million	137 \$6.5 million
	1998	2223 \$85 million	
	1999	N/A	
	2000	0	

OBJECTIVE: SO 1.1 Increased Transfer of State Assets			
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania	
RESULT NAME:IR 1.1.3 A market-oriented bankruptcy system			
INDICATOR: Number of court administrators, trustees and other professionals required to conduct insolvency proceedings trained			
UNIT OF MEASURE: (a) Administrators; (b) Court Clerks (c)Liquidators SOURCE: Ministry of Justice INDICATOR DESCRIPTION: Number of trustees, court clerks, liquidators trained COMMENTS: a. trustees (administrators); b. court clerks; c: liquidators	YEAR	PLANNED	ACTUAL
	1995		
	1996		0 (B)
	1997	(a) 15 (b) 20 (c) 45	(b) 0
	1998		
	1999		
	2000		

SO 1.3 Development and growth of private enterprises

1. Overall Rating and Assessment of Progress toward the Strategic Objective

USAID's program is having a significant, positive impact on the pre-conditions for future development and growth of private enterprises. Therefore, **SO expectations were met** during the past year. Five critical legislative measures were all passed this year, and progress was made in several other important policy reforms. Foreign direct investment in 1997 was \$587 million, exceeding the \$500 million target, but slightly lower than the 1996 level, and well short of the amount needed to achieve the accelerated broad based growth of the more advanced CEE countries. The increase in firm level transactions greatly exceeded expectations. Conditions for private sector growth and development in the agriculture and agribusiness sectors that are now the focus of USAID's strategy improved even more than those for other elements of the private sector.

Despite the fact that the Romanian economy suffered a 6.6% contraction in 1997, the private sector share of GDP rose to 58%, up from 52% in 1996 and just short of the 60% target. Of the private sector's 6% increase in GDP share, approximately a third is due to an absolute increase in private sector GDP, and the remainder is due to the decline in overall Romanian GDP.

As is discussed in section II.5 below, the investment in improving firm level productivity will only prove beneficial if the political instability that has delayed economic reform is resolved in the near term. However, there is sufficient evidence that a large segment of the Romanian political spectrum remains fully committed to rapid and complete enactment of the reform agenda.

2. Performance Analysis

USAID assistance under SO 1.3 targets three intermediate results (IRs): IR 1 Improved policy/legal/regulatory framework supporting private enterprise development (including SMEs) in place; IR 2 Increased capital investment in private enterprises; and IR 3 Improved management practices adopted by businesses.

IR 1 Improved policy/legal/regulatory framework supporting private enterprise development (including SMEs) in place

Primary direction for modification of Romania's policy, legal, and regulatory framework for private enterprise development comes from the World Bank and the European Union. The World Bank is preparing a \$175 million program for small and medium enterprise (SME) development that will be implemented in two phases, with the first focusing on assisting with reforms in the following policy areas: barriers to entry and exit, accounting issues, obstacles to leasing, taxation issues, business information standards, and public administration support. Harmonization of policies and legislation affecting investment, competition, trade, and financial markets will be key criteria for Romania's future accession to European Union membership. USAID's assistance to framework reform is mainly through the advocacy role played by Romanian business associations that have been created and supported under this strategic objective. USAID is presently participating in discussions with public and private sector Romanian leaders concerning the creation of a consortium of all parties involved in SME development (representatives of government ministries, private business associations, and individual business leaders) that may take a leadership role in promoting and negotiating reforms.

The following summarizes the significant advances made in 1997 in the policy, legal, and regulatory framework supporting private enterprise development, as well as the pending issues:

1. Land Law: It is now legal for private citizens to buy, sell, lease and trade land. Farmers may now own 50 hectares (previously 10 ha) making production units more efficient. The land market can now become much more efficient, and land productivity can be expected to increase significantly. However, about one million hectares of prime arable farmland is still under State ownership. Although the Government claims that 77 percent of land parcels are titled the land titling system does not work—there are more than one million outstanding land claims, and temporary land titles are not allowed. Land leasing legislation is pending. The same situation holds for commercial land and buildings—municipal and county governments have considerable unused commercial space and land.
2. Taxation: Profit taxes decreased from 38% to 30%; 25% for agriculture. The value-added tax increased from 18% to 22%; but, agriculture production and products are taxed at 11%. A VAT provides a more equitable tax regime for private firms, but its broad application to basic commodities and value-added products is a disincentive to production, e.g., taxing meat carcasses and finished meat products.
3. Competition: In February, 1997, new legislation promoting true and open competition in Romania was adopted, and USAID is funding technical assistance from the US Federal Trade Commission and the Department of Justice to assist with its implementation.
4. Bankruptcy: Romania's private enterprises need an effective bankruptcy system to protect creditors and debtors. About eighty percent of SMEs created through privatization of SOEs are failing currently, and orderly, legal withdrawal will be particularly important as thousands more of SOEs are privatized. Bankruptcy is listed in S.O. 1.1, but is important for S.O. 1.3 too. During 1997, a new bankruptcy law was adopted, but the court system is not capable of handling large numbers of cases and the current legislation is not clear about the powers granted to court administrators and trustees.
5. Securities: An effective over-the-counter trading system, RASDAQ, will support private enterprise growth through investment in equity and debt. Further discussion may be found in S.O. 1.4.

6. Investment: Two laws were passed in 1997 that facilitate foreign investment and repatriation of profits, provide tax and tariff incentives and liberally permit legal ownership by foreign investors. However, ownership of land by foreign investors is still in question because the law permits ownership only if the foreigner builds business on the land. If the enterprise enters into bankruptcy, the ownership of the land returns to the state. Another barrier for the foreign investor is a new regulation by the National Bank of Romania stating that all the fund transfers through the banking system in or out the country require the National Bank's approval.

7. Leasing law: A law that creates the legal framework for leasing was approved. However, more reform is needed.

USAID funded an assessment of the agribusiness and agricultural sectors in 1997 that identified key policy, legal and regulatory constraints. Policy reforms are needed to improve market access, especially for exports and access to finance. Commodity grades standards and other policies must also be harmonized with EU standards.

IR 2 Increased capital investment in private enterprises

USAID's activities improve credit worthiness in SMEs. Assistance was previously provided to firms. Now, business associations receive financial planning and pass this knowledge to their member firms. This intermediate result is a direct complement to the assistance provided through SO 1.4 to improve the efficiency of financial markets, as IR 1.3.2 affects the effective demand for credit and SO 1.4 affects the supply.

Foreign direct investment in 1997 was \$587 million, compared with an IR indicator target for 1997 of \$500 million. Foreign investment is a more easily measurable proxy indicator of total investment. USAID believes that both foreign and domestic investment fell below expectations because of political uncertainty and delays in economic reforms. However, a sample of firms receiving USAID assistance indicated that they continued to invest in fixed assets (increase of 20-50% above 1996) to try to reduce production costs which were 150-200% above 1996 levels. Romanian private enterprise owners were apparently more apt to try to avoid taxation of profits and increase productivity through domestic investment in real assets over liquid holdings. The domestic savings rate remains a remarkably high 20% of GDP.

During 1997, USAID's five providers of TA to SMEs assisted 932 firms. The Romanian American Enterprise Fund loaned \$18.4 million in direct loans, with \$16.4 million in disbursements to large private firms, \$1 million to small firms, and \$1.5 million to microenterprises. Also, Aid-to-Artisans helped about 3,000 rural artisans increase their monthly income by \$50 - \$150 per month.

IR 3 Improved management practices adopted by businesses

USAID provides assistance to firms and entrepreneurs who have potential to increase market share and who are open to cooperation with US entrepreneurs. The assistance to the firm lowers production costs, develops new products, obtains new markets, and increases access to financing and modern technology. Such assistance has, on average in 1997, doubled transactions (total of sales of goods and services) per assisted firm, with a simultaneous near doubling in employment. Investment in fixed assets and purchase of business services by assisted firms increased by approximately 60%, which is amazing given that inflation achieved 151% in 1997. The opportunities for improving management practices are enormous, even in Romania's uncertain policy environment — USAID can only partially meet demand.

USAID has helped build and strengthen four private sector agribusiness and agricultural producer associations to serve as conduits for: 1) disseminating information; 2) transferring technology; 3) enhancing management and entrepreneurial skills, 4) strengthening marketing systems; 5) improving access to financing; and 6) lobbying for policy and regulatory reforms. At the sub-IR level, the number of businesses assisted through associations has increased to 932, just short of the target.

Ideally, the adoption of improved management practices should be measured by increased firm productivity. The chosen indicator, which measures increased sales of assisted firms, may merely demonstrate improved ability to respond to increased demand through increased capital investment. In fact, since both sales and employment of targeted firms doubled, an assumption can be made that labor productivity did not increase significantly. Adoption of improved practices may have enabled these firms to accommodate this expansion, but at some point sales growth can only be achieved through productivity improvement. In addition, productivity improvement will be needed in order for Romania's firms to compete as members of the European Union. This indicator may need to be modified as part of the revision of the result framework, as is discussed in section II.5 below.

3. Policy Considerations

Gender concerns play a key role in this strategic objective, as the majority of agribusiness and artisan sector owners and employees are believed to be women. Women make up a majority of the agricultural workforce (53% in 1992), so the increased emphasis on this sector also has positive gender implications. As described in section II.5 below, USAID intends to revise its results framework and indicators for this SO, and will more adequately incorporate desegregated indicators that differentiate the gender impact of this assistance.

USAID will emphasize coordination of association activities with local government initiatives and NGO programs in its new agricultural and agribusiness support project.

4. Expected progress through FY 2000 and management actions

USAID/Romania confirms the decision, made in the 1998-2000 Strategic Plan, to focus on developing the agribusiness sub-sector. The agribusiness activity will begin in late 1998 and continue for at least a three year period through 2001. The agribusiness activity will include components which will contribute to all three IR's, i.e. improved policy/legal framework, increased foreign direct investment, and improved ability of entrepreneurs to manage their businesses. The SEED-funded Agribusiness activity will be contribute to the U.S. Mission's Agribusiness Strategy for Romania, which encompasses the activities of other USG agencies—i.e. FCS and USDA—in a concerted effort.

Funding of the Romanian-American Enterprise Fund will continue at a level of \$6.0 million per year throughout FY 2000. RAEF has increased equity investments and lending substantially in the past year. RAEF is now exploring the purchase of a Romanian bank in order to increase lending to the SME sector.

After a hiatus of one year, USAID/Romania will substantially fund EMED training in the U.S. in order to enhance the achievement of IR 3, improved ability of entrepreneurs to manage their business. In addition, USAID will explore ways of forming SME partnerships between Romanians and U.S. Businessmen in match-making arrangements.

USAID/Romania also plans to place greater emphasis on assistance to break up cartels by promoting full implementation of new competition legislation in collaboration with the U.S. Federal Trade Commission and the U.S. Department of Justice.

5. Performance Data Tables

OBJECTIVE: SO 1.3 Development and growth of private enterprises APPROVED: _____ COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: SO level indicator			
INDICATOR: Percent of annual GDP that is from the private sector			
UNIT OF MEASURE: Percentage SOURCE: National Commission of Statistics INDICATOR DESCRIPTION: Value of GDP that is produced by private sector/total value of GDP (%) COMMENTS:	YEAR	PLANNED	ACTUAL
	1995	Baseline	45
	1996	55	52
	1997	60	58
	1998	62	
	1999	65	
	2000	70	

OBJECTIVE: SO 1.3 Development and growth of private enterprises APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 1.3.2 Increased capital investment in private enterprises			
INDICATOR: Annual levels of foreign direct investment			
UNIT OF MEASURE: US dollars millions SOURCE: Romanian Development Agency under the Ministry of Privatization INDICATOR DESCRIPTION: Annual foreign direct investment COMMENTS: This is a proxy measure for total private sector investment	YEAR	PLANNED	ACTUAL
	1995	Baseline	300
	1996	400	600
	1997	500	587
	1998	600	
	1999	700	
	2000	800	
OBJECTIVE: SO 1.3 Development and growth of private enterprises APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 1.3.3 Improved management practices adopted by enterprises			
INDICATOR: Average increase in sales for USAID-assisted firms			
UNIT OF MEASURE: Percentage SOURCE: USAID Contractors INDICATOR DESCRIPTION: % increase of average annual sales COMMENTS:	YEAR	PLANNED	ACTUAL
	1995	Baseline	5
	1996	5	30
	1997	5	43.4
	1998	5	
	1999	5	
	2000	5	

<p>OBJECTIVE: SO 1.3 Development and growth of private enterprises APPROVED: COUNTRY/ORGANIZATION: USAID/Romania</p>			
<p>RESULT NAME: IR 1.3.3.1 Strengthened business support service organizations</p>			
<p>INDICATOR: Number of enterprises assisted</p>			
<p>UNIT OF MEASURE: Number</p> <p>SOURCE: USAID Contractors</p> <p>INDICATOR DESCRIPTION: # assisted by business support service organizations</p> <p>COMMENTS: In addition, Aid-to-Artisans assisted 3,000 rural artisans & 8 NGOs</p>	YEAR	PLANNED	ACTUAL
	1995	Baseline	500
	1996	1000	
	1997	1500	932
	1998	2000	
	1999	2500	
	2000	3000	
	2001		
	2002		

SO 1.4 A more competitive and market responsive private financial sector

1. Overall Rating and Assessment of Progress toward SO 1.4

In 1997, progress toward the achievement of SO 1.4 exceeded expectations. The indicator of success of USAID's assistance in achieving a more competitive and market-oriented private financial sector is the total annual volume of securities transactions sold through the securities exchanges (Bucharest Stock Exchange, RASDAQ over the counter market, and sales of Government treasury bills). This is a modification of the indicator included in the USAID/Romania strategy. The actual annual volume of transactions sold to the public in 1997 was \$1.37 billion, exceeding the target of \$500 million.

The RASDAQ national securities market made remarkable progress in 1997. As the youngest market in the Central/East European and the NIS region, RASDAQ received international acclaim as a regulated secondary securities market. RASDAQ compliments the mass privatization program and empowers millions of citizens to participate in a market economy. Presently, RASDAQ is the third largest securities market in the world after the USA and India in terms of total companies listed. This status may change as further market consolidation occurs.

RASDAQ made it possible for over 11 million Romanian shareholders to trade their shares in an organized market. Total trading volume in 1997 was over 782 million shares worth US\$383 million. A partnership between the State Ownership Fund (SOF) and the RASDAQ developed the world's first open auction system for cash sales of residual shares held by the SOF to the general public. 500 small and medium sized enterprises are targeted for sale by this privatization method in 1998, with an estimated \$85-\$100 million of SOE company assets. The entrance of these shares on the RASDAQ and BSE markets will also help to increase total market volume exchange sustainability.

A comprehensive impact evaluation of USAID's assistance with capital markets under this Strategic Objective, titled "Aiding the Capital Market in Romania," has been prepared by CDIE. It notes considerable success in a relatively short period of time.

USAID only recently began assisting with banking regulation and supervision, the newer element of the financial markets SO, and it is too early to judge impact. Thus far, as owner of the State banks, the SOF has been unwilling to take prompt corrective action to assign competent management, perform due diligence, and close, sell or restructure the banks that it owns. Moreover, no foreign advisor has been given sufficient access to financial records to help the SOF and managers of the State banks get to the bottom of their problems.

USAID, at the request of the Governor of the National Bank of Romania (the Romanian Central Bank), began its partnership with the Banking Supervision Department in 1997. The goal is to train enough qualified bank examiners to conduct on-site supervision of State and private banks.

The NBR is not altogether efficient, possessing unnecessary redundancy, particularly so in the bank supervision and control functions. Staff shortages and lack of English language competency

have impeded training efforts. USAID-funded advisors have successfully introduced courses on bank supervision. The USAID-funded problem-bank specialist completed recommendations for problem bank resolution and restructuring program for two failed institutions.

2. Performance Analysis

USAID assistance under SO 1.4 targets three intermediate results (IRs): IR 1 Improved legal and regulatory environment; IR 2 Increased availability of private capital through private financial intermediaries; and IR 3 Improved capacity of financial institutions to mobilize capital.

IR 1 Improved legal and regulatory environment

Much progress has been achieved in creating the legal framework in Romania for a functioning capital market, but additional reforms are still necessary to create adequate regulatory supervision and standards for these markets. In the absence of such measures, risk of fraud and abuse remains a concern. In the banking sector, new legislation has begun to improve conditions for further privatization and consolidation of the sector, and full implementation of these measures is the priority.

The USAID strategy identifies three indicators of success under this intermediate result. The first of these, "foreign exchange trading is free of government interference," has been substantially met. The second, "national securities commission enforces standards," has also been met. However, the third, "number of state-owned banks that are privatized, has not been met, as will be described below. However, USAID/Romania will submit an alternative indicator to measure success under this intermediate result, since it is now apparent that the three selected indicators capture the pursued result.

With USAID support and training, the Romanian Securities Commission (CNVM) drafted more than 70 regulations and instructions to enforce and guide securities trading in Romania. Other regulations were drafted with significant input from the RASDAQ institutions. CNVM established regulations to open the mass privatization (MPP) market, initiate corporate registration and disclosure, engage in market regulation and enforcement, and stimulate investment fund activity. ANSVM, the Association of Romanian securities brokers and dealers, also designed and adopted the rules governing the participation of its member firms in the RASDAQ-SOF special auctions and secured CNVM approval.

In April 1997, the government approved a law on state bank privatization, and in late May the Romanian government forwarded a bill to parliament modifying the rules governing operation of the central bank. This bill calls for the independence of the central bank, a significant shift from its previous status as "autonomous" but in fact subordinated to the government.

As mentioned earlier, the bank insolvency law and the national bank law were passed recently, creating a much improved legal framework for the banking industry. However, judicial court rulings have weakened the government's enforcement capability, and additional legislation is

needed to remedy this problem. The principal constraint at this point is creation of institutional capacity to implement the legislation, and demonstration of the political will to do so.

IR 2 Increased availability of private capital through private financial intermediaries

This intermediate result focuses on consolidation of the institutions of the Romanian financial sector, in order to improve the efficiency and soundness of financial intermediation, and increase availability of private capital. USAID support is provided through technical assistance and training to the key institutions. Greater progress has been made in creating and consolidating capital market institutions than with banking institutions, although much effort is still required to assure that the regulatory institutions effectively control excesses within the capital markets.

The indicators of success under this intermediate result are the annual percentage increase in the average weekly volume of equity trading, both in terms of value of transactions and number of shares. For value of transactions, the number of shares increased by 376%.

RASDAQ and the other supporting institutions were established with USAID technical assistance and industry financial support. Presently, about 1000 securities professionals comprise the industry. Total trading volume in 1997 was approximately 800 million shares, worth over \$380 million in value.

On December 18, 1997, RASDAQ recorded the largest daily trading volume ever--\$11.72 million and over 5 million shares. The SNCDD depository processed over 2.36 million transfers, about 250 thousand trades and held more than 400 million shares in custody worth more than \$130 million for local investors and global custodians. On an average market day, more than 2,000 transactions are made, and more than 4,000,000 shares, with a total value of approximately than \$1,500,000, are traded. Over the past year, trading volume has similarly increased at the BSE (the Bucharest Stock Exchange, a State owned, privately-operated exchange listing larger firms). The BSE presently lists approximately 70 companies on two tiers, and averages daily trading of approximately \$700,000.

As much as 80% of the trading activity on both RASDAQ and the BSE results from foreign investors, and a significant amount was hedge fund activity in 1997. Trading activity surged last summer after the Romanian government eased barriers to foreign investment, but has subsided recently, due in part to the possibility of additional changes in the foreign investment law and the downturn in emerging markets worldwide. There is a noticeable and important shift away from hedge fund activity and toward country fund activities, which represents a profound deepening of foreign investor involvement in Romania's markets and direct investments.

IR 3 Improved capacity of financial institutions to mobilize capital

This intermediate result targets broadening the variety of financial institutions and instruments in Romania, including self-regulatory organizations (SROs), corporate governance mechanisms, number and variety of financial intermediaries, and financial market-place infrastructure. The

indicators for this intermediate result are the number of new financial instruments (IPOs, GDRs, commercial bonds, etc.) introduced during the year, and the total asset level of the private banking system. No financial debt instruments exist on the RASDAQ market yet. The BSE introduced on initial public offering. Both markets are still secondary markets; therefore, no results may be reported for 1997. We have established targets for 1998 and expect to report on results next year.

By the end of 1997, there were approximately 160 broker-dealer firms. The CNVM and ANSVM receive new applications regularly. Approximately two-thirds of the existing firms have qualified to trade directly on RASDAQ. Many of the broker/dealer firms are small and undercapitalized.

ANSVM provided membership training and RASDAQ market supervision for 156 member firms. Through ANSVM, the RASDAQ market developed a new class of over 2,000 securities market professionals trained and licensed in the area of securities intermediation, broker dealer operations, systems certification, compliance, investment banking skills development, custody, and implementation of SOF/RASDAQ auctions.

USAID provided assistance to the nascent investment fund industry and its self-regulatory organization, the union of investment funds, the "UNOPC". USAID assisted 13 Romanian start-up funds to establish operations. Early in 1996 the industry dealt with its first major crisis, the collapse of two large mutual funds caused by overvaluation of their assets. Accounting practices were established for funds and the UNOPC took responsibility for training its members. Under a second stage, a securities analysis program was established and administered by the UNOPC. The State Investment Funds (closed-end funds established under MPP) also joined UNOPC in 1997.

A small but active commodities market exists throughout Romania, and a financial futures market is emerging in Sinaia. To date, eleven commodities markets have been identified, though the composition of those markets has not yet been fully identified.

3. Policy Considerations

USAID's activities under this Strategic Objective directly complement those of the World Bank, and also directly assist the Government of Romania to meet conditionality established by the IMF. USAID has established close coordination procedures with these institutions and with other donors active in the sector.

4. Expected Progress Through 2000 and Management Actions

The development of Romanian financial markets has been extremely impressive, and can be expected to accelerate its growth in 1998 and future years. Although there are obviously significant issues to be resolved, USAID is confident that the strategic objective will be met, given the experience to date, the leverage of IFI programs and EU accession conditionality, and the impact of USAID's technical assistance and the quality of its partners.

Romania's political landscape is highly charged and dynamic, and the reform Government and Parliament are considering a host of initiatives that relate both directly and indirectly to capital markets development. USAID's partners are actively working to orient these policy initiatives. As USAID continues to help put the legal and regulatory framework for competitive financial markets in place, the challenges for 1998 and beyond are to:

- Assist the GoR to develop a comprehensive capital markets development strategy, which will also integrate the securities and commodities markets;
- Strengthen surveillance and compliance, and improve corporate governance, in order to lower investment risk;
- Improve securities industry efficiency, lowering investor costs and risk; and,
- Add volume and depth in the stock exchanges, by introducing new financial instruments.

USAID's strategy for SO 1.4 remains sound, but some modification of intermediate result statements and indicators will be necessary, due to the rapidly changing policy environment in the sector.

5. Performance Data Tables

<p>OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector APPROVED: COUNTRY/ORGANIZATION: USAID/Romania</p>			
<p>RESULT NAME: Strategic objective level indicator</p>			
<p>INDICATOR: Annual volume of securities transactions</p>			
<p>UNIT OF MEASURE: US dollar equivalent sold (millions) SOURCE: INDICATOR DESCRIPTION: All security transactions during the year on the BSE and RASDAQ exchanges, plus the total sale of government treasury bills. COMMENTS: This is a modification of the previous indicator, "government treasury bills sold to public." As it adds in securities transactions on the two stock exchanges.</p>	YEAR	PLANNED	ACTUAL
	1995	Baseline	0
	1996	200	500
	1997	300	
	1998	350	
	1999	400	
	2000	450	

<p>OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector APPROVED: COUNTRY/ORGANIZATION: USAID/Romania</p>			
<p>RESULT NAME: IR 1.4.1 Improved legal and regulatory environment</p>			
<p>INDICATOR: b) National Securities Commission enforces standards</p>			
<p>UNIT OF MEASURE: Yes/No SOURCE: INDICATOR DESCRIPTION: COMMENTS: Note: This indicator does not adequately capture the impact of this intermediate result. USAID/Romania will propose a new indicator based on consultations with its partners.</p>	YEAR	PLANNED	ACTUAL
	1995	Baseline	Yes
	1996	Yes	Yes
	1997	Yes	Yes
	1998	Yes	
	1999	X	
	2000	X	
	2001	X	
	2002	X	

<p>OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector APPROVED: COUNTRY/ORGANIZATION: USAID/Romania</p>			
<p>RESULT NAME: IR 1.4.1 Improved legal and regulatory environment</p>			
<p>INDICATOR: c) State-owned banks that are privatized</p>			
<p>UNIT OF MEASURE: Percent of estimated total bank assets held by state banks SOURCE: National Bank of Romania; World Bank estimates</p> <p>INDICATOR DESCRIPTION: COMMENTS: Baseline: 75% of all 30 state owned banking assets are in 5 state banks. In 1998, 2 banks or 14% of all total state banking assets are planned for privatization.</p>	YEAR	PLANNED	ACTUAL
	1995	N/A	N/A
	1996	N/A	N/A
	1997	Baseline: 10%	0
	1998	14%	0
	1999	25%	
	2000	50%	
	2001		
	2002		

<p>OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector APPROVED: COUNTRY/ORGANIZATION: USAID/Romania</p>			
<p>RESULT NAME: 1.4.2 Increased availability of private capital through private financial intermediaries</p>			
<p>INDICATOR: a) Average volume of equity trading per week</p>			
<p>UNIT OF MEASURE: ROL billion SOURCE: RASDAQ; BSE INDICATOR DESCRIPTION: Average weekly sales on RASDAQ and BSE COMMENTS: 1996: BSE only 290 billion ROL/week 1997: 544 billion ROL RASDAQ \$767 billion ROL BSE</p>	YEAR	PLANNED	ACTUAL
	1995	N/A	N/A
	1996	Baseline	0.290
	1997	N/A	821
	1998	900	
	1999	1000	
	2000	1100	
	2001	1200	
	2002		

<p>OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector APPROVED: COUNTRY/ORGANIZATION: USAID/Romania</p>			
<p>RESULT NAME: 1.4.2 Increased availability of private capital through private financial intermediaries</p>			
<p>INDICATOR: b) Average number of shares traded weekly</p>			
<p>UNIT OF MEASURE: Number of shares (in millions) SOURCE: RASDAQ; BSE INDICATOR DESCRIPTION: Shares on BSE and RASDAQ COMMENTS: 1996: BSE only 90,000shares/week 1997: 11 mill shares/week, BSE 15 mill shares/week, RASDAQ</p>	YEAR	PLANNED	ACTUAL
	1995	N/A	N/A
	1996	Baseline	0.09
	1997	N/A	26
	1998	28	
	1999	30	
	2000	32	
	2001	34	
	2002		

SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector

1. Overall Rating and Assessment of Progress toward the Strategic Objective

Considerable progress was achieved with this SO. Performance is rated as meeting expectations. This assessment reflects satisfactory progress made with IR 1 and IR 2, under which key legislation, regulations, and procedures were drafted; and preliminary evidence that IR 3, improved energy efficiency, is on track.

Achievements in the petroleum subsector include: the development of pipeline tariffs, pipeline operator regulations, and oil and gas regulations; and privatization of two refineries. Achievements in the power sector include: the draft electricity and heat law and the power restructuring plan. However, success of the program can begin only with the enactment and implementation of the proposed legislation and regulations. Action on this front was delayed due to the political crisis.

2. Performance Analysis

IR 1: Oil and gas market liberalized

There was significant progress in the two major areas addressed by the IR -- private investment increased in the downstream petroleum sector restructuring (IR 1.1), and exploration, production, and transport regulated by independent agency (IR 1.1.2)

With direct USAID support, the GOR developed an economically and financially viable strategy for restructuring the downstream sector and developed a workable privatization scheme. Technical assistance and advice granted to the National Agency for Mineral Resources (NAMR) resulted in: the development of a system of rates and tariffs for third party access; the elaboration of regulations for the oil and gas sectors; and the establishment of a national database for the oil and gas sectors.

IR 1.1: Private investment increased

Achievement under this sub IR include a plan for rationalization of the petroleum sector, which included an optimization analysis of the sector's operations, and an appropriate reform and privatization strategy designed to increase investment and efficiency in operations. As a result, two refineries have been privatized, two more will be put on the privatization list, four are being restructured for privatization or liquidation, and the remaining two are being incorporated as part of the newly formed National Oil Company.

The progress made toward increasing private investment was somewhat counteracted by GOR's decision to create the National Oil Company, which incorporates some of the key assets into a vertically integrated entity. The newly formed entity is scheduled to be privatized within 2-3 years. This scheme is supported by the EBRD but not by the World Bank or USAID.

IR 1.1.2: Exploration, Production and Transport Regulated by Independent Authority

Considerable progress was achieved under this sub IR. USAID provided direct technical support to National Agency for Mineral Resources (NAMR) to develop its institutional capacity to oversee the petroleum and gas sectors. Some of the achievements include:

- trained NAMR staff on calculating crude oil and pipeline tariffs;
- developed regulations and technical instructions for data submittal by pipeline operators;
- developed a National Database for production and exploration, with an instruction Annex for the regulation;
- developed oil and gas regulations for NAMR.

IR 2: Competitive electric power system established

USAID provided direct assistance to the GoR to develop and implement a restructuring plan for the power sector. Complementary assistance was provided to increase private investment and share of capacity (IR 2.1); to enhance the purchasing, licensing, and access regulated by independent authorities (IR 2.2); and to support the drafting and adoption of needed regulations (IR 2.3).

Support included drafting a strategy and framework which detailed steps to implement a competitive model. The strategy is intended to facilitate a GOR decision regarding restructuring of the power sector. Additional assistance was provided to RENEL, the national power company, to develop its rationale for implementing the selected structure for the sector. RENEL incorporated the USAID recommendations in the final proposal for full and open competition submitted to the GOR. The Ministry of Industries and Trade (MOIT) approved the proposal; however it has not yet been endorsed by the Cabinet for submission to the Parliament.

IR 2.3: Regulations drafted and adopted

With USAID direct technical support, RENEL and MOIT drafted a comprehensive Electricity and Heat Law which includes the establishment of a regulatory body. The draft Law has been cleared by the MOIT and is pending endorsement by the GoR and subsequent approval by the Parliament.

IR 3: Improved energy efficiency

This task is focused on overcoming the obstacles to the operation of Energy Service Companies (ESCOs) in Romania, particularly the capital constraints and lack of performance contracting expertise. Progress with this IR has been modest. It includes the development of an ESCO corporate structure/business plan, assistance in obtaining financing, and extensive on-the-job training of ESCO staff in all aspects of project development, management, and implementation.

IR 3.1: Energy efficiency projects identified and implemented

Progress against this sub IR included the review of about twenty candidate clients, from which four were selected as clients for the first two ESCO demonstration projects. These included a ceramics plant, a cement plant, a furniture factory and a district heating company. The experts carried out follow up analysis, due diligence work, and prepared a list of potential projects. The first two demonstration projects will be carried out at the CIMUS cement plant and the MOBINS wood processing plant.

3. POLICY CONSIDERATIONS

USAID assistance in the power sector was critical to help develop and draft the restructuring plan for the sector and the energy law, providing the technical and legal foundation for the restructuring and privatization of the power sector. However, GoR action on these two drafts was delayed by the political crisis. Further progress in the sector has also been hampered by lack of donor coordination, evidenced by the efforts of the World Bank to restructure its rehabilitation loan, a proposal that is strongly contested by RENEL. Neither USAID or EBRD supports the World Bank's position. Controversy over the creation of a vertically integrated National Oil Company supported by EBRD, but not by USAID or the World Bank, has hampered progress with the restructuring of the petroleum sector. USAID is working closely with the newly appointed government to help overcome some of these constraints and to put the restructuring process back on the fast track. USAID assistance is conditioned to positive actions on the part of the GoR in addressing these issues. Mission will continue to lead donor coordination to help resolve these problems.

4. EXPECTED PROGRESS THROUGH 2000 AND MANAGEMENT ACTIONS

The fundamentals for achievement of performance targets by FY2000 are in place. Government adherence to enact reforms would enable most objectives of IR 1 and IR 2 to be achieved.

Implementation of reforms by the GoR will, in all likelihood, open the gates for considerable private investment. While the IR 3 work to establish an ESCO industry capable of implementing projects on a performance contracting basis has been slower than expected, it should progress in 1998 and ultimately become self-sustaining by establishing a market based on privatized industries and municipal facilities.

The mission energy program contributes directly to USAID’s Global Climate Change initiative, but this is not explicitly acknowledged in the current strategy nor in the existing management contract. Under current Agency Directives/Guidance, all energy program activities are to be viewed as supporting the Agency’s Global Climate Change initiative.

5. Performance Data Tables

STRATEGIC OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR1 Oil and gas market liberalized			
INDICATOR: Ratio of independent retail to state-owned stations			
UNIT OF MEASURE: Ratio SOURCE: National Oil Company INDICATOR DESCRIPTION: Independent (foreign and domestic) retail outlets COMMENTS:	YEAR	PLANNED	ACTUAL
	1995/B		50/50
	1996	55/45	50/50
	1997	60/40	60/40
	1998	65/35	
	1999	70/30	
	2000	75/25	

STRATEGIC OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR1.1 Private investment increased			
INDICATOR: Private oil and gas investment (domestic)			
UNIT OF MEASURE: US \$ millions SOURCE: National Agency for Mineral Resources/National Oil Company INDICATOR DESCRIPTION: Incremental annual increase COMMENTS:	YEAR	PLANNED	ACTUAL
	1997	300 M	336 M
	1998	350 M	
	1999	400 M	

STRATEGIC OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR1.1 Private investment increased			
INDICATOR: Private oil and gas investment (foreign)			
UNIT OF MEASURE: US \$ millions SOURCE: National Agency for Mineral Resources/National Oil Company INDICATOR DESCRIPTION: Incremental annual increase COMMENTS:	YEAR	PLANNED	ACTUAL
	1996	\$100M	\$30M
	1997	\$100M	\$ 350
	1998	\$300M	
	1999	\$300M	
	2000	\$350M	

STRATEGIC OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR2 Competitive electric system established			
INDICATOR: Decision by GOR to approve and implement power sector restructuring			
UNIT OF MEASURE: Index rating (maximum 10) SOURCE: Ministry of Industries and Trade INDICATOR DESCRIPTION: COMMENTS: Assessment of status of progress based on two points for each benchmark: - law drafted - draft approved by GOL - draft introduced to Parliament - law/regulation enacted - law/regulation enforced	YEAR	PLANNED	ACTUAL
	1997		No
	1998	2	

STRATEGIC OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR2.1 Private investment and share of capacity increased			
INDICATOR: Market share of independent power			
UNIT OF MEASURE: Power share in total annual MW production SOURCE: RENEL INDICATOR DESCRIPTION: New independent power generated COMMENTS:	YEAR	PLANNED	ACTUAL
	1996	2%	0%
	1997	3%	3%
	1998	10%	
	1999	20%	
	2000	30%	

STRATEGIC OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR2.3 Regulations drafted and adopted			
INDICATOR: Energy law drafted and passed			
UNIT OF MEASURE: Yes/No <hr/> SOURCE: Official Gazette of Romania <hr/> INDICATOR DESCRIPTION: <hr/> COMMENTS: Assessment of status of progress based on two points for each benchmark. <ul style="list-style-type: none"> - law drafted - draft approved by GOR - draft introduced to parliament - draft enacted -law/regulation enforced 	YEAR	PLANNED	ACTUAL
	1997	6	4
	1998	8	
STRATEGIC OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR3 Improved energy efficiency			
INDICATOR: Dollars saved as a result of energy efficiency projects			
UNIT OF MEASURE: USD (millions) <hr/> SOURCE: Energy Service Companies <hr/> INDICATOR DESCRIPTION: As measured by the net savings from energy efficiency projects <hr/> COMMENTS:	YEAR	PLANNED	ACTUAL
	1998	0	
	1999	2	
	2000	4	

STRATEGIC OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR3.1 Energy efficiency projects identified and implemented			
INDICATOR: No of energy efficiency projects implemented			
UNIT OF MEASURE: Million dollars of projects implemented SOURCE: Energy Service Companies INDICATOR DESCRIPTION: Projects are defined as between \$ 3-10 million COMMENTS:	YEAR	PLANNED	ACTUAL
	1998	6	
	1999	8	
	2000	10	

SO 1.6 Increased Environmental Management Capacity to Promote Sustainable Economic Growth

In FY1997, USAID/Romania's environmental activities were reported under SO 3.3, ENI Bureau's environmental health SO. In FY1998, ENI adopted a new SO 1.6 "Increased Environmental Management Capacity to Promote Sustainable Economic Growth." USAID\Romania has chosen to report program activities under this new SO because it more accurately reflects the scope of its environmental strategy.

1. Overall Rating and Assessment of Progress toward the Strategic Objective

Progress toward achievement of this SO is meeting expectations. All targets at the SO and IR level were met; targets for IR 2 Environmental Legal Authority Enhanced have been surpassed. Progress toward each IR and the SO has been positive and we expect to meet most targets over the next year.

With direct USAID support, the GoR addressed the institutional and policy needs to improve management of the environment and natural resources. These efforts included the continued development of a functional legal and regulatory framework; the design of economic instruments to lay out the foundation for the financial sustainability of the sector; and institutional reforms designed to streamline and improve the management of the system.

To complement its work in the policy area, at the request of the GoR, USAID launched a comprehensive institutional needs assessment of the environment sector with emphasis on the local entities responsible for administering and enforcing environmental laws and regulations. This assessment was developed and implemented in close coordination with the GoR, the World Bank and EU Phare. The report will provide the basis for the implementation of the legal and institutional systems needed to make environmental management self-sustainable.

Technical assistance to industry in waste minimization technologies has increased enterprise productivity, abated pollution, and helped ensure compliance with environmental regulations. USAID-financed demonstration projects for cleaner technologies have introduced not only conservation and protection technologies but have also generated economic benefit for targeted industries and communities. This work is being made self-sustainable through assistance to the Pollution Prevention Center, and the development of environmental service firms which will provide consulting services on a commercial basis.

2. Performance Analysis

IR 1: Improved environmental resource management

USAID assistance was expanded to develop and strengthen the managerial capacity of enterprises and government entities to better manage environmental and human resources. Building on the success of pilot projects in Zlatna and Bistrita, USAID organized a study tour of U.S. enterprises for a group of senior managers and specialists from lead smelters, battery manufacturing plants and government. Upon return, several industry managers took immediate steps to implement practices observed during the tour which included cleaner production practices and providing workers with incentives to adopt preventive health measures.

To facilitate dissemination of practices and experiences gained with the pilot Health Environmental Projects, USAID organized two workshops for managers and technicians. Impressed by the benefits, participants are adopting similar practices to fit the needs of their respective enterprises. The workshop attendees also decided to meet periodically to share experiences and lessons learned.

Building on the success of the first graduated class, USAID assistance to the Technical University in Cluj was expanded to further develop its graduate program in environmental management, the only such program in Romania. According to the participants, the program had a profound impact on their managerial capabilities and their insight of environmental issues. As a result, several enterprises, such as SC "FERMIT" SA Ramanicu - Sarat and SC "IANEX" SA Cluj - Napoca, have set up environmental offices and adopted environmental programs of their own. The success of the program has been such that it will no longer require USAID funding but will be financed by tuition fees and donations.

IR 1.1: Management operations strengthened

USAID has also experienced success with the implementation of replicable pilot activities designed to strengthen operations and reduce pollution. At Sidex, the largest steel producer in Romania, USAID invested \$30,000 to purchase a frequency converter in a coke plant, while the recipient absorbed the costs to renovate their space and install the equipment. The documented savings amounted to \$88,000 per year, with significant improvements to the environment. More savings will come from lower plant maintenance costs in the future. Other enterprises are looking at adopting similar systems.

IR 1.2: Demonstration Models Established and Replicated

The Romanian Pollution Prevention Center (PPC) has been strengthened sufficiently to administer USAID-financed waste minimization activities in Romania with minimal outside support. The PPC was also certified by the Ministry of Waters, Forests and Environmental Protection (MOWFEP) to conduct environmental assessments and related studies.

With USAID assistance, DACIA, Romania's largest car manufacturer, set up a permanent waste minimization department. The project has a savings potential amounting to 5-10% of the company's annual profits.

USAID's successful community-based environmental-health model in Zlatna helped reduce lead levels in children under six years of age, from over 35 ug/dL to 20-22 ug/dL. According to international standards, lead levels above 10 ug/dl require environmental health intervention. Building on the success of the model, with USAID assistance, the GoR organized two workshops for participants from six judets. The participants included representatives from NGOs, the medical community, private industry, and teachers. The participants learned how to conduct programs based on the Zlatna model. As a result, two judets are designing similar programs of their own.

IR 1.3: Economic Instruments Developed and Implemented

Significant progress was achieved against this Sub IR. With USAID support, an inter-ministerial working group evaluated the performance of the existing economic instruments and identified priority policy concerns. As a result, the following instruments are being developed: (a) air: tax on sulfur content of fuel, price differential between leaded and unleaded gasoline, and emission reporting; (b) water: effluent discharge reports, effluent trading, increased effluent fees, flood fees, and fertilizer and pesticide product charges; and (c) solid and hazardous waste: deposit refunds on lead batteries and tires. The adoption of the instruments along with the appropriate legal framework will ensure the self-sustainability of the sector.

IR 2 Environmental legal authority enhanced

With USAID assistance, the GoR formulated market-based environmental policies and developed regulations to protect environmental resources. Results included: environmental norms for privatization enacted; procedures for the application of environmental audits adopted; and norms established for the implementation of compliance schedules. The results exceeded expectations for this IR: for example, the increase in permits issued this year was 27% over last year's; the number of privatization audits conducted increased five-fold over the previous year. To further improve MOWFEP's enforcement capabilities, USAID is providing training to the local EPAs on the application of the recently enacted norms and regulations.

IR 2.1: Environmental Legislation and Policies Developed

USAID delivered essential technical and legal advice in the development of the Environmental Law, the Waters Law, and a number of resulting regulations. USAID support was also critical to developing the following key regulations, all harmonized with European Union directives: Environmental Permitting; Scope and Content of Environmental Audits; and Contaminated Media Guidelines. Completion of these regulations was achieved a year ahead of schedule.

IR 2.2: New Key Institutions Established

Two new institutions were established with USAID assistance: (a) the Center for Environmental Sustainable Economic Policy, a local foundation comprised of Romanian economists, scientist, designed to provide sustainability for the development of environmental policies and issues;(b) Expert Certification Committee for Environmental Auditing and Impact Assessment Certification Commission to oversee the certification of environmental auditors.

IR 3 Environmental sector financial sustainability increased

Satisfactory progress has been achieved in this IR. USAID has actively promoted the concept of self-financing of the environmental sector and has made concerted efforts on several fronts. For example, with USAID assistance, the GOR drafted an emergency ordinance that would authorize the local EPAs to retain permitting fees so as to ensure their financial sustainability. USAID assistance was also provided to develop a proposal to privatize Apele Romane, the national utility entity responsible for administering and regulating the water systems in Romania. Finally, USAID is helping develop the country's methodology for full-cost pricing of water sector services with the goal of implementing self-financing.

3. Policy Considerations

USAID assistance to the environment sector is being regularly reviewed to ensure that it meets the evolving requirements of the sector. For example, in order to make the program sustainable, at the request of enterprises, local EPAs, and NGOs, USAID agreed to co-finance the second class of the graduate environmental management program at the Cluj University.

In Baia Mare and Pitesti, USAID has brought together NGOs, private sector representatives, and local government officials in partnerships to address and improve air quality in their communities. This effort is closely coordinated with NGO-related activities under SO 2.1 and 2.3.

USAID will continue to lead in facilitating donor coordination in the sector. The key findings of the Institutional Needs Assessment (INA) will be presented by USAID at a roundtable attended by senior GoR policy makers and representatives from the donor community. The results of the roundtable, along with the INA report, will provide the basis for programming of activities by the various donors.

Environmental efforts are being complemented by other SOs, SO 2.1 and SO 2.3 are helping strengthen civil society and local government capacity while SO 1.5 reinforces efforts with the private sector side of the equation. USAID's efforts are also being synergized by targeted assistance provided by other donors.

In sum, increased awareness of environmental issues, sustained GoR emphasis on privatization, integration with other mission SOs, and enhanced donor coordination all had a positive impact on SO performance in 1997. However, achievement of financial sustainability for the sector can only be obtained if the GOR implements the instruments and policies developed under the SO.

4. Expected Progress through FY2000 and Management Actions

The Mission anticipates that by FY2000 significant progress will have been made toward increasing the environmental management capacity in Romania's public and private sector. It is expected that sector institutions will be established and running efficiently; the legal and regulatory framework will be in place if not fully operational; and industries will have shown significant progress in integrating environmental considerations into their operations. But more significantly, the mission anticipates that at least 50% of the sector will be self-sustainable. World Bank and EU environmental programs - stimulated by USAID activities - should enhance self-sustainability. The Mission anticipates graduating this S.O. by 2001.

The Mission does not have a specific global climate change (GCC) component in its results framework. However, the environmental policy and pollution prevention activities support the Agency's Climate Change Initiative which responds to the President's commitment. USAID activities are being tracked by the GCC Performance Monitoring Plan, and the funding attributions are also being captured by the appropriate codes. Activities under SO 1.6 may receive additional attention and be expanded if Romania becomes a key climate change country during the five year period of initiative.

The current results framework needs additional fine tuning to capture the current needs and the switch to SO 1.6. The SO level indicators do not provide an accurate reflection of the results achieved through the Mission's efforts in the sector, since many other factors influence countrywide environmental conditions. In addition, several sub-IRs should be reconfigured to more closely match the proposed Bureau framework. USAID/Romania will coordinate with the ENI Bureau to make such revisions early in the next implementation phase.

OBJECTIVE: SO 1.6 Increased environmental management capacity to promote sustainable economic growth APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR1: Improved environmental management			
INDICATOR: Response of regulatory enforcement			
UNIT OF MEASURE: % increase in revenue over the previous year starting with 1997 SOURCE: MOWFEP, HIID. 1996 and 1997 data will be received in late May 1998. 1997 books are closed in April 1998. INDICATOR DESCRIPTION: Revenue collected as a result of economic instruments applied	YEAR	PLANNED	ACTUAL
	1996		NA
	1997	+5%	NA
	1998	+7%	
	1999	+15%	
	2000	+25%	

OBJECTIVE: SO 1.6 Increased environmental management capacity to promote sustainable economic growth APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR1.2: Demonstration models established and replicated			
INDICATOR: Number of demonstration models established			
UNIT OF MEASURE: Models established SOURCE: MOWFEP, MOIT, WEC INDICATOR DESCRIPTION: As measured by number of models established/replicated COMMENTS:	YEAR	PLANNED	ACTUAL
	1996		0
	1997	3	6
	1998	5	
	1999	10	
	2000	15	

OBJECTIVE: SO 1.6 Increased environmental management capacity to promote sustainable economic growth APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 1.3: Economic instruments developed and implemented			
INDICATOR: Instruments developed and implemented			
UNIT OF MEASURE: developed/implemented SOURCE: MOWFEP, MOF, HIID INDICATOR DESCRIPTION: Water instruments, air instruments (developed/implemented) COMMENTS: The indicator will be revisited to assure the IR correctly reflects the results.	YEAR	PLANNED	ACTUAL
	1996		0
	1997	4,3	2,0
	1998	4,6	
	1999	4,6	
	2000		

OBJECTIVE: SO 1.6 Increased environmental management capacity to promote sustainable economic growth			
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania	
RESULT NAME: IR 2: Environmental legal authority enhanced			
INDICATOR: Permits issued			
UNIT OF MEASURE: Number increase over the previous year	YEAR	PLANNED	ACTUAL
	1996		3,700
	SOURCE: MOWFEP, HIID		
	1997	+20%	27%
	1998	+40%	
	INDICATOR DESCRIPTION: As measured by the annual no. of permits issued by EPAs		
	1999	+40%	
	2000	+20%	
	COMMENTS: Indicator of permits issued will be revisited to assure it represents a sufficiently impact related result.		

OBJECTIVE: SO 1.6 Increased environmental management capacity to promote sustainable economic growth			
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania	
RESULT NAME: IR 2: Environmental legal authority enhanced			
INDICATOR: Privatization audits conducted			
UNIT OF MEASURE: percentage increase over the previous year	YEAR	PLANNED	ACTUAL
	1996		50
	SOURCE: MOWFEP, HIID		
	1997	20%	50% (125)
	1998	40%	
	INDICATOR DESCRIPTION: As measured by the annual number of audits conducted		
	1999	40%	
	2000	20%	
	COMMENTS: Indicator will be revisited to assure increase in number of audits sufficiently represents the results.		

OBJECTIVE: SO 1.6 Increased environmental management capacity to promote sustainable economic growth			
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania	
RESULT NAME: IR2.1: Environmental legislation and policies developed			
INDICATOR: Regulations developed and implemented			
UNIT OF MEASURE: Number of regulations developed, implemented SOURCE: MOWFEP, HIID INDICATOR DESCRIPTION: As measured by issuance of a compliance schedule scope and content COMMENTS: The indicators will be revisited to assure the results are sufficiently addressed.	YEAR	PLANNED	ACTUAL
	1996		0
	1997	3,0	5,3
	1998	4,5	
	1999		
	2000		

OBJECTIVE: SO 1.6 Increased environmental management capacity to promote sustainable economic growth			
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania	
RESULT NAME: IR2.2: New key institutions established			
INDICATOR: Local and national institutions established–operating.			
UNIT OF MEASURE: Number of institutions developed <hr/> SOURCE: MOWFEP, HIID <hr/> INDICATOR DESCRIPTION: River Basin Commissions, Think Tank, and national entities <hr/> COMMENTS:	YEAR	PLANNED	ACTUAL
	1996		1
	1997	2	2
	1998	3	
	1999	5	
	2000		

OBJECTIVE: SO 1.6 Increased environmental management capacity to promote sustainable economic growth			
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania	
RESULT NAME: IR 3: Environmental sector financial sustainability increased			
INDICATOR: Institutional Cost Retention			
UNIT OF MEASURE: % of revenue from tariffs retained by the sector. <hr/> SOURCE: MOWFEP, HIID <hr/> INDICATOR DESCRIPTION: As measured by the portion of beneficiary–specific environmental services paid for by cost recovery tariffs. <hr/> COMMENTS: The IR will be revisited later to ensure that the results are sufficiently addressed.	YEAR	PLANNED	ACTUAL
	1996		
	1997	0	0
	1998	10	
	1999	30	
	2000	40	

SO 2.1 Increased, better-informed citizens’ participation in political and economic decision-

making

1. Overall Rating and Assessment of Progress toward the Strategic Objective

Progress toward this strategic objective met expectations in 1997. Governmental and non-governmental institutions have benefited from USAID support, confirming progress at the IR level and the SO level.

USAID assistance is stimulating and strengthening the role of non-governmental organizations (NGOs) throughout Romania. With direct USAID support via SOs 2.1 and 1.6, NGOs participated in the development and review of several key public laws including: energy efficiency; the Clean Water Act and local water quality standards; secondary school reform; and community based AIDS services.

USAID helped form a national coalition to successfully advocate the enactment of the new "Sponsorship Law" designed to provide tax deduction for individual's contributions to NGOs, increase the tax deduction for corporate contributions to NGOs, and provide more favorable tax treatments for radio and TV broadcasters that air public service announcements from NGOs. The national coalition "Invest in Civil Society," comprised of over 425 NGOs, joined forces in developing and implementing creative strategies to keep the draft law moving through each stage in the process.

Encouraged by the success of the "Invest in Civil Society" coalition, our partner NGOs are developing another coalition to advocate for the passage of a new Law on Associations and Foundations, to replace the obsolete 1924 law which governs the registration and operations of NGOs.

To ensure sustainability of the sector, USAID assistance is also fostering the establishment of partnerships between local governments and civil society organizations to address community needs.

USAID's work with Parliament has led to several institutional reforms that directly address citizen participation. While the Chamber of Deputies is creating mechanisms which foster engagement with NGOs such as the Bureau of Public Information and Relations with Civil Society; the Senate is increasing access to Romanian media and the public with improvements in the Office of Press and Public Relations and by making committee meetings open to the media and the public.

Assistance to the judiciary has also produced significant results. With USAID support, the judicial school has become operational, offering training to judges, magistrates, and prosecutors. In addition, the criminal and civil codes were amended to improve the efficiency of the judiciary.

2. Performance Analysis

USAID assistance under SO 2.1 targets two intermediate results (IRs): IR 1 Increased effectiveness and accountability of the Romanian leadership; and IR 2 Strengthened ability of civil society to address policy concerns.

IR 1 Increased effectiveness and accountability of the Romanian leadership

Under this IR, USAID is providing assistance to the Romanian Parliament to help develop and strengthen its institutional capacity. As a result, the Chamber of Deputies has established a Bureau of Public Information and Relations with Civil Society. The Bureau has begun to collect information on citizen inquiries which will enable the Chamber to track the volume and types it is receiving. This system will also give citizens direct access to the Chamber. USAID will use the information/public inquiry system to gauge citizen participation over the coming years.

The Senate Office of Press and Public Relations developed an action plan to improve their outreach to the media and the public. As a first step, they provided a brief statement on the purpose of the office and contact information to the media and the NGO community.

As a direct result of USAID assistance, the Senate has amended its rules to allow media coverage of committee meetings. Previously this was a privilege that was rarely extended to the media and access was at the discretion of the committee chair. Now the Senate committee meetings are open to the media and the public. In addition, a specific vote by the committee is required to restrict public scrutiny of their proceedings.

The Parliament has also started an awareness campaign with the Ministry of Education to provide visits and tours by schools so that students better understand the role and functions of parliament. Both Parliament and USAID are pleased with this effort, the first of its kind in Romania. Meanwhile, USAID support is being provided to the two Chambers to help develop and strengthen their capacity to develop and analyze policy issues and to improve their internal operations.

Support to the Executive branch has been aimed at strengthening the organizational, management, and public relations capacities of these institutions and in linking senior Romanian policy makers with their counterparts in the U.S. and the CEE. Implementation began in late 1997; therefore, we expect to report on results in subsequent years.

IR 2 Strengthened ability of civil society to address policy concerns

The USAID-sponsored Democracy Network Program (DNP) developed modules in financial management, administration, external communications, and fund raising which are being used in conjunction with other materials in a training scheme which thus far has reached more than 100 NGOs. The training efforts are being complemented with targeted technical assistance and grants for pilot projects. USAID has also been successful in providing training and technical assistance to large indigenous organizations such as Pro-Democracy Association (PDA), the Foundation for the Development of Civil Society (FDSC), and CENTRAS. Efforts are aimed

at enhancing the capacity of these organizations to train and develop smaller, less developed NGOs, thereby ensuring sustainability for organizational development beyond the time frame of SEED assistance.

At the request of the GoR, USAID broadened its outreach to help develop grass-roots groups in the poorest judets (counties) of Romania. These efforts leveraged the \$20 million World Bank's "Social Development Fund" loan. Under the current agreement, USAID will develop local civil society organizations and identify projects addressing local community needs. The Social Development Fund will provide the funding for the projects. Other donors, including Soros and EU Phare are considering making funding available to fund similar projects. The development of partnerships between civil society and local government will be a hallmark of this activity.

IR 2.4 Increased professionalism and sustainability of the media

Media organizations received training and technical assistance which strengthened their capacities to raise revenue through increased advertising sales and more efficient operations.

USAID supported the publication of the first "Guide to Romania's Media", a combined "Who's Who" and public relations guide which has proven to be invaluable to the businesses, media, and diplomatic communities.

With USAID assistance, a branch of the International Audit Bureau of Circulations (ABC) was established in Romania. This is a significant milestone for the sector, as it brings Romania in compliance with accepted international standards for the operation of media outlets as the ABC monitors and certifies the circulation and sales of print media. ABC certifications provide both publishers and advertisers with reliable market data. Thirty three organizations paid the Lei equivalent of US \$1000 to join the ABC.

3. Policy Considerations

Customer feedback confirmed that the objective is on track. It helped to identify issues that need to be addressed. For example, at the request of GoR, USAID's support is being expanded to develop grassroots capacity in the poorest judets (counties). Support to the executive , through the training of spokespersons and press attaches, is also being expanded to the line ministries. Our media program is also being fine-tuned to help strengthen the professional capacities of journalists in the financial and economic areas.

4. Expected Progress through FY2000 and Management Actions

Democratic practices in government institutions, respect for the rule of law, and widespread democratic norms and values in society would have been established in Romania, creating an environment of increased political participation and accountability. Control over resources and decision-making would have been devolved to the local level, empowering disenfranchised segments of the population and allowing NGOs to work unfettered throughout the country.

Capacity building of indigenous NGOs to provide training and technical assistance should be complete by the end of FY2000.

Professional enhancement and financial self-sustainability of the media should be completed by the end of FY1999. No further assistance in this area will be required.

To address one of the major constraints affecting performance (lack of capacity to implement reform) USAID will continue to fund - through FY2000 - training and exchange programs aimed at GOR managers and young political leaders.

The Mission will continue to lead donor coordination in the provision of assistance in the democracy area, thereby multiplying resources to this sector.

3. Performance Data Tables

STRATEGIC OBJECTIVE 2.1: Increased, better-informed citizens' participation in political and economic decision-making			
APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: SO 2.1 Increased, better-informed citizens' participation in political and economic decision-making			
INDICATOR: Number of projects designed, developed and implemented in cooperation by citizens, civil society and decision-makers, at the local level			
UNIT OF MEASURE: projects SOURCE: Democracy Network Program INDICATOR DESCRIPTION: Number of priority community concerns formally targeted through collaboration between public authorities, civil society and citizens COMMENTS:	YEAR	PLANNED	ACTUAL
	May 1997		0 (B)
	1997	0	0
	1998	10	
	1999	14	
	2000		

STRATEGIC OBJECTIVE 2.1: Increased, better-informed citizens' participation in political and economic decision-making APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: SO 2.1 Increased, better-informed citizens' participation in political and economic decision-making			
INDICATOR: Number of draft laws/policies/decisions reviewed/commented by citizens/CSOs			
UNIT OF MEASURE: laws SOURCE: Democracy Network Program, Parliamentary Assistance Program INDICATOR DESCRIPTION: Draft laws/policies/decisions for which citizens'/CSOs provide input through formal mechanisms, at national level COMMENTS: Target was exceeded, due to both the openness of the government to civil society input and to the increased participation of the CSOs in public policy debates.	YEAR	PLANNED	ACTUAL
	May 1997		1 (B)
	1997	+3	+8
	1998	+3	
	1999	+5	
	2000		

STRATEGIC OBJECTIVE 2.1: Increased, better-informed citizens' participation in political and economic decision-making APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 1 Increased effectiveness and accountability of leadership			
INDICATOR: Number of significant laws initiated/amended by Parliament			
UNIT OF MEASURE: laws SOURCE: Parliamentary Assistance Program INDICATOR DESCRIPTION: Laws initiated/amended by Parliament COMMENTS: "Significant laws:., defined as laws of national impact or laws which affect a sector. i.e. decentralization; education reform, etc.	YEAR	PLANNED	ACTUAL
	May 1997		0 (B)
	1997	+2	+2
	1998	+5	
	1999	+8	
	2000		

STRATEGIC OBJECTIVE 2.1: Increased, better-informed citizens' participation in political and economic decision-making APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 1.1 Increased contact with civil society			
INDICATOR: Number of MP's field offices with formal systems to receive and act on inquires from citizens			
UNIT OF MEASURE: field offices SOURCE: Parliamentary Assistance Program, Romanian Government Transition Support Program INDICATOR DESCRIPTION: Track record of calls, actions taken COMMENTS:	YEAR	PLANNED	ACTUAL
	May 1997		5 (B)
	1997	8	8
	1998	75	
	1999	275	
	2000	350	

STRATEGIC OBJECTIVE 2.1: Increased, better-informed citizens' participation in political and economic decision-making APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 1.1 Increased contact with civil society			
INDICATOR: Number of mechanisms established to enable the public to observe and contribute to an open legislative process and interact with representatives			
UNIT OF MEASURE: mechanisms SOURCE: Parliamentary Assistance Program, Democracy Network Program INDICATOR DESCRIPTION: Public hearings held on special laws (e.g. education), revision of budget at local level COMMENTS:	YEAR	PLANNED	ACTUAL
	May 1997		3 (B)
	1997	7	7
	1998	20	
	1999	45	
	2000	70	

STRATEGIC OBJECTIVE 2.1: Increased, better-informed citizens' participation in political and economic decision-making APPROVED: 5/97 COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 1.3 Increased transparency of Parliament			
INDICATOR: Number of special press conferences or press releases by MP's and parliamentary leaders, related to specific topics			
UNIT OF MEASURE: press conferences or press releases SOURCE: Parliamentary Assistance Program, Romanian Government Transition Support Program INDICATOR DESCRIPTION: Press conferences and press releases reflecting Parliament's position on special/controversial topics COMMENTS:	YEAR	PLANNED	ACTUAL
	May 1997		2 (B)
	1997	3	3
	1998	20	
	1999	35	
	2000		

STRATEGIC OBJECTIVE 2.1: Increased, better-informed citizens' participation in political and economic decision-making APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 2 Enhanced ability of civil society to address policy concerns			
INDICATOR: Capacity rating for each USAID-assisted group: 1=start up; 2=developing; 3=consolidating; 4=sustaining.			
UNIT OF MEASURE: scale SOURCE: Democracy Network Program INDICATOR DESCRIPTION: Average of the ratings for governance, management systems, financial resources, human resources, service delivery and external relations for each USAID-assisted group, disaggregated according to the number of years rated COMMENTS:	YEAR	PLANNED	ACTUAL
	1996		1.3 (B)
	1996	1.3	2.3
	1997	2.5	2.5
	1998	3.0	
	1999	3.1	
	2000	3.2	

STRATEGIC OBJECTIVE 2.1: Increased, better-informed citizens' participation in political and economic decision-making APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 2.1 Improved policy/legal/regulatory framework for citizens participation			
INDICATOR: Scaled index of necessary laws for civil society activity that are drafted, debated and adopted			
UNIT OF MEASURE: indexed rating (max. of 10) SOURCE: Democracy Network Program INDICATOR DESCRIPTION: Assessment of the status of CSOs Registration Law and Sponsorship Law; each law gets a point for: –draft exists; –draft debated by public; –draft introduced to parliament; –law enacted; – law enforced. COMMENTS: Target exceeded.	YEAR	PLANNED	ACTUAL
	May 1997		3 (B)
	1997	4	6
	1998	6	
	1999	10	
	2000		

STRATEGIC OBJECTIVE 2.1: Increased, better-informed citizens' participation in political and economic decision-making APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 2.2 Increased cooperation between CSO's			
INDICATOR: Number of linkages between civil society organizations			
UNIT OF MEASURE: links SOURCE: Democracy Network Program (DNP) INDICATOR DESCRIPTION: Number of formal contacts between USAID-assisted CSOs COMMENTS: Target exceeded. DNP technical assistance in support of legislative and policy initiatives has resulted in the formation of the three CSOs coalitions discussed in the narrative. Other formal linkages in the sector have been established through the grants that the Foundation for the Development of Civil Society provided for the creation of NGO resource centers. USAID is providing training to the staff of these organizations, to gain the knowledge and skills needed to support effectively the communities they serve.	YEAR	PLANNED	ACTUAL
	May 1997		0 (B)
	1997	6	15
	1998	+6	
	1999		
	2000		

STRATEGIC OBJECTIVE 2.1: Increased, better-informed citizens' participation in political and economic decision-making APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 2.4 Increased professionalism and sustainability of the media			
INDICATOR: Increased quality of print outlets			
UNIT OF MEASURE: scale (0 to 230) SOURCE: Professional Media Program INDICATOR DESCRIPTION: Assisted newspapers (23) get one point based on each of the following: – having house ads that promote the editorial issues or rubrics of contents on the front page; – having specific business pages with financial information and data; – having a page that covers local/community news; – having subscription ads in each issue; – either conducting their own or purchasing market research; – having staff devoted to advertising sales that go out and make calls; – having a person devoted to marketing; – having ads positioned throughout the publication (on editorial pages); – having a media kit; – having a clear separation between editorial and advertising departments. COMMENTS:	YEAR	PLANNED	ACTUAL
	1996		56
	1997	130	130
	1998	178	
	1999		
	2000		

S.O. 2.3 More Effective, Responsive, and Accountable Local Government

1. Overall Rating and Assessment of Progress toward the Strategic Objective

Achievements in this Strategic Objective are exceeding expectations. Municipal finance and budget, public management, citizen information and citizen participation, local economic development activities, previously oriented to demonstration projects, have successfully become wholesale oriented, disseminating lessons learned to larger numbers of local authorities. Public officials of demonstration cities and counties have become trainers and short term consultants providing assistance to other communities. In several areas of activity it is now possible to assist projects in new places without foreign advisors.

Most indicators are in excess of targets. Because the changed attitude of the central government toward local authorities is evident, local officials have become increasingly eager to participate in programs designed to enable them to cope with new responsibilities. There are many more applications for slots at training seminars than can be accommodated.

Two years ago passage of fiscal decentralization legislation seemed impossible. Last year, suddenly, it seemed imminent. Now, the strains of promulgating an ambitious reform program with a fractious political coalition have postponed the time for adoption of some legislation, past projected dates. The political struggle within the government coalition is over the pace of reform. It is not a question of stopping reform or of reversing direction.

To assess the progress of this SO, an informal survey was conducted in two of the cities in which citizens information centers have been established. While skeptical about government in general, responses are favorable about the responsiveness of local government shown by the operation of citizens information centers. However, the sampling methodology of this survey needs improvement. Accordingly, USAID is planning larger and more technically reliable surveys that adequately reflect changes in attitude and program impact.

2. Performance Analysis

IR 1 Advanced capacity of local governments to manage resources

As additional resources are provided to local governments, their ability to provide services to citizens will improve, but only if they develop the capacity to manage those resources effectively. A competent budget process provides that capability. Only by demonstrating effective management can local government expect additional powers and revenues to be devolved.

With assistance from USAID, six additional city and county governments developed and adopted program performance budgets in 1997, bringing the cumulative total to 7, exceeding the target of 4. These included Tirgu Mures, Pitesti, Ialomita County, and Sibiu. Oradea submitted a budget for a third year. Budgets are completed but not yet adopted in Mures County and Baia Mare. This will bring the total number of municipal governments adopting program performance budgets to 9. The target for 1998 will be revised accordingly.

Public hearings are pending national budget adoption by Parliament. Cities and counties were previously not well motivated to invest the effort in budgetary reform since they had relatively little control over resources. It is now evident that their control has and will continue to increase. Interest in assistance in this area has therefore blossomed and requests for attendance at budget preparation seminars exceed resources.

IR 1.1 Improved capacity of local government to budget

Budget compilation software with training on its use was implemented by Tirgu Mures, Pitesti, Ialomita County, Sibiu, Mures County and Baia Mare during the period, bringing the total to 14 local governments and exceeding the target of ten. Significant progress was also made in the development of the software itself. The budget software is locally developed, based on work done in previous projects. The new software is substantially easier for Romanian local governments to use and better adapted to local realities.

IR 1.2 Improved relations between local government and citizens

With reports of 41,700 users per month, the use of citizen information centers far exceeded our expectations. Citizen information centers have received national publicity and captured the imagination of local officials. They have been studied by private sector organizations such as chambers of commerce and by the Romanian Army as models for communicating with the public. Romanian cities and counties have proved adept at establishing and operating the centers. They have been creative, improving on the original idea. Elected and appointed officials of cities and counties with operating centers are being effectively used as consultants assisting other interested cities. US consultants are no longer necessary to assure the spread of this activity to additional local entities.

USAID's efforts have been primarily aimed at the creation and operation of additional centers, as a channel for information between local government and the public. During the period additional citizen information centers were opened in Tirgu Mures, Oradea, Sibiu and Sibiu County. Although it does not appear in any measurement, the center in Ialomita county became substantially more usable and accessible through the establishment of CICNET, an interconnected on-line capability which makes the center and its information available to any citizen with internet access. CICNET permits the sharing of data with all the citizens centers in Romania. It was produced entirely by the employees of the county citizens information center, the first established in Romania with USAID assistance.

IR 1.3 Increased exchange of information among local governments

One new professional association was created in 1997, bringing the total number to 4. This association of returnees from US study tours with a local government focus was established to preserve the effects of the study tour experience, to provide support for other returnees attempting to implement lessons learned and to undertake projects of value to local government. The association includes returnees from study tours sponsored by several USAID sponsored projects. It is not meant to be limited to USAID clients, however, and may later include others with an interest in local government reform. Depending on the projects it chooses, the association will likely supplement the efforts of USAID activities and contribute to the achievements of this SO.

In 1997, the Federation of Municipalities and the Association of County Council Presidents were active and effective in the political process which produced the Law on Local Taxes and Fees. The law was drafted with USAID assistance and adopted by emergency ordinance following the active participation of both organizations. USAID efforts to assist the Federation have not been as well received as hoped, and influence on its legislative program has therefore been slight. The Association of Counties has been substantially more interested. Assistance to associations will be more intensive in the coming year.

IR 2 Increased local government control over functions and revenues

In order to effectively provide services to respond to citizen needs, local authorities must have access to resources to provide them and must control the use of those resources. Local authorities have in the past been mere agents of the state performing custodial functions.

Adoption of the Law on Local Taxes and Fees purportedly increased local control of expenditures to 70%. It also increased the amount of local revenues by some 25%. Because the amount of control varies widely, USAID/Bucharest plans to revise the indicator to measure effective control in order to more accurately report local government control over revenues.

IR 2.1 Enabling regulations and policy framework for decentralization established

In October, 1997, the Government endorsed a Law on Local Public Finance and submitted it to Parliament for approval. The law was drafted with extensive USAID supported technical assistance. The law will, when adopted: provide additional sources of local revenue; allow a local surcharge on the pending income tax; create an objective equalization process for poor cities; provide budget autonomy; simplify local access to credit; limit national government approval of local capital projects.

Further, the Government has sent to Parliament a Law on Public Patrimony which would define the property owned by national and subnational authorities. Both laws were expected to be adopted in 1997, were available for parliamentary action, but have not yet been acted upon. With the change in government, it is possible the laws will be returned for review and resubmitted. These delays have not yet affected overall SO progress, but progress is threatened. Adoption of both laws this year is still expected.

IR 3 Increased revenues available for local governments

The amount of revenue available to local authorities did not increase in real terms as a result of the failure of the economy to grow, the reduction in the level of state subsidies and the newness of the law. Local revenues should increase slightly in the coming year as a result of new legislation. Drafted with USAID assistance, the law provides: Discretion to set building tax rates; Wider range for land tax base; Local responsibility to define and raise local taxes; Discretion to set other tax rates; Responsibility for local tax administration; Local discretion for inflation indexation.

In August, 1997 the EBRD MUDP II agreement was signed with 10 Romanian municipalities and county councils for water infrastructure investments. The subsidiary agreements were signed in December, 1997. The loans are now effective.

3. Expected Progress through FY 2000 and Management Actions

Capacity building in local government in the areas of budget and finance, citizen information and citizen participation should reach the point of self sustainability by 2000 or shortly afterward. Romanian local governments are already improving on models introduced by USAID technical assistance. Technical assistance has been turned into training and the bulk of the training is already being done by Romanian trainers, either former and current client-officials of local governments or professional trainers supplied by NGO training organizations, themselves one time recipients of USAID assistance.

Establishment of a system of municipal credit unconnected to sovereign guarantees and not subsidized by international donors awaits enabling legislation and the establishment of lending vehicles. Past efforts in this area have involved collaborative efforts of USAID and EBRD. The World Bank is now interested also in municipal credit, planning to eventually make loans to sub-state entities. USAID will provide new assistance to up to 18 Romanian cities seeking to improve their creditworthiness.

A functioning system of municipal credit is likely to evolve by 2000. Under pressure from international lenders, the government has moved rapidly to create the foundation for a system of municipal credit. When legislation currently adopted or pending adoption is implemented, local authorities will be able to incur debt, to raise the revenue to support it, and to unilaterally decide on programs of capital investments. Financial management systems will increase the confidence of lenders. USAID other donor organizations, having encouraged this development and participated in the promulgation of legislation, will continue to provide assistance to the central government on implementation and to local governments preparing to participate.

Citizen information goals will be achieved by 2000 and this program will no longer be needed. Romanian cities and counties are now constructing and operating citizen information centers that are superior to facilities created by their expat advisors. Operators of these centers are now providing consulting services to other Romanian communities. Citizen information centers have reduced the barriers between officials and citizens. Information is now readily available.

The economic development function of local government will grow in importance and assistance will be necessary for local governments to realize their potential in satisfying citizen demands for improvement in the local economy. Local governments are judged by their citizens on the basis of the performance of the local economy. Local officials need to develop their abilities to encourage local economic growth. USAID/Bucharest will consider increasing technical assistance to address this need. USAID plans to enhance the achievement of all IRs by adding a volunteer mechanism activity in FY99.

4. Performance Tables

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government			
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania	
RESULT NAME: SO 2.3			
INDICATOR: A survey conducted in each, or a sample of client cities indicates increasing citizen satisfaction			
UNIT OF MEASURE: Survey indicating >50% satisfaction: yes/no		PLANNED	ACTUAL
SOURCE: Chemonics Intl	1996		0 (B)
INDICATOR DESCRIPTION: Survey data indicates increasing satisfaction with activities of local government officials, transparency and accountability of activities: yes/no	1997	>50%	>50%
	1998	>50%	
COMMENTS: The methodology of this survey was unscientific and the sampling inadequate. USAID plans to undertake more competent surveys in the future.			

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government			
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania	
RESULT NAME: IR1 Advanced capacity of local government to manage resources			
INDICATOR: Creation development and use of program performance budgets			
UNIT OF MEASURE: Program performance budgets	YEAR	PLANNED	ACTUAL
SOURCE: Chemonics Intl	1995		2(B)
	1996	2	2
INDICATOR DESCRIPTION: A budget process involving citizen participation controlled by elected officials through appointed professionals producing an informational and usable management document accurately reflecting the policy intent of the local authority	1997	4	7
	1998	8	
	1999	16	
	2000	24	
COMMENTS: The evident intent of the government to continue fiscal decentralization creates pressure to improve financial management. Budget training has been well attended.			

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government			
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania	
RESULT NAME: 2.3.1.1 Improved capacity of local governments to budget			
INDICATOR: Program budget, financial management or computer operating systems created or installed			
UNIT OF MEASURE: budgeting systems	YEAR	PLANNED	ACTUAL
	1995		2 (B)
	1996		8
	1997	10	14
	1998	15	
SOURCE: Chemonics Intl			
INDICATOR DESCRIPTION: A definable new method of managing and actively providing improved control, efficiency, decision-making capacity			
COMMENTS: The program will have hardware, software and expert resources plus an enthusiastic clientele. The 1998 goal should be revised.			

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government			
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania	
RESULT NAME: 2.3.1.2 Improved relations between local government and citizens			
INDICATOR: Number of users of Citizen Information Centers per month			
UNIT OF MEASURE: Citizens	YEAR	PLANNED	ACTUAL
	1995		0 (B)
	1996	0	6,000
	1997	12,000	41,700
	1998	24,000	
SOURCE: Chemonics Intl, local authorities			
INDICATOR DESCRIPTION: Number of users of CISs and a measure of information mechanisms provide usable information to government and to citizens			
COMMENTS: Center operators do not keep diligent or accurate records of citizen use of the CICs, so, the actual is probably inflated. Nevertheless, use exceeded the target. The break-down by city and county is as follows: Ialomita County - 1,200 per month x 12 months; Bucharest - 8,000 per month x 12 months; Oradea - 20,000 per month x 9 months; Sibiu City - 8,000 per month for six months; Sibiu County - 1,200 per month for six months; Tirgu Mures - 3,300 per month for four months. Oradea is a much larger jurisdiction. From the first day of operation, the CIC there has been heavily used.			

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government			
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania	
RESULT NAME: 2.3.1.2.1 Mechanisms to exchange ideas between citizens and government established			
INDICATOR: Number of citizen information centers organized, constructed and operating			
UNIT OF MEASURE: CICs	YEAR	PLANNED	ACTUAL
	1995		0 (B)
	SOURCE: Chemonics Intl		
	1996	0	3
	1997	5	6
	INDICATOR DESCRIPTION: Citizen information centers provide access to local government information and services		
	1998	7	
COMMENTS: Citizens Information Centers are being copied with and without consultant assistance. Achievement for 1998 will exceed the goal. The goal for 1998 should be revised.			

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government			
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania	
RESULT NAME: IR1.3 Increased exchange of information among local governments			
INDICATOR: Professional associations or informal networks of communication			
UNIT OF MEASURE: Associations	YEAR	PLANNED	ACTUAL
	1995		0(B)
	SOURCE:		
	1996	0	3
	1997	3	4
	INDICATOR DESCRIPTION: Professional associations or informal networks of communication enable cities and counties to establish formal and informal relationships for the exchange of information.		
	1998	5	
COMMENTS:			

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government			
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania	
RESULT NAME: IR2 Increased local government control over functions and revenues			
INDICATOR: Proportion of the budgets of local government units over which they have unrestricted authority			
UNIT OF MEASURE: Percentage of locally controlled expenditure in the budget	YEAR	PLANNED	ACTUAL
	1995		54.9 (B)
	1996	56	56
	1997	57	70
	1998	59	
	1999	63	
SOURCE: Chemonics Intl, Urban Institute, local authorities			
INDICATOR DESCRIPTION: Portion of budget expenditure over which the local authority has control			
COMMENTS: USAID/Romania is no longer certain that the baseline was accurate and is considering revising this indicator. The amount of control varies according to the area of expenditure.			

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government				
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania		
RESULT NAME: IR3.1 Municipal financial resources for capital needs increased				
INDICATOR: Number of municipalities borrowing for capital investment				
UNIT OF MEASURE: Municipalities or country councils	YEAR	PLANNED	ACTUAL	
	1996		5 (B)	
	SOURCE: Urban Institute	1997	+5	+10
		1998	+5	
	INDICATOR DESCRIPTION: Municipalities borrowing from all sources		+5	
	COMMENTS: 10 municipalities and country councils signed agreements with the EBRD MUDP II agreement.			

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government				
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania		
RESULT NAME: IR3.2 Locally derived revenue increased				
INDICATOR: Revised local law tax adopted				
UNIT OF MEASURE: Law	YEAR	PLANNED	ACTUAL	
	1996		No law	
	SOURCE: Urban Institute	1997	No law	Passed
		1998	Passed	
	INDICATOR DESCRIPTION: Parliament passes new local tax law which increases the authority of local government to levy taxes and set rates for these taxes			
	COMMENTS:			

SO 3.2 Improved Welfare of Women and Children

1. Overall Rating and Assessment of Progress toward the Strategic Objective

SO 3.2 has **met expectations** based on the steady progress to support the new Child Welfare (IR1) initiative, and acceptable progress toward the ongoing Women's Health (IR2) initiative. Our judgment is also based on our continued effort to manage-for-results by better refining our indicators in 1997 (for both IRs), and continued partner efforts to collect baseline data and set realistic targets. In turn, these 2 IRs were judged as making progress based on positive performance gains in most but not all IRs and sub-IRs as described below.

2. Performance Analysis

USAID assistance under SO 3.2 targets two intermediate results (IRs): IR 1 Child welfare; and IR 2 Women's health.

IR 1 Child welfare

Progress under the previous strategy has been steady towards meeting this IR. However, our new strategy for this sector has not been implemented so we do not have performance data related to the revised SO and IRs. The SO team is designing a baseline survey which will track these indicators in our three target judets.

Last year USAID funded only three small pilot projects in child abandonment prevention and sponsored one US-based participant training program in child welfare administration. As stated in the USAID/Romania 1997 strategic plan: new four year child welfare activities in three targeted counties will begin in 1998; and baseline data will be collected and performance targets will be established for the three targeted judets during the initial implementation stage in Spring 1998. USPVO proposals for these new activities were approved by the mission in 1997 and are being processed by the Regional Contracting Officer.

Although actual results cannot yet be reported regarding improved policies and administrative procedures, evidence of progress under this sub-IR comes from several sources: (a) provision of necessary training to key officials and institutions; (b) development of methodologies to allow for establishing "standards of care"; and (c) signing of contractual agreements for child welfare services. The three targeted counties quickly organized functional commissions and directorates for child protection. With USAID technical assistance, these county commissions began planning for the development of an array of services for children at risk or in need of protection. The counties will be able to implement these services under the newly approved grant to World Vision/Bethany Social Services, through their own decentralized budgets, and through grants from other donors.

USAID also sponsored U.S.-based training in child welfare administration for fourteen key decision makers, including the secretaries of ten judet councils and some directors of county directorates for child protection. This training increased collaboration between these Romanian officials and NGOs providing children's services in their counties, and thus set the stage for the judets to contract with NGOs for delivery of services. For example, in Iasi county the Directorate for Child Protection signed a contractual agreement with 8 NGOs and PVOs to establish and operate non-institutional emergency services for children and their families in need of protection.

IR 2 Increased use of women's health services

At the national level, there were no measurable changes in the level of maternal mortality, but baseline data were available for measuring maternal mortality due to abortions. No change in the overall maternal mortality level reflects in part the nature of this high order performance indicator and the real people-level impact that could be reasonably expected to occur over the performance period. At the same time, the mission observed steady progress in its women's health services IR and in the subordinate sub IRs as discussed below. Based on these early but promising findings, and considering the implementation of the POLICY project, the Mission has rated its performance as MET.

Other evidence supporting progress is the establishment of the Family Doctor "institution" (with direct USAID support) in which General Practitioners received training and will have increased responsibilities toward family planning and counseling. USAID also provided technical assistance to the MOH to include reproductive health in the insurance benefits package and to expand the definition of who is entitled to receive such services.

The mission was not able to formally judge progress based solely on the number of new dispensaries with general practitioners trained in women's health last year. However, the mission supported a Facilities survey¹ which revealed that the quality of women's health services improved in 1997. Work will continue to establish a baseline over the next 6 months to determine the number of dispensaries with physicians trained in women's health services.

Other evidence to support progress last year was the USAID-sponsored National Conference for key OB-gyns, in which barriers to increased use of modern contraception were openly discussed and solutions proposed. More than 30 doctors attended, from all over the country. The Conference produced a Resolution, in which all participants committed themselves to the right of all women of reproductive age to have access to quality reproductive health services and information on modern contraception.

¹"Analysis on the Availability of Family Planning Services in Romania", Final Report, 1997

The use of modern contraceptives² among youth aged 15-24 has doubled from 10 to 20%, since 1993. We have also private sector clinic reports that state the use of modern contraceptives among all women of reproductive age has increased significantly. Therefore, we consider that the 23% target set for 1997 was met. Also, there has been an increase in modern contraceptives procured by youth aged 15-24 as a result of increased management, informational, and educational skills within pharmacies. This age group purchased 54% of their contraceptives from pharmacies, representing a 48% increase since 1993. Lastly, the Center for Disease Control's final report of the 1996 Reproductive Health Survey revealed a change in the demand of women toward modern contraceptives. Women's knowledge about modern contraceptive methods and procurement options increased between 1993-1996 from 85% to 96%.

3. Policy Considerations

The Mission has been active in promoting donor coordination in the child welfare arena in Romania, through regular meetings and consultations with the World Bank, EU-PHARE, Council of Europe, and UNICEF. Because of the funding cycles of the other major donors, USAID is in the position to launch the critical demonstration project of county administered, community based services for children in need. Preliminary agreement for USAID/World Bank collaboration concerning development of non-institutional community, child welfare system has been defined.

Our judet level strategy promotes the partnership between local government, private business, and the community in the dissemination of information regarding health and the improvement of the quality of services. We will reach and reinforce this critical partnership through a group training in the U.S. in which representatives from these three sectors will learn better how to work together on women's health in our three target judets.

4. Expected Progress and Management Actions

We expect continued progress in IR 3.2.1 "Decreased dependency on institutions for children" through FY2000 assuming continued support for child welfare reform by the Government of Romania. Transfer of responsibility, authority, and funding for child welfare from the national to county governments has been proceeding in a relatively orderly and timely manner despite some confusion due to the overall lack of experience in Romania with decentralization of government functions. USAID will continue to provide advice training and technical assistance to the GOR Department for Child Protection and County Commissions for Child Protection concerning policy and administrative issues for actualizing decentralization and deinstitutionalizing the child welfare system.

USPVO proposals for four-year activities that demonstrate an integrated continuum of family-

²According to CDC Atlanta's Reproductive Health Surveys, conducted in 1993 and 1996

focused, community-based child welfare services in the three targeted counties will begin within a few months. Discussions among USAID, the World Bank, and the GOR Department for Child Protection should lead to agreements which will ensure that the successful aspects of the USAID sponsored child welfare models will be replicated in other judets in Romania through a subsequent program to be financed by a World Bank loan.

We fully expect to accomplish our objectives in women’s health, including all IRs. We will know more exactly the magnitude of our accomplishments within six months as we establish our baseline data and develop our evaluation framework.

5. Performance Data Tables

OBJECTIVE: SO 3.2 Improved welfare of women and children			
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania	
RESULT NAME:			
INDICATOR: Number of children living in institutions			
UNIT OF MEASURE: children SOURCE: INDICATOR DESCRIPTION: 1) number in child protection institutions and 2) number in all institutions in three target counties COMMENTS: A new child welfare project will begin in 1998. Baseline data plus targets will be collected in the three targeted counties (judets) in early 1998, during the initial implementation phase.	YEAR	PLANNED	ACTUAL
	1997		(1)3961(B) (2)7343(B)
	1998		
	1999		
	2000		
	2001		
	2000		

OBJECTIVE: SO 3.2 Improved welfare of women and children	
APPROVED:	COUNTRY/ORGANIZATION: USAID/Romania

RESULT NAME:			
INDICATOR: Maternal mortality rate			
UNIT OF MEASURE: Maternal deaths SOURCE: INDICATOR DESCRIPTION: Deaths per 100,000 births COMMENTS:	YEAR	PLANNED	ACTUAL
	1993		53 (B)
	1996	52	
	1997	51	
	1998	50	
	1999	49	
	2000	48	

OBJECTIVE: SO 3.2 Improved welfare of women and children			
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania	
RESULT NAME: 3.2.1 Decreased dependency on use of institutions for children			
INDICATOR: Number of children served by community-based child welfare services in three target judets			
UNIT OF MEASURE: Children SOURCE: INDICATOR DESCRIPTION: COMMENTS: A new child welfare project began in 1998. Baseline data and targets is currently being collected in the three target judets.	YEAR	PLANNED	ACTUAL
	1997		
	1998		
	1999		
	2000		

OBJECTIVE: SO 3.2 Improved welfare of women and children			
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania	
RESULT NAME: 2.3.1 Decreased dependency on use of institutions for children			
INDICATOR: Number of children reintegrated into the community in three target judets			
UNIT OF MEASURE: Children SOURCE: INDICATOR DESCRIPTION: 1) number of children reunified with their families; 2) Number of children in permanent substitute care (foster parents, adoptions in three target judets COMMENTS: A new child welfare project began in 1998. Baseline data and targets is currently being collected in the three target judets.	YEAR	PLANNED	ACTUAL
	1997		
	1998		
	1999		
	2000		

OBJECTIVE: SO 3.2 Improved welfare of women and children			
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania	
RESULT NAME: 2.3.2 Increased use of women's health services in target communities			
INDICATOR: Number of women using women's health services			
UNIT OF MEASURE: Women SOURCE: INDICATOR DESCRIPTION: COMMENTS: A new women's health project in Cluj, Iasi and Constanta began in early 1998. Baseline data, targets for these judets are currently being collected.	YEAR	PLANNED	ACTUAL
	1997		
	1998		
	1999		
	2000		

SO 4.1 Cross Cutting Activities and Special Initiatives

1. Overall Rating and Assessment of Progress Towards SOs

Progress over the past year under cross cutting activities is meeting expectations. These activities contribute to achievement of all of the Strategic Objectives.

2. Performance Analysis

Aside from the Audit, Evaluation and Project Support program, there are three other programs contributing to the reform process in Romania. One is the TRANSIT Participant Training project and the other is the Treasury Financial Services technical assistance program. In addition, the USIA Ron Brown Scholarship program is helping to address the human capacity constraint discussed in the **Overview** section.

The TRANSIT program has been closely coordinated with Strategic Objective teams to provide relevant short-term training to counterpart Romanians most directly involved in implementing GOR reforms and other critical activities in Romania's transition. In 1997 TRANSIT trained Romanians in Strategic Objectives 1.3 (Enterprise Development), 1.6 (Environmental Management), 2.1 (Democracy), 2.3 (Local Government), and 3.2 (Children and Women Welfare.) In some specific instances, individual training benefitted several SOs.

In all cases, the impact of the training was evident and clearly benefitted each Strategic Objective. Several examples are:

- 1) SO 2.1: The director of the Romanians Against Aids NGO (ARAS) returned from his training to serve as the team leader for a USAID sponsored AIDS evaluation and also immediately diversified the funding base for his PVO;
- 2) SO 2.3: Eight local government finance officers and 6 officials from the Ministry of Finance, returned to Romania and established mechanisms for local government issues, and lobbied the Ministry of Finance to approve the new Law of Local Finance and issuance of municipal bonds;
- 3) SO 3.2: 14 Child Welfare administrators, after they returned, reorganized their departments, identified NGOs with which to establish linkages, began establishing family-type group homes, systematically began to review the status of children in institutions in their counties, and intensified training programs for their staffs.

While TRANSIT provides short term-training, the Ron Brown fellowships, managed by USIS, provides LT training at the graduate level--mostly in business management, commercial law and other areas which benefit SOs 1.1, 1.3 and 1.4 (economic restructuring).

Three treasury advisors provide valuable assistance to the Ministry of Finance in the areas of government securities, budgeting and income tax reform. All three have worked closely with SO teams and USAID staff. The Treasury advisor in government securities has worked closely with the SO 1.4 SO team (Financial Markets)in preparations for issuance of government securities on RASDAQ. The Treasury budget advisor has been successful not

only in promoting program budgeting with the GOR but has been a key member of the SO 2.3 team and advised the MOF in the drafting of legislation related to decentralization. The Tax Advisor has provided the GOR with expertise in the design of a new "Global Income Tax" law, focusing especially on improving capacity at branch tax offices and on public information to prepare for implementation of the law.

3. Expected Progress through 2000 and Management Actions

Training, both the short-term training provided under TRANSIT and the long-term training under Ron Brown Fellowships, has played a critical role in preparing Romanians in the implementation of economic and social reforms. For this reason, the funding for both TRANSIT and Ron Brown will be straight-lined at substantial levels throughout FY 2000.

Treasury assistance will also continue with three advisors (and possibly a fourth in banking privatization) through FY 2000. Both of these activities will continue to play important roles until Romania nears graduation from the assistance program.

III. Status of the Management Contract

USAID/Romania is not proposing any major revision to the management contract in the Strategic Plan for 1998-2000. Following presentation of the SP in June 1997, AA/ENI approved the proposed program and outlined follow up work to be completed on the results frameworks. That work was largely completed. However, since SO 3.2 is a new SO and major activities in child welfare have not yet begun, the results frameworks have not been finalized. This will occur in the remainder of 1998. Some revisions to the results framework for SO 1.4 (financial markets) will also be required.

In addition, in order for USAID/Romania to help the GOR achieve the reforms outlined in the Strategic Plan, the Country Team believes that a funding level of \$30 million in FY 2000 is required, vs. the \$25 million planning level. This higher amount should put Romania more firmly on the road to graduation.

IV. Resources Request

II. Status of the Management Contract

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III. Resources Request

A. Financial Plan

Strategic Objective Cluster	(\$000)		
	FY 98	FY 99	FY 2000
S.O. 1-Economic Growth	22,400	20,700	14,250
S.O. 2-Democracy	4,975	6,900	6,900
S.O. 3-Child Health	4,860	4,500	4,500
S.O. 4-Special Initiatives	3,165	3,900	3,925
TOTAL	35,000	36,000	30,000

The new government of Prime Minister Vasile recently announced an ambitious reform program, which will take Romania on a "...one way path towards a market economy and democracy." The USAID program coincides with the GOR's plan and facilitates difficult structural changes and deepening of reforms necessary to achieve a legitimate market economy. It also serves to widen the participation of the public in GOR decision-making, so that the stakeholders have a voice and ultimately support the measures.

The GOR will rely on the USG, in collaboration with the other donors, to assist this difficult process over the next three years. If the reforms do not proceed quickly and transparently, then the economy will continue to be subject to wild swings, negatively impacting investment, trade and development prospects, while undermining the people's confidence. As confidence wanes,

democratic structures will increasingly become fragile.

Thus it is incumbent upon USAID, at a minimum, to sustain the planned level in FY 99 of \$36.0 million and increase FY 2000 funding from the programmed \$25.0 million to \$30.0 million. Of the overall levels, the lion's share cover SO1 activities. The Mission intends to emphasize agribusiness development along with SME development activities. A significant level of funding over and above what was initially conceived, is now needed to have the greatest impact. USAID will reduce funding for privatization and capital markets over the period as those processes take hold. We will maintain a solid presence in SO2 to assure a strengthened democracy underpins the economic reforms. In particular, USAID plans to a new rule of law effort to help modernize the judicial system to be an equitable, efficient and reliable structure supporting the growth of the market economy. USAID has a comparative advantage in this area and additional funds in FY 2000 will help accelerate the pace.

In SO3, USAID will continue to focus about 14% of its program budget on the special challenges facing Romanian children and reproductive health in general. In SO4, we will increase evaluation and project support to improve implementation and performance monitoring system.

B. Prioritization of Objectives.

The Mission views its efforts to spur economic growth, strengthen democracy and improve child health as an integrated, mutually reinforcing strategy. Over the past years, we have consolidated the program to achieve the highest impacts in the most consolidated manner in light of the planned budget levels.

As noted, USAID programs are mutually reinforcing. In the case of a precipitous drop in program resources, we have established a two-tiered priority approach. The first tier consists of SOs 1.3, 2.3, 3.2 and 2.1. A major contraction of these programs would severely damage our ability to reach objectives and undermine the U.S. leadership role. The second tier consists of SOs 1.4, 1.5, 1.6, 1.1, and 4.1. A drop in these programs would hurt, and force us to revise objective and results targets, but would not destroy the portfolio's foundation.

C. Linkage with Centrally Funded Mechanisms

Global Bureau field support has contributed in primarily two areas: family planning and democracy. Related to family planning, USAID will likely use field support for about \$1.5 million in FY 98 and drop to \$0.9 million in FY 99 and FY 2000 respectively. In democracy, USAID will program \$0.7 million in FY 98 and \$0.4 million in FY 99 to support our parliamentary assistance/support to the executive activity.

D. Workforce and Operating Expenses

PERSONNEL AND OPERATING EXPENSE BUDGET

A. OPERATING EXPENSE BUDGET

BACKGROUND

During the last year ABS exercise USAID/ Romania submitted an initial budget for FY98 of \$ 1,116,100 and of \$ 1,066,400 for FY99 both of them excluding ICASS.

Based on M/Budget announcement of OE levels to be used in the R4 review at \$ 1,000,000 for FY98 and FY99, and using the approved staffing levels for our Mission, USAID/ Romania performed, during the month of February of this fiscal year, a careful analysis of OE requirements and how to meet the needs for these OE levels indicated by the M/Budget bureau. The analysis performed at that time revealed the fact the USAID/ Romania needed an additional \$ 151,000 for FY98 and additional \$ 244,200 for FY99.

However, due to the increased use of the program funds in recovering the prorated costs for office rent, utilities and communications associated with the project funded personnel, USAID/ Romania was able to decrease the requested funding levels communicated in February of this year.

In projecting its OE budget for the fiscal years 1999 and 2000 USAID/ Romania factored in an increase of 20% in FN PSC salaries as a possible result of the last salary survey performed for Romania.

FISCAL YEAR 1998

During the current fiscal year USAID/ Romania has to fund from its OE budget a series of unexpected expenses thus not included in the last year ABS. The FY98 additional requirements are due to the following reasons:

- the 6th USDH assigned to our post has two dependents versus one planned in the initial budget; also the Education allowance for Romania has been increased
- Education Allowance that is going to be paid for one of the employee's dependents, due to special circumstances, is increased by \$44,000(435%)
- the MEDEVAC costs for this fiscal year reached the level of \$ 30,000 versus \$ 7,000 originally planned;
- USAID Romania is in the process of signing a lease for a warehouse space initially not included in the budget, at a cost of \$12,700/ year
- USAID/ Romania is required to fund 1.5 positions for local guards, per AID/IG/SEC recommendation for the new office space

USAID/ Romania was able to cover part of these additional costs due to the forward funding of the salaries and the residential rents that was done at the end of the last fiscal year. Mission will

also recover for its OE budget the costs of the office rent, utilities, communications and other related costs associated with the project funded employees.

In its efforts for meeting the target level of \$ 1,000,000 and given the expenses incurred by the Mission until the end of April 1998, USAID/ Romania had not only to dramatically adjust the procurement plan for this year but also to reduce the travel and training plans to the minimum level needed in order to ensure the Mission operations.

However the request FY 98 OE Budget level for USAID/ Romania is \$ 1,056,000. This level would ensure the proper funding level for Mission operations.

FISCAL YEAR 1999

The requested OE budget level for FY99 is \$ 1,132,900. The analysis for FY 99 is based on the same additional requirements outlined for FY98 which affect the FY99. Mission had to plan also for the replacement of part of its residential furniture and equipment for which the life spans expired. However this revised budget level does not benefit from any forward funding as in FY98.

In order to meet the M/Budget level of \$ 1,000,000, absorbing within this level the impact of the normal escalation of salaries and rents, USAID/ Romania will have to take the following measures:

- eliminate the Mission budget training. Proper training has been a critical element in the success of OAR's project oversight responsibilities. Eliminating this category will have a serious impact on Mission operations.
- eliminate OAR procurement plan. This way the Mission will not be able to up-grade totally its computer system nor to replace the residential furniture/equipment for which the life span expired.
- drastically adjust downward the project oversight travel budget

These radical measures will have a significant impact on Mission operations and Mission employee's.

FISCAL YEAR 2000

The requested OE budget level for FY 2000 is \$ 1,219,100. The increase is justified by the turnover of three USDH personnel during this fiscal year.

The procurement plan for this fiscal year includes the replacement of part of the residential equipment and furniture and also replacement of one of the official vehicles which reached the number of years for replacement.

Similar to the previous two years but more drastically, in order for USAID/ Romania to meet the target level of \$ 1,000,000, Mission will have to eliminate the procurement plan, all training and travel (other than entitlement travel) expenses and reduce the communications costs to the minimum, which will have the same significant impact on the Mission operations and Mission employee's moral. Mission will not be able to fund any medical evacuations due to lack of

contingency funds in the target budget.

USAID/ Romania plans to continue with its policy of being a service receiver via ICASS. The budget for ICASS was determined based on the FY98 staff levels and the initial invoices received from the Embassy.

SUMMARY

USAID/ Romania determined the following:

FY 98: Minimum OE Budget level requested is \$ 1,000,000. The OE Budget level for the Mission normal operations would be \$ 1,056,000.

FY99: OE Budget level requested is \$ 1,132,900.

In order to meet the target level of \$ 1,000,000 Mission will have to eliminate training and operational travel expenses and eliminate all procurement, which will seriously affect Mission operations.

FY2000: OE Budget level requested is 1,219,100.

In order to meet the target level of \$ 1,000,000 Mission will have to eliminate all its travel and training expenses (besides entitlement travel), eliminate procurement plan and reduce communications costs to the minimum.

None of these OE Budget levels include ICASS budget.

B. PERSONNEL

USAID/ Romania has an approved level of six USDH personnel.

Based on this level and the program resources managed by the Mission through year 2000, the total work force level for FY 98 for USAID/ Romania is 37 employees as it follows: 19 OE funded staff (including six USDH), 18 project funded staff. USAID/ Romania planes not to change these levels through year 2000.

USAID/ Romaia									
GLOBAL FIELD SUPPORT									
Objective Name	Field Support: Activity Title & Number	Priority *	Duration	Estimated Funding (\$000)					
				FY 1998		FY 1999		FY 2000	
				Obligated by:		Obligated by:		Obligated by:	
				Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau
S.O. 3.2	Policy Project (Project no. 186-0002)	high			0		0		0
S.O. 3.2	F.P.M.D. (Project no. 186-0002)	high			300		400		400
S.O. 3.2	CDC - F.P.L.M. (Project no. 186-0002)	high			300		200		0
S.O. 3.2	P.C.S. (Project no. 186-0002)	high			900		300		500
S.O. 2.1	G/ DG IQC AEP-5468-1-00-6008-00	medium			700		400		0
GRAND TOTAL.....					2,200		1,300		900

* For Priorities use high, medium-high, medium, medium-low, low

Operating Expenses

Org. Title: USAID/ Romania Org. No: 186 OC		Overseas Mission Budgets														
		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
		Dollars	TF	Total												
23.3	ADP Hardware Lease	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
23.3	Commercial Time Sharing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
23.3	Postal Fees (Other than APO Mail)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
23.3	Other Mail Service Costs	2	0	2	2	0	2	2	0	2	0.8	0	0.8	2	0	2
23.3	Courier Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Subtotal OC 23.3	55	0	55	54.9	0	54.9	54.9	0	54.9	31.5	0	31.5	57.8	0	57.8
24	Printing and Reproduction	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Subtotal OC 24.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
25.1	Advisory and assistance services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.1	Studies, Analyses, & Evaluations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
25.1	Management & Professional Support Services	11	0	11	0	0	0	0	0	0	0	0	0	0	0	
25.1	Engineering & Technical Services	0.4	0	0.4	0	0	0	0	0	0	0	0	0	0	0	
	Subtotal OC 25.1	11.4	0	11.4	0	0	0	0	0	0	0	0	0	0	0	
25.2	Other services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.2	Office Security Guards	6.7	0	6.7	14	0	14	14	0	14	14	0	14	14	0	14
25.2	Residential Security Guard Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
25.2	Official Residential Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
25.2	Representation Allowances	1	0	1	1	0	1	1	0	1	1	0	1	1	0	1
25.2	Non-Federal Audits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
25.2	Grievances/Investigations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
25.2	Insurance and Vehicle Registration Fees	0.2	0	0.2	0.2	0	0.2	0.2	0	0.2	0.2	0	0.2	0.2	0	0.2
25.2	Vehicle Rental	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
25.2	Manpower Contracts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
25.2	Records Declassification & Other Records Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
25.2	Recruiting activities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
25.2	Penalty Interest Payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
25.2	Other Miscellaneous Services	24.9	0	24.9	1.3	0	1.3	19.8	0	19.8	0	0	0	20	0	20
25.2	Staff training contracts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
25.2	ADP related contracts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Subtotal OC 25.2	32.8	0	32.8	16.5	0	16.5	35	0	35	15.2	0	15.2	35.2	0	35.2
25.3	Purchase of goods and services from Government ac	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.3	ICASS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
25.3	All Other Services from Other Gov't. accounts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Subtotal OC 25.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
25.4	Operation and maintenance of facilities	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.4	Office building Maintenance	12	0	12	4	0	4	4	0	4	4	0	4	4	0	4
25.4	Residential Building Maintenance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Subtotal OC 25.4	12	0	12	4	0	4	4	0	4	4	0	4	4	0	4

USAID FY 2000 BUDGET REQUEST BY PROGRAM/COUNTRY

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Country/Program: USAID/ Romania
Scenario: Base Level

S.O. # , Title	Approp. Acct	Bilateral/Field Support	Est. SO Pipeline End of FY 99	Estimated Total	FY 2000										Est. Expend. FY 00	Est. Total Cost life of SO	Future Cost (POST 2000)	Year of Final Oblig.	
					Basic Education	Agric.	Other Growth	Pop	Child Survival	Infectious Diseases	HIV/AIDS	Other Health	Environ	D/G					
S.O. 1 - BROAD-BASED ECONOMIC GROWTH																			
SEED		Bilateral		17,000			3,825	13,175										0	XX
		Field Spt		0														0	
		Total	0	17,000	0	3,825	13,175	0	0	0	0	0	0	0	0	0	0	0	
S.O. 2 - DEMOCRACY AND GOVERNANCE STRENGTHENED																			
SEED		Bilateral		7,700			800								6,900			0	XX
		Field Spt		0														0	
		Total	0	7,700	0	800	0	0	0	0	0	0	0	6,900	0	0	0	0	
S.O. 4 - WORLD POPULATION STABILIZED AND HUMAN HEALTH PROTECTED																			
SEED		Bilateral		4,400			800	1,100	2,500									0	XX
		Field Spt		900				900										0	
		Total	0	5,300	0	800	2,000	2,500	0	0	0	0	0	0	0	0	0	0	
S.O. 5 - WORLD ENVIRONMENT PROTECTED FOR LONG-TERM SUSTAINABILITY																			
		Bilateral		0									0					0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral		0														0	XX
		Field Spt		0														0	
		Total																	

USAID FY 1999 Budget Request by Program/Country

12-Nov-98
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Country/Program: USAID/ Romania
Scenario: Base Level

S.O. # , Title	Approp. Acct	Bilateral/Field Support	Est. SO Pipeline End of FY 98	Estimated Total	FY 1999										Est. Expend. FY 99	Est. Total Cost life of SO	Future Cost (POST 2000)	Year of Final Oblig.								
					Basic Education	Agric.	Other Growth	Pop	Child Survival	Infectious Diseases	HIV/AIDS	Other Health	Environ	D/G												
S.O. 1 - BROAD BASED ECONOMIC GROWTH AND AGRICULTURAL DEVELOPMENT ENCOURAGED																										
SEED		Bilateral		20,800			4,000	16,800										0	XX							
		Field Spt		0																						
		Total	0	20,800	0	4,000	16,800	0	0	0	0	0	0	0	0	0	0	0	0							
S.O. 2 - DEMOCRACY AND GOOD GOVERNANCE STRENGTHENED																										
SEED		Bilateral		7,500				600							6,900				0	XX						
		Field Spt		0																						
		Total	0	7,500	0	600	0	0	0	0	0	0	0	6,900	0	0	0	0	0	0						
S.O. 4 - WORLD POPULATION STABILIZED AND HUMAND HEALTH PROTECTED																										
SEED		Bilateral		4,200				600	1,100	2,500										0	XX					
SEED		Field Spt		900					900												0					
		Total	0	5,100	0	600	0	2,000	2,500	0	0	0	0	0	0	0	0	0	0	0	0					
S.O. 5 - WORLD'S ENVIRONMENT PROTECTED FOR LONG TERM SUSTAINABILITY																										
SEED		Bilateral		2,200				600						1,600							0	XX				
SEED		Field Spt		400										400								0				
		Total	0	2,600	0	600	0	0	0	0	0	0	0	2,000	0	0	0	0	0	0	0	0				
		Bilateral		0																		0	XX			
		Field Spt		0																			0			
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
		Bilateral		0																			0	XX		
		Field Spt		0																				0		
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
		Bilateral		0																				0		
		Field Spt		0																					0	
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
		Bilateral		0																					0	
		Field Spt		0																						0
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Total Bilateral	0	34,700	0	4,000	18,600	1,100	2,500	0	0	1,600	6,900	0	0	0	0	0	0	0	0	0	0	0	0	
		Total Field Support	0	1,300	0	0	0	900	0	0	0	400	0	0	0	0	0	0	0	0	0	0	0	0	0	
		TOTAL PROGRAM	0	36,000	0	4,000	18,600	2,000	2,500	0	0	2,000	6,900	0	0	0	0	0	0	0	0	0	0	0	0	

FY 1999 Request Sector Totals -- DA	
Econ Growth	22,600
[Of which Microenterpris]
HCD	
PHN	4,500
Environment	2,000
[Of which Biodiversity]]
Democracy	6,900
Humanitarian	0

FY 1999 Request Sector Totals -- ESF	
Econ Growth	2,000
[Of which Microenterprise]
HCD	
PHN	0
Environment	0
[Of which Biodiversity]]
Democracy	0
Humanitarian	0

FY 2001 Target Program Level	0
FY 2002 Target Program Level	0
FY 2003 Target Program Level	0

USAID FY 1998 Budget Request by Program/Country

12-Nov-98
12:48 PM

Country/Program: USAID/ Romania
Scenario: Base Level

S.O. #, Title	FY 1998																Future Cost (POST 2000)	Year of Final Oblig.
	Approp. Acct	Bilateral/Field Support	Est. SO Pipeline End of FY 97	Estimated Total	Basic Education	Agric.	Other Growth	Pop	Child Survival	Infectious Diseases	HIV/AIDS	Other Health	Environ	D/G	Est. Expend. FY 98	Est. Total Cost life of SO		
S.O. 1 - BROAD BASED ECONOMIC GROWTH AND AGRICULTURAL DEVELOPMENT ENCOURAGED																		
SEED	Bilateral		22,225			2,800	19,425										0	XX
	Field Spt		0															
Total		0	22,225	0	2,800	19,425	0	0	0	0	0	0	0	0	0	0	0	
S.O. 2 - DEMOCRACY AND GOOD GOVERNANCE STRENGTHENED																		
SEED	Bilateral		5,425			450								4,975			0	XX
	Field Spt		0															
Total		0	5,425	0		450	0	0	0	0	0	0	0	4,975			0	
S.O. 4 - WORLD POPULATION STABILIZED AND HUMAN HEALTH PROTECTED																		
SEED	Bilateral		3,560			200	1,160	2,200									0	XX
SEED	Field Spt		1,500				1,500										0	
Total		0	5,060	0		200	2,660	2,200	0	0	0	0	0				0	
S.O. 5 - WORLD'S ENVIRONMENT PROTECTED FOR LONG TERM SUSTAINABILITY																		
SEED	Bilateral		1,590			290							1,300				0	XX
SEED	Field Spt		700										700				0	
Total		0	2,290	0		290	0	0	0	0	0	0	2,000	0			0	
	Bilateral		0														0	XX
	Field Spt		0															
Total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Bilateral		0														0	XX
	Field Spt		0															
Total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Bilateral		0														0	
	Field Spt		0															
Total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Bilateral		0	32,800	0	2,800	20,365	1,160	2,200	0	0	0	0	1,300	4,975				
Total Field Support		0	2,200	0	0	0	1,500	0	0	0	0	0	700	0				
TOTAL PROGRAM		0	35,000	0	2,800	20,365	2,660	2,200	0	0	0	2,000	4,975				0	

FY 1998 Request Sector Totals -- DA	
Econ Growth	23,165
[Of which Microenterpris]
HCD	
PHN	4,860
Environment	2,000
[Of which Biodiversity]]
Democracy	4,975
Humanitarian	0

FY 1998 Request Sector Totals -- ESF	
Econ Growth	0
[Of which Microenterprise]
HCD	
PHN	0
Environment	0
[Of which Biodiversity]]
Democracy	0
Humanitarian	0

FY 2001 Target Program Level	0
FY 2002 Target Program Level	0
FY 2003 Target Program Level	0

Budget Table
USAID/ Romania Program Budget by ENI Bureau Project and SO

Project No.	FY 1998	FY 1999	FY 2000
		CP level	

Budget Table
USAID/ Romania Program Budget by ENI Bureau Project and SO

Project No.	FY 1998	FY 1999	FY 2000
		CP level	

A. STRENGTHENING DEMOCRATIC INSTITUTIONS	3,500	5,450	5,450
180-0019 Democratic Governance & Public Administration	1,550	2,000	2,000
180-0020 Rule of Law	200	1,050	2,300
180-0021 Political and Social Process	800	1,650	1,150
180-0022 Independent Media	200	0	0
180-0032 Non Governmental Organization (NGO) Development	750	750	0
B. ECONOMIC RESTRUCTURING	22,675	20,775	17,600
180-0014 Privatization and Enterprise Restructuring	7,250	3,000	800
180-0023 Technical Assistance to Enterprises	450	1,400	650
180-0026 Competition Policy, Laws and Regulations	800	700	0
180-0027 Business Services	1,575	1,825	1,825
180-0010 Enterprise Funds	6,000	6,000	6,000
180-0045 Participant Training	1,250	1,250	1,500
180-0024 Restructuring Agriculture and Agribusiness	2,800	4,000	3,825
180-0030 Regional Energy Efficiency	2,550	2,600	3,000
C. IMPROVING QUALITY OF LIFE	6,860	7,100	4,500
180-0016 Trauma, Social Welfare & Humanitarian Assistance	2,200	2,500	2,500
180-0033 Labor Market Transition	0	600	0
186-0002 Romanian Family Planning	2,660	2,000	2,000
180-0039 Improved Public Sector Environmental Services	1,600	1,600	0
180-0004 Environmental Initiatives	400	400	0
D. MISCELLANEOUS	540	1,275	1,050
180-0249 Audit, Evaluation and Project Support	490	1,225	1,000
180-XXXX Reserved, Withheld or Transfers	50	50	50
COUNTRY TOTAL	35,000	36,000	30,000

Budget Table
USAID/ Romania Program Budget by ENI Bureau Project and SO

Project No.		FY 1998	FY 1999 CP level	FY 2000
A. STRENGTHENING DEMOCRATIC INSTITUTIONS				
SUB-TOTAL		3,500	5,450	5,450
1. Political Process and Governance				
180-0019	Democratic Governance and Public Administration			
.07	*Public Administration	1,550	1,400	1,400
.xx	*Volunteer Corps for Local Govern.	0	400	400
.09	*USPSC	0	200	200
PROJECT TOTAL		1,550	2,000	2,000
180-0020	Rule of Law			
.xx	Anti-Corruption Activity TBD	0	850	2,000
.02	* ABA Grant	200	200	300
PROJECT TOTAL		200	1,050	2,300
2. Democratic Pluralism				
180-0021	Political and Social Process			
.13	* Reform TA & Trg Quick Start	300	300	200
.14	*Parliamentary Assistance	500	500	500
.xx	*Training young political leaders	0	850	450
PROJECT TOTAL		800	1,650	1,150
180-0022	Independent Media			
.03	* Professional Media Program	200	0	0
PROJECT TOTAL		200	0	0
180-0032	Non Governmental Organization (NGO) Dev. Project			
.09	*Democracy Networks	750	750	0
PROJECT TOTAL		750	750	0
B. ECONOMIC RESTRUCTURING				
SUB-TOTAL		22,675	20,775	17,600
1. Macroeconomic Support				
2. Privatization and Assistance to Enterprises				
180-0014	Privatization & Enterprise Restruc.			
.01	*Privatization (SO 1.1)	2,000	800	0
.02	*Capital Markets (SO 1.4)	4,200	1,200	0
.xx	*US PSC Capital Market adv.(SO 1.4)	250	200	0
.04	*Banking Sector (SO 1.4)	800	800	800
PROJECT TOTAL		7,250	3,000	800
180-0023	Technical Assistance to Enterprises			
.07	* Peace Corps (includes SPA)	50	50	50
.13	* New Small Business/policy	400	600	0
.xx	* New SME Activity (matching)	0	750	600
PROJECT TOTAL		450	1,400	650
3. Improving the Business Climate				
180-0026	Competition Policy, Laws & Regulations			
.02	* Antitrust law advice DOJ/FTC 632b	300	300	0
.17	* Bankruptcy	500	400	0
PROJECT TOTAL		800	700	0

Budget Table
USAID/ Romania Program Budget by ENI Bureau Project and SO

Project No.		FY 1998	FY 1999	FY 2000
			CP level	
180-0027	Business Services			
.07	*Fiscal Policy Diagnostics	1,425	1,425	1,425
.02	* FSVc grant	150	400	400
	PROJECT TOTAL	1,575	1,825	1,825
	4. Investment and Trade			
180-0010	Enterprise Funds			
.06	* Romania Enterprise Fund	6,000	6,000	6,000
	PROJECT TOTAL	6,000	6,000	6,000
	5. Human Resources			
180-0045	Participant Training			
.01	* PIET/World Learning	1,000	1,000	1,250
.06	* Ron Brown Scholarships (USIS)	250	250	250
	PROJECT TOTAL	1,250	1,250	1,500
	6. Agriculture and Agribusiness			
180-0024	Restructuring Agriculture and Agribusiness			
.22	* New agribusiness dev.proj.	2,550	3,800	3,625
.21	*US PSC	250	200	200
	PROJECT TOTAL	2,800	4,000	3,825
	8. Energy Efficiency			
180-0030	Regional Energy Efficiency			
.01	*Indus. Contr.: Restruc. & Effic.	2,300	2,400	2,800
.11	*U.S. PSC	250	200	200
	PROJECT TOTAL	2,550	2,600	3,000
	C. IMPROVING THE QUALITY OF LIFE			
	SUB-TOTAL	8,285	8,500	5,900
	1. Short-term Emergency & Humanitarian Aid			
180-0016	Trauma, Social Welfare & Humanitarian Assistance			
.02	* Romanian child health gr.	2,050	2,350	2,350
.08	* US PSC	150	150	150
	PROJECT TOTAL	2,200	2,500	2,500
	2. Employment and the Social Safety Net			
180-0033	Labor Market Transition			
.01	DOL 632b	0	600	0
	PROJECT TOTAL	0	600	0
	3. Housing/Urban Development			
180-0034	Urban Development Assistance			
.02	Municipal Developmt (SOs 2.1,2.3)	1,205	1,400	1,400
.04	PSCs and Proj. Mgmt.	220	0	0
	PROJECT TOTAL	1,425	1,400	1,400
	4. Health			
186-0002	Romanian Family Planning			
.01	* CDC Repro. Health Survey & FPLM	0	0	0
.08	*FP NGO Development	0	0	0
.03	* Population Intern	0	0	0
.04	*Market Driven Contraceptive Distrit	0	0	0
.05	*Population Policy	0	0	0
.07	Targeting 'At Risk' Population	2,660	2,000	2,000
	PROJECT TOTAL	2,660	2,000	2,000

Budget Table
USAID/ Romania Program Budget by ENI Bureau Project and SO

Project No.		FY 1998	FY 1999	FY 2000
			CP level	
	5. Environment			
180-0039	Improved Public Sector Environmental Services			
.10	*EAP Investments	1,450	1,450	0
.15	*USPSC	150	150	0
	PROJECT TOTAL	1,600	1,600	0
180-0004	Environmental Initiatives			
.11	* HIID	400	400	0
	PROJECT TOTAL	400	400	0
180-0041	Environmental Training	0	0	0
	PROJECT TOTAL	0	0	0
	D. MISCELLANEOUS			
	SUB-TOTAL	540	1,275	1,050
180-0249	Audit, Evaluation, and Project Support			
.01	* Evaluation & Audit	200	350	200
.02	* PSCs. travel, proj. sup. field, gen.	290	700	700
.xx	*Data Collection/Design	0	175	100
	PROJECT TOTAL	490	1,225	1,000
180-xxxx	Transferred or Withheld from OYB			
	* Trans. to USIA	50	50	50
	PROJECT TOTAL	50	50	50
	COUNTRY TOTALS	35,000	36,000	30,000

Budget table

USAID/ Romania Program Budget by field SO and ENI Project/ Activity

Project no.		FY 98	FY 99 CP level	FY 2000 requested
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Budget table

USAID/ Romania Program Budget by field SO and ENI Project/ Activity

Project no.		FY 98	FY 99 CP level	FY 2000 requested
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SO 1.1 Increased Transfer of State-owned Assets

180-0014	Privatization and Enterprise Restructuring	2000	800	0
.01	Privatization	2000	800	0
180-0033	Labor Market Transition	0	600	0
.01	* DOL	0	600	0
SO TOTAL		2,000	1,400	0

SO 1.3 Development and Growth of Private Enterprises

180-0023	Technical Assistance to Enterprises	450	1400	650
.07	Peace Corps	50	50	50
.13	New Small business Activity (ATA)	400	600	0
.xx	New SME Activity (matching)	0	750	600
180-0024	Restructuring Agriculture and Agribusiness	2800	4000	3825
.22	*New agribusiness devel. proj. - TBD	2550	3800	3625
.21	USPSC	250	200	200
180-0010	Enterprise Funds	6000	6000	6000
.06	Romanian American Enterprise Fund	6000	6000	6000
SO TOTAL		9,250	11,400	10,475

SO 1.4 A More Competitive and Market-Responsive Private Financial Sector

180-0014	Privatization and Enterprise Restructuring	5250	2200	800
.02	Capital Markets	4200	1200	0
.xx	PSC-USAID capital markets advisor	250	200	0
.04	*Bank Supervision and Training	800	800	800
180-0027	Business Services	150	400	400
.02	*T/A for Financial markets - FSVC	150	400	400
180-0026	Competition Policy, Laws & Regulations	800	700	0
.17	* Bankruptcy	500	400	0
.02	* Competition (DOJ/FTC)	300	300	0
SO TOTAL		6,200	3,300	1,200

SO 1.5 A More Economically-Sustainable and Environmentally Sound Energy Sector

180-0030	Regional Energy Efficiency	2550	2600	3000
.01	Energy Restructuring and Efficiency	2300	2400	2800
11	USPSC (new)	250	200	200
SO TOTAL		2,550	2,600	3,000

Budget table

USAID/ Romania Program Budget by field SO and ENI Project/ Activity

Project no.		FY 98	FY 99 CP level	FY 2000 requested
SO 1.6 Reduced Exposure to Contaminants in Severely-Polluted Areas				
180-0039	Improved Public Sector Environmental Services	1600	1600	0
.10	*EAP Investments	1450	1450	0
.15	USPSC	150	150	0
180-0004	Environmental Initiatives	400	400	0
.11	* HIID	400	400	0
SO TOTAL		2,000	2,000	0

SO 2.1 Increased Better-Informed Citizens' Participation in Political and Economic Decision-Making Through Pluralistic Mechanisms

180-0020	Rule of Law	200	1050	2300
.02	* ABA Grant	200	200	300
xx	New - Anti-Corruption activity TBD	0	850	2000
180-0021	Political and Social Process	800	1650	1150
.14	*Parliamentary Assistance	500	500	500
.13	*Reform T/A and training (RGTS)	300	300	200
.xx	*Training Young Political Ldrs.	0	850	450
180-0022	Independent Media	200	0	0
.03	* Professional Media Program	200	0	0
180-0032	Non Governmental Organization (NGO) Dev. Project	750	750	0
.09	Democracy Networks	750	750	0
180-XXXX	Transfer to USIA Democracy Com.	50	50	50
SO TOTAL		2,000	3,500	3,500

SO 2.3 More Effective, Responsive and Accountable Local Government

180-0019	Democratic Governance and Pub. Admin	1550	2000	2000
.07	* Public Administration	1550	1400	1400
xx	Volunteer Corps for local gov.	0	400	400
.09	*US PSC	0	200	200
180-0034	Urban Development Assistance	1425	1400	1400
.02	*Municipal devlpm.	1205	1400	1400
.04	*US PSC	220	0	0
SO TOTAL		2,975	3,400	3,400

SO 3.2 Improved Welfare of Children and Women

186-0002	Romanian Family Planning	2660	2000	2000
.07	* Targeting "at-risk" Population	2660	2000	2000
180-0016	Trauma, Social Welfare and Humanitarian Assistance	2200	2500	2500

Budget table

USAID/ Romania Program Budget by field SO and ENI Project/ Activity

Project no.		FY 98	FY 99 CP level	FY 2000 requested
.02	Romanian Child Health	2050	2350	2350
.08	USPSC	150	150	150
SO TOTAL		4,860	4,500	4,500

SO 4.1 Special Initiatives and Cross-Cutting Programs/Activities

PACD				
180-0027	Business Services	1425	1425	1425
.07	* TA/Finan Serv (Treas), including tax policy & a	1425	1425	1425
180-0045	Participant Training	1250	1250	1500
.01	* Participant Training	1000	1000	1250
.06	* Ron Brown Scholarships (USIA)	250	250	250
180-0249	Audit, Evaluation, and Project Support	490	1225	1000
.01	* Evaluation	200	350	200
.02	* Project Support	290	700	700
	*Data collection/Design	0	175	100
SI/CC TOTAL		3,165	3,900	3,925

COUNTRY TOTALS	35,000	36,000	30,000
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