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# UNITED STATES SEED ACT ASSISTANCE STRATEGY UPDATE

## FOR BULGARIA



**1994-1996**

Submitted by American Embassy Sofia  
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## BULGARIA: STRATEGY UPDATE, 1995 - 1997

### I. INTRODUCTION

After a deceptively rapid beginning, the reform process in Bulgaria has slowed dramatically. The changed circumstances necessitated a thorough review of our SEED assistance program. The review and the lessons learned in the process form the basis for the revised and updated SEED strategy for Bulgaria.

Prior to the downfall of communist dictator Todor Zhivkov in November 1989, Bulgaria had made little progress in the way of political or economic reforms in comparison with many other CEE countries. Consequently, the initial rapid political and economic reforms undertaken late in 1990 through mid-1992 were a welcome surprise. In response to these reforms and in expectation that this would continue, the USG initiated a wide range of SEED assistance programs.

It has become abundantly clear, however, that the reform process in Bulgaria slowed dramatically some two years ago, during the latter months of the Dimitrov government. This in turn has seriously reduced the effectiveness of many of our assistance programs. In general, programs dependent for successful implementation on the Ministries or Agencies of the current Berov government have had limited success. This is due to an unwillingness of the involved Ministries to accept recommendations of our advisors or to implement planned programs aggressively. This is particularly true in the privatization area. For central, "top down" programs to succeed, a real commitment of GOB resources to the program and certainly a major commitment of time and attention on the part of senior GOB officials and individuals directly involved in the project is required. In many cases, this is definitely lacking at present.

At this point in time, the programs which are most successful and in which our resident technical advisors feel most fulfilled are those involving individuals and/or organizations at the "grass roots". There are many people all over Bulgaria who have the drive, initiative, and courage to work towards democratic, market-oriented goals and who are very grateful for our support. We will need for the present to get away from "top down" reform and work at the more expensive, time consuming "bottom up" approach. At the same time we must be ready to accelerate national-level programs, particularly within the privatization area, when and if the Bulgarian government is ready for true reform.

All of the assistance areas ( privatization and private sector support, financial sector, agriculture, energy and the environment, democratic initiatives, housing and health) are important in

themselves. But taken all together, we are trying to do too much in too many areas. The result is that our ability to oversee the programs effectively is greatly diminished. We need to prioritize the areas for our assistance and focus our energy, resources, time and personnel there.

Many of the resident technical advisors from USG agencies and PVOs are an incredible resource: bright, creative, dedicated, with a high level of expertise. Our task is to see that this enormous talent is used as effectively as possible. At the same time the concept of bringing in "stand-alone experts" from the U.S. for short periods of time is seriously flawed. This practice should be strongly curtailed until the reform process has advanced enough to take advantage of it.

Local mayors throughout Bulgaria are being held accountable by their constituents as in the U.S., but they lack the real authority of their U.S. counterparts. Strengthening their role and assisting them to manage more effectively is a major priority reflected in a number of the programs discussed below.

First and foremost, however, we must concentrate our programs to strengthen the democratic process in Bulgaria. Until democratic values are firmly established in Bulgaria, it will be far more difficult, if not impossible, for our programs in other areas to be effective.

## II. STATUS OF REFORMS

Inherited Liabilities: In November 1989 Bulgaria ended more than 40 years of Communist rule. The Communist authorities had made repeated attempts since the early 1960s to streamline the command economy. In the 60s and 70s the focus was on organizational and incentive structures, while during the 1980s the state turned to use of government guaranteed commercial borrowing abroad to finance injections of equipment into obsolescent plants. The amounts were substantial, so that by end-1989 total official external debt stood at \$10.2 billion. Inefficient and artificial quotas led to hundreds of thousands of underemployed workers who, in exchange for job security, were prohibited from seeking work alternatives. This system, plus a pervasive social bias against the professional services, resulted in low labor productivity, poor quality, and endemic shortages of consumer goods.

Forty years of Communist rule left an inflexible top-down command structure, with power concentrated in the center, and weak municipal and local government. Municipalities have virtually no ability to tax, no control over the police, courts, or schools, and depend almost entirely on the central government for funding. Also Bulgarian democracy is hobbled by a legal system which is demoralized, often politicized, and lacking the necessary

structure, precedent, and recourse to protect basic democratic processes and human rights. The media lacks objectivity and ethics and caters to the political extremes, providing the public and local officials with little means for understanding key issues and voicing concerns.

Initial Reform Surge: The end of Communist party rule was followed by 18 months of progressive political liberalization culminating in adoption of a democratic constitution in July 1991. Concurrently, Bulgaria undertook reforms leading to a free-market economy, including legalizing private business, abolishing travel restrictions, liberalizing most international trade, exchange and interest rates and eliminating most domestic price controls. Measures subsequently passed into law (but in some cases not yet fully implemented) have included the return of land and buildings to pre-nationalization owners, privatization, commercial and foreign investment codes, market pricing of energy, reduced subsidies in agriculture, and a continuing process of fiscal reform.

Reform Slowdown: The Bulgarian reform process slowed sharply following the collapse of the democratic coalition government in late 1992. Much of 1993 was plagued with political infighting within Parliament which prevented enactment of key reform legislation. The stalled bills include bankruptcy, creditors rights, securities, tax administration, mass privatization, and laws for decentralization mandated in the Constitution, to mention only a few of the most pressing. The Berov Government also has become increasingly influenced by the Socialist (ex-Communist) party, which, as the anti-Communist coalition fragmented, has become the largest party in the parliament. With parliamentary elections required no later than October 1995, electoral maneuvering is already well underway. Return of land to the original owners has stalled largely due to socialist efforts to maintain collective farms. Foreign investment, while supposedly welcomed, is actually discouraged by a maze of obstacles placed in investors' paths.

Movement toward Improved International Credit-Worthiness: Following GOB adoption of the FY94 budget which met IMF fiscal targets and a successful G-24 pledging session, the IMF approved a Standby Agreement and Systemic Transformation Facility in the amount of \$420 million. The first tranche of \$193 million was quickly disbursed in April 1994. This opened the way to disbursement of the long-delayed \$100 million second tranche of the World Bank Structural Adjustment Loan. Following a successful Paris Club negotiation with official creditors, a further \$100 million in Japanese balance of payments support has been approved for disbursement. These infusions of capital to the Bulgarian National Bank have raised the much-depleted foreign exchange reserves and helped stabilize the lev which is selling at a corrected rate of around 55 versus last year's inflated rate

of 33 lev per 1 dollar. Also on April 1, aided considerably by U.S. technical assistance, the newly-enacted Value Added Tax (VAT) took effect. Implementation of the VAT will broaden the tax base and generate more revenues for the national budget. As expected, however, implementation has generated confusion and actual compliance at this point is mixed.

Other Donors: Although the European Investment Bank, the World Bank and the European Bank for Reconstruction and Development (EBRD) have provided a mounting volume of support for investment projects in both productive and social sectors, implementation has been slow. Bulgaria has resisted donor tendencies to provide technical assistance without associated investment. The European Union consequently has modified implementation of the PHARE program in Bulgaria. Bilateral donor activity has broadened slowly from a small base. However, most donors have focused their attention on the national level up to now.

Living Standards Under Threat: Until recently, living standards were somewhat protected by GOB exchange rate and fiscal policies. In 1994 these are no longer sustainable. The lev is depreciating, public spending is severely constrained and price controls are being undermined both by market forces and by increased excise and VAT taxes. The constituency for reform is coming under increasing pressure as real incomes resume their decline. As a related point the increase in crime associated with the collapse of communism has overwhelmed a police force accustomed to a more orderly communist system, and led many ordinary people to questions whether democracy has improved their lives. As in many other former Communist countries, organized crime has entered the commercial area and is an increasing threat to Bulgaria's nascent private sector. Nostalgia for the economic security of the Communist era and related cynicism over the benefits of democracy are growing stronger.

Some Bright Spots: First and foremost, the rule of law has been maintained and generally human rights have been respected. Two democratic elections for Parliament and one for President have been held. Second, None of the basic reform laws has been rescinded. The search for a centrist grouping to reinvigorate the reform movement continues. Third, Regional associations of mayors are providing a more effective voice for local government, striving to inject local level input into legislation. While they have not yet had real success in their lobbying efforts, the fact that they understand the problem and are forming associations is positive. Fourth, expansion of the private sector continues, moving beyond services and trade into small-scale processing and assembly. Thirty percent of the workforce is in the private sector - with the private sector share of GDP conservatively estimated at 40%. Over one-half of agricultural land is in private hands. Fifth, continued progress in normalizing international financial relations will open the way

to increased investment flows from abroad.

Challenges: Building democracy and a market-based economy in Bulgaria is a long-term process which requires changing values, beliefs and habits absorbed by the Bulgarian people over generations. For a variety of historical and cultural reasons, many of the values and beliefs forming the foundation of our democratic, market-based economic systems are not shared by a large percentage of the Bulgarian people. Until and unless this changes, the democratic, moderate reformers in this country will find it very difficult to build a solid democratic foundation to sustain reform.

Opportunities: Last year we articulated a strategy based on the following three principles: to remove crucial constraints in key macro-economic, financial and administrative reform areas; to upgrade indigenous entrepreneurial skills and public administrative capacity in selected areas; and to build confidence in the economic transformation process through a lead-by-example assistance approach. We have applied these principles to focus on the following areas of emphasis during the next two years: strengthening local government as decentralization progresses; building public participation at the local level through civic, trade union and non-governmental organizations; furthering inter-ethnic peace and the social safety net; developing a responsible and objective media; promoting public utility management and pricing policies; broadening the popular base of privatization; implementing comprehensive environmental policies; and strengthening the political center that was disenfranchised during the last election.

### III. PROGRAM ASSESSMENT

Agriculture: The transition from public to private ownership is proving to be much more difficult than expected. In large part this is due to socialist resistance to the concept of private ownership and their determined effort to keep collective farms in operation. The Ministry of Agriculture has received targeted assistance from USDA when clear reform opportunities arose such as in statistics and forecasting. Yet the major USDA activity, extension system reform, has been delayed by political conflict within both the Ministry and various agricultural institutions. Persistent effort has produced two promising grass-roots level initiatives: commodity-based programs linking dairy and meat processors and suppliers, and agricultural input (fertilizers, seeds and pesticides) supply and commodity associations. Private producers supported by USAID grantees (e.g. VOCA and Land O'Lakes) are benefitting from the two initiatives and are having significant success.

Energy: U.S assistance in the energy sector has contributed to reforms at the national level through a regulatory framework for

a market-based energy system, improved energy efficiency, and nuclear safety. Equipment worth over \$600,000 was installed at the Kozloduy nuclear power plant. At the National Electric Company (NEK), software for least cost planning and skills training in running a market-based utility company was provided. U.S. assistance has also led to the establishment of the Bulgarian Energy Efficiency Foundation set up to serve as a catalyst for policy change and business networking. Bulgaria's first municipal energy efficiency fund is an outgrowth of this program - as is the training of 16 private engineering consulting firms in energy audit techniques, marketing and management. Restructuring of the electricity monopoly is currently on hold though policy dialogue with the Committee of Energy on private power generation and the redrafted electricity law is active and intense.

Environment and Biodiversity: Regional environmental programs have taken firm hold in Bulgaria (Danube River Basin - Environmental Action Plan (EAP) and Global Environmental Facility or GEF). GEF resources will support a large biodiversity program. Investments under the EAP will continue the Danube River program. Although regional activities are strongly supported by GOB policy, rapid expansion in this area may be constrained by insufficient local funding. Smaller country-specific environmental programs also are doing well. An NGO small-grants program was initiated with nine awards for addressing environmental issues. Construction is underway to commence restoration of the Srebarna world biosphere reserve.

Governance and Democratization: Democracy is our highest priority and is presented in our strategy as such. A major development is formation of the Democracy Commission. The small democracy grants program under the Commission's direction is already off to a quick start with six activities recommended for approval in the areas of minority rights, legal education and political party development. Regional municipal associations are growing. Much impetus in these activities has come from the housing programs. For example, a direct result of USAID assistance in housing and urban development was the reduction of the total past due rent bill by two thirds for the municipality of Blagoevgrad (southwestern Bulgaria) through establishment of a simple computerized data base and the development and publicizing of municipal rental policy. Considerable work has gone into municipal finance, although major legislation in this area (required by the 1991 Constitution) has not been enacted. At the national level, Parliamentary, labor union and political party training has continued.

Industry and Finance: Progress has been slow in the restructuring and privatization of industry. Our program has had success in bringing serious investors to Bulgaria, but the Privatization Agency has not moved aggressively to complete

transactions. Ambitious plans for mass privatization have languished in Parliamentary committee. Yet several cities are moving forward with municipal privatizations. The first large-scale municipal privatization auctions/tenders in Bulgaria took place under our privatization program. As to financial services reform, the bank consolidation phase is over with the first consolidated bank, aided by a Treasury advisor, slated for privatization with EBRD participation. A long-term advisor recruited under the housing program helped start the first country-wide mortgage lending program. Several carefully targeted short-term assistance activities support other financial institutions. Key reform efforts in the Ministry of Finance and the Bulgarian National Bank are supported by long-term Treasury advisors. For example, the Bulgarian value added tax became effective on April 1, 1994 and U.S. Treasury/IRS resident advisors played an important role in VAT implementation, preparing instruction manuals, model forms, and an audit manual. Treasury's advisors are able to call in short-term, problem-solving technical assistance and to arrange training programs on key reform issues at the Ministry of Finance.

Private Sector: In the past year progress has been slow due to the paucity of privatization transactions due to deliberate Bulgarian government unwillingness to proceed expeditiously and a difficult investment climate, again because of an unwelcoming attitude on the part of the GOB. Recently, the first significant debt and equity investment with an American partner was concluded by the Bulgarian-American Enterprise Fund (BAEF). BAEF also made ten hotel and tourism loans to small private entrepreneurs in the Pirin mountain region and along the Black Sea coast. However, BAEF's larger venture capital investments have been slow in coming and disappointing when concluded. The Mapain deal is in bankruptcy and Storcks, Gabrovo is in serious trouble. BAEF administrative costs remain unacceptably high due to low disbursement levels. On a more positive note, Opportunity International, through a micro-loan vehicle, Nachala Foundation set up to promote grass-roots private enterprise, made over 70 loans last year, far surpassing expectations. Additionally, IESC following up on the November 1993 franchise feasibility study, helped negotiate two franchise agreements with Pizza Hut and Kentucky Fried Chicken.

Social Safety Net: USAID's principal effort in this area is a long-term program to assist a nationwide reform in employment services. Department of Labor and U.S. social security experts assisted Bulgaria in the social insurance reform strategy paper. Skill-enhancement, administrative capacity-building, and local grass-roots outreach are essential program components. In health, programs are coming to an end which have upgraded Bulgarian ability to deal with pediatric and cardiovascular diseases. Twenty-one research grants recently were awarded (out

of over 90 applications) to both experienced and start-up investigators on various aspects of cardiovascular disease. Once again, the national health reform effort is crippled by political bickering, as well as by a critical shortage of local finance. USAID has responded to requests from the Ministry of Health for help in drafting or evaluating proposed reform measures, and this type of quality, targeted assistance may continue. In general terms, professionals working in social safety net activities lack objective program evaluation skills - a weakness that programs seek to address. Finally, a new initiative in minority regions is expected to address the needs of at-risk populations in the development of employment service networks and social insurance reforms.

Technical Training and Education: Programs in education and training have shown rapid change from set-piece training to sharp increases in local value-added through upgrading of Bulgarian technical and presentational skills. Bulgaria can absorb increasingly sophisticated training and education programs. While the University of Delaware adult education and English training program has taken major steps to identify with Bulgarian institutions, The American University in Bulgaria (AUBG) has lagged somewhat in this regard, but is now making laudable progress. Both AUBG and The American College of Sofia have received support from the ASHA program for civil engineering improvements and refurbishing of dormitories and science and technology buildings. Over 50 Bulgarian participants completed short-term training in the U.S. under individual and group-tailored programs in public administration, agriculture, tax administration, banking, and statistics.

Lessons learned: While working with the GOB and private Bulgarian organizations we must be very careful about what precisely constitutes approval and support for a particular activity. Bulgarians are reluctant to formally disapprove activities. Generally, unspecific statements of support may in fact be a polite way of saying no. An essential element for success is firm support by a number of well placed organizations or officials, or the activity may atrophy through benign neglect. We must seek concrete signs that the Bulgarian side values our projects and are willing to commit appropriate amounts of time, people and resources to them. Another lesson learned is that the more narrow and focussed a particular activity is, the greater chance of success it has. Closely related to this observation is the demonstrated excellent capacity of Bulgarians to absorb and make use of training. There is a pervasive need for management training, and this training succeeds best when it is tied to technical content. For example, tax policy and administrative reforms are proceeding under leadership of the Ministry of Finance. When institutional, legal or policy reform is aimed at the national level, change is slow in coming. In the present circumstances, if legislative action is required for a

particular program to succeed, that fact must be fully considered. Sustained efforts to influence the legislative agenda may be crucial to long-term success, but the risks of non-enactment are real and must be factored in. It is important to build public participation by re-orienting programs towards the local level, working through non-governmental organizations (NGOs) and private associations.

#### IV. Update of the U.S. Assistance Strategy

Assistance to Bulgaria: The United States has a strong interest in the peaceful economic and political development of Bulgaria, which has the location, resources and skills to play an important regional role for stable, peaceful progress. The USG committed to the Bulgaria program \$98.3 million in SEED funds through September 1993 (plus an additional \$50 million in commodity assistance) and has plans for commitment of nearly \$46 million in 1994. The USG works closely with other international donors to establish common objectives and ensure complementarity.

Regional Policy Goals: The Bulgaria strategy is set in the context of global U.S. assistance goals of deepening the roots of democratic governance, respect for internationally recognized human rights, reducing obstacles to private investment, and dealing with the social and human dimension of change. The U.S. also aims to help integrate the countries of Central and Eastern Europe into the Western economic and political community. Support for regional programs furthers this objective.

Strategic Focus: The transition to democracy and a market economy in Bulgaria has turned out to be a much more difficult and embattled process than we thought a year ago. Unexpected, severe strain has been put on democratic institutions and the constituency for reform. Also the gradual deterioration of the economy has increased the economic pain on the average Bulgarian, making the need for an effective social safety net all the more apparent.

In this unsettled, difficult environment we must re-think the principles underlying our strategy. We must focus on areas where assistance can most effectively be applied and where we have a comparative advantage. We recommend a two-pronged approach: 1) support for local government, public participation, and local development and 2) a more critical, restrained funding of activities at the national level to concentrate on important areas within our strategy where U.S. assistance is achieving results. We are trying to do too much in too many areas. The result is that our ability to oversee the programs effectively is greatly diminished. We need to prioritize the areas for our assistance and focus our energy, resources, time and personnel there.

In the first area, assistance will focus on building local government capabilities, supporting public participation at the local and national levels, and small and medium enterprise development. The three activities are mutually interdependent.

For activities at the national level, we will concentrate on ministries that have effectively used our assistance. Examples include the Ministry of Environment, Committee on Energy, Committee on Peaceful Uses of Atomic Energy, and the National Electric Company (NEK). For other organizations such as the Agency for Privatization and the Ministries of Health and Agriculture where our cooperation has been more difficult or episodic we have to be very clear with the recipient organization about what actions or steps have to be taken as a pre-condition to additional U.S. assistance.

The four key funding priorities for FY 95 are as follows:

- o Democratic Initiatives
- o Private Entrepreneurship
- o Environment and Biodiversity
- o Energy

#### **Democratic Initiatives**

The Democracy Commission chaired by the Ambassador is coordinating democratic initiatives and will direct the issuance of grants through an extremely flexible and responsive delivery mechanism. The Commission's first act was to prepare a Democracy Strategy for Bulgaria which has been applauded by Washington readers. Democracy Network grants will aid indigenous NGOs supporting citizens advocacy and public participation in local government, concrete participation of ethnic minorities in the economy, and information-sharing through small projects with innovative groups.

To develop a strong democratic foundation that will support and sustain economic development, assistance will be directed to the following critical areas:

**Citizens Advocacy:** Assistance will support non-governmental organizations that promote fair elections and advocate democratic values in the political process (e.g. transparency of the workings of parliament and government, minority and civil rights, environment, consumer protection). This will be especially important in FY 95, an election year.

**Public Administration:** Mayors have relatively little authority to administer local issues; however, they play a pivotal role between administering the decrees of the national government and in understanding the needs of the people. We are coordinating our efforts with other donors (i.e., World Bank, EC) that are

providing public administration assistance at the national level. The new public administration project will strengthen local government through support to regional associations of mayors, develop the capability of local government to handle the authorities that need to be decentralized, train municipal officials on building public participation in local government, and strengthen tax administration.

**Training:** Activities include organizational and constituency outreach of political parties, leadership capabilities of local labor unions, and professionalism and ethics in journalism.

**Judicial Reform:** Focus will be on bar associations, local/regional court systems, judicial training, and in making the judicial system more responsive and accessible to the people.

**American University of Bulgaria:** The American University of Bulgaria (AUBG) symbolizes the high educational standards and non-partisan educational approach necessary in a fully-functioning democracy. AUBG has prepared a financial plan incorporating a declining scale of U.S. assistance over five years which would allow time for the University to develop other sources of funding. The University is working to expand its linkages with Bulgarian educational institutions in order to strengthen its position in dealing with the GOB and to be seen as a Bulgarian institution.

### **Private Entrepreneurship**

The proliferation of organizations assisting the private sector must be managed and rationalized. Current activities range from direct equity finance to privatization to numerous efforts to improve the legal and regulatory environment for SMEs. The IESC program must be cut back considerably in light of the fact that non-resident stand-alone short-term technical advisory programs have rarely proved effective in Bulgaria. Private sector programs succeed when they are directed at smaller transactions, incremental change or are community based. The BAEF must lower its expectations of larger deals and focus primarily, either directly or via intermediaries, on new entrepreneurs needing loans of less than \$75,000. A serious effort must be made either in cooperation with the BAEF or separately to set up an agricultural equivalent of Opportunities International. This is a major priority of our assistance program. USAID's support for privatization will seek to expand the political base of support, focussing upon small-scale municipal programs, market research and publicity. The effort to consummate agribusiness joint ventures may be laudable, but little progress to date argues convincingly for phase-out, which is in process. Collaboration with the Peace Corps is directed towards grass-roots entrepreneurship, an amorphous objective which is being refined through intensive inter-agency consultations. An SME development

strategy for Bulgaria will be completed by the end of 1994; the completed strategy will facilitate consolidation and focus in the private sector program.

Banks and other financial services that directly meet needs of small and medium-size enterprises (SMEs) or households may be assisted. For example, the State Savings Bank's receptiveness to assistance in construction finance could open the way to Housing Investment Guarantee programs. IESC continues to assist private insurance and other financial services companies, including a long-term activity on securities market development.

Depending upon opportunity and GOB responsiveness, the present fiscal policy reform program may continue. Present program emphasis on tax policy and revenue reform shows promise under sponsorship of the Ministry of Finance. In contrast, Parliament has been considering bankruptcy legislation for over 18 months, with no end in sight, and other parts of a modern commercial code also languish on legislative calendars. We must be very selective in reform targets that we seek to support.

The goal of restructuring agriculture in support of private farmers has not been firmly supported by GOB policy. The restitution of agricultural land is progressing slowly. Activities must focus on a few areas where grass-roots, bottom-up pressure for change will lead to impact. Agricultural groups organized by individuals at the local grass-roots level show the greatest promise of turning around the agriculture sector. We will propose a micro-loan window for agricultural groups. Depending on GOB commitment, USG programs may assist the Ministry of Agriculture and associated institutes on extension and improved crop and livestock information techniques. Regional agricultural programs now being planned will be carefully analyzed for impact in Bulgaria, and only implemented if clear GOB policy support is forthcoming.

### **Environment and Biodiversity**

The environmental program in Bulgaria stands out as an exception where substantial support from the national level has made this activity a solid success. Consequently, commitments for Environmental Action Plan (EAP) and Global Environmental Facility (GEF) should be sharply increased in 1994-95, making environmental activities a major component of the Bulgaria program. GEF resources will support a large biodiversity program. Investments under the EAP will continue the Danube River program. Local environmental activities, using local groups, have also been effective in coalescing public opinion and in driving environmental policy reform at the national level.

### **Energy**

A comprehensive program to improve competitiveness and safety in the energy sector has focused on restructuring, National Electric Company (NEK) management, energy efficiency, and nuclear safety. Sectoral restructuring efforts have lagged and assistance is oriented towards development of energy laws, regulations, independent pricing and regulatory body. The complex effort to assist NEK become a modern utility continues to be successful, and will be sustained for several years, including activities in integrated resource planning, demand-side management, independent power and management exchanges under the Utility Partnership Program. Training and assistance for the development of private energy service companies, as well as the technical transfer of energy efficiency equipment and techniques have proven to have high pay-off, but the constituency for energy efficiency policies needs to be consolidated to offset the industry's interest in capacity expansion. Provision of equipment and related services for safety upgrades at Kozloduy Nuclear Power Plant, including training in modern nuclear power industry practice and training for improved nuclear regulatory performance will continue to be major activities.

#### **Areas of Other Concern**

Social Safety Net: The lengthy economic decline has increased requirements to strengthen the social safety net. The GOB's ability to provide a visibly effective social safety net is essential to maintain political consensus for reform. The lead program in this area seeks to moderate social effects of large-scale industrial restructuring. Activities to upgrade employment services and the administration of social security have been well received by the Ministry of Labor and Social Welfare. These, and others dealing with problems of mass lay-offs, may be expanded. Contributing to the effort to strengthen the social safety net are somewhat longer term programs in health, shelter and training. Although the Ministry of Health has proven to be a difficult counterpart, showing lack of focus and only intermittent interest in our program initiatives, we will continue to assist health reform efforts if warranted. Shelter programs play an important role in the democracy area and support financial sector reforms. Stand-alone training programs can be eliminated as the medium term objective of nurturing sustainable training programs is approached, using "train the trainer" techniques and local institutions.

Management Skills: Across all sectors, basic management and free market economic skills are weak or missing. The absence of management skills at the local level combined with the reluctance to relinquish central control presents a major obstacle to reform. Strengthening skills in business development, finance and public administration at the local level is necessary. The Management Training and Economics Education program is addressing this need. Training provided through the Participant Training

Project for Europe (PTPE) and the Executive Development and Entrepreneurial Management (EMED) programs will continue to provide critical support across our portfolio. U.S.-based training has proven effective in developing people's acceptance of new ways of approaching problems and issues.

## V. Funding Priorities

The four priorities identified above are: democratic initiatives; support to private entrepreneurship, including privatization; the environment; and energy restructuring, including nuclear safety. The first two, strongly complementary, support private, democratic, people-oriented reform. The other two programs have received sustained Bulgarian government support and are implemented in regional frameworks.

Within these priority areas, critical activities are:

- \* support to political organizations
- \* the American University of Bulgaria (AUBG)
- \* the Democracy Commission small grants program
- \* support to small business development (inc. EMED)
- \* proposed enterprise fund micro-agriculture loan window
- \* regional environmental programs (GEF and EAP)
- \* regional nuclear safety (NRC and EBRD)
- \* energy industry and DOE programs
- \* increased BAEF support for small-scale private entrepreneurs

Increased support to political organizations is the first priority in FY95, a Bulgarian election year. Sustained USG support to AUBG has been worked out in a multi-year context, and must be upheld as long as the university carries through on its obligations. The Democracy Commission program, new small business program (supported by EMED) and a new micro-agriculture loan window will support grass roots agents of change. High-level commitments, reached in a regional context, to support Bulgaria's nuclear safety and environmental assets must be upheld. Finally, it is vitally important that the USG continue to participate in multilateral efforts to restructure the power sector, so long as Bulgaria's national authorities strongly support the initiative.

Three critical funding requirements are identified outside the priority areas:

- \* Department of the Treasury financial advisor programs
- \* VOCA's grass roots efforts to support private farmers
- \* Department of Labor social safety net programs

Treasury has received reasonable support from the Ministry of Finance, where advisors have not infrequently had a substantial influence upon development of crucial reform measures. VOCA, especially in coordination with the proposed micro-ag. loan window, is in position to make a substantial contribution to

development of private farming in Bulgaria. The Department of Labor has developed a solid base upon which expansion in their social safety net programs may be launched.

The budget levels for FY94 and FY95 do not include carry-over funds. In FY94 \$11,000,000 for the core program of the Bulgarian American Enterprise Fund was provided from such funds. Of course, the levels do not include Development Assistance (DA) monies, which have supported the very successful dairy reform program led by Land O'Lakes. If necessary, non-SEED monies should be found to sustain the program.

**Portfolio Concentration:** The number of project line items in the budget dropped about ten percent from FY92 to FY93 as emergency activities were phased out and some concentration in the democratic initiatives portfolio was achieved. The number of budget line items remained at around the FY93 level of 49 in FY94, and is projected to drop to 45 in FY95. A significant sectoral concentration is taking place in the project mix, however.

The four priority areas together accounted for about 70 percent of the country budget in FY94, increasing to nearly 75 percent in FY95. A significant shift from private sector to democratization activity is occurring within these areas; energy and environmental allocations are up slightly in FY95. While three new activities are proposed for FYs94/95 (noted above), a significant concentration in small business support activity is planned (down from eight in FY94 to four in FY95) and four additional, non-business, free-standing programs are proposed for phase-out in FY94/FY95 (bank training, two small-grants training programs, and work in private health markets development).

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TAGS: ECON, EAID, EFIN, EAGR, PGOV, BU

SUBJECT: RESULTS OF THE REVIEW OF U.S. ASSISTANCE  
STRATEGY FOR BULGARIA

1. SUMMARY: THE DRAFT OF THE U.S. ASSISTANCE STRATEGY FOR BULGARIA WAS REVIEWED ON MAY 24, 1994. THE INTER-AGENCY REVIEW WAS CHAIRED BY AID/ENI/DAA CARLOS PASCUAL. REPRESENTATIVES FROM STATE, USAID, USIA, EPA, FTC, AND THE DEPARTMENTS OF TREASURY, AGRICULTURE, AND COMMERCE ATTENDED. THIS CABLE WILL SUMMARIZE THE APPROVED STRATEGY, DISCUSS THE MAJOR ISSUES AND COVER OTHER TOPICS RAISED DURING THE REVIEW BY THOSE PRESENT AT THE REVIEW (THE COMMITTEE). END SUMMARY.

2. THE NEW COUNTRY STRATEGY:

THE STRATEGY REVIEW COMMITTEE CONGRATULATED THE U.S. MISSION'S EXCELLENT WORK IN PRESENTING A CLEAR STRATEGIC APPROACH. THE COMMITTEE APPRECIATED THE ANALYSIS OF LESSONS LEARNED AND THE REFOCUSING OF GOALS AND OBJECTIVES TO HELP ASSURE DEVELOPMENTAL IMPACTS DESPITE THE CURRENT NATIONAL LEVEL POLICY CONSTRAINTS IN BULGARIA. THE MISSION WAS COMMENDED ALSO FOR TAKING INITIAL STEPS TO CONCENTRATE THE PORTFOLIO INTO FEWER ACTIVITIES BUILT

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16

AROUND THE CORES OF THE NEW TWO PRONGED STRATEGY. PRIOR TO THE AIDREP'S PRESENTATION, THE REVIEW COMMITTEE CHAIRMAN REMINDED ALL PRESENT AT THE STRATEGY REVIEW (THE REVIEW) OF THE IMPORTANCE OF SUPPORTING THE MISSION'S NEW FOCUS AND CONCENTRATION EFFORTS. THE NEW U.S. ASSISTANCE STRATEGY IN BULGARIA FOR FY95 TO FY98 WILL BE BASED ON A TWO PRONGED APPROACH AS DESCRIBED HEREIN:

FIRST, AT THE NATIONAL LEVEL, U.S. ASSISTANCE WILL TARGET THE SECTORS WHICH HAVE AN APPROPRIATE POLICY ENVIRONMENT AS WELL AS ACTIVE GOVERNMENTAL SUPPORT. THE PRIMARY SECTORS CURRENTLY MEETING THESE CRITERIA ARE ENVIRONMENT AND ENERGY WHICH HAVE VERY SUPPORTIVE MINISTRIES. NATIONAL LEVEL PROGRAMS SUCH AS THOSE WITH THE MINISTRIES OF HEALTH (EXCEPT FOR HEALTH MARKETS WHICH WILL FOCUS ON MUNICIPALITIES) AND AGRICULTURE HAVE MOVED SLOWLY AND WILL PHASE OUT UNLESS THERE IS A REAL CHANGE TO THE RECEPTIVITY OF OUR ASSISTANCE.

3. SECOND, THE MISSION WILL TARGET THE LOCAL LEVELS FOR ASSISTANCE AS THE MOST RECEPTIVE SECTOR FOR CHANGE AND REFORMS. THIS APPROACH WILL BRING TO BEAR A MYRIAD OF ACTIVITIES AND RESOURCES TO REINFORCE EACH OTHER FOR MAXIMUM IMPACT. MISSION PROGRAMS WILL WORK WITH GOVERNMENTAL AND NON-GOVERNMENTAL ORGANIZATIONS IN ORDER TO CREATE IMPROVED LINKAGES WITH THE GENERAL POPULACE. THE PROGRAMS WILL EMPHASIZE PUBLIC PARTICIPATION, GOVERNANCE, MICRO AND SMALL BUSINESS DEVELOPMENT, ENERGY, HOUSING, TRAINING, ENVIRONMENT AND PERHAPS THE MOST EFFECTIVE LOCAL DEMOCRATIZATION ACTIVITY UP TO NOW, MUNICIPAL PRIVATIZATION.

4. THE PRINCIPAL ISSUES COVERED DURING THE REVIEW WERE: DEMOCRATIC INITIATIVES; ECONOMIC AND SOCIAL RESTRUCTURING; ENERGY/ENVIRONMENT; MANAGEMENT SKILLS AND STAFFING.

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 DEMOCRATIC INITIATIVES  
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5. A KEY CONCERN ABOUT THE LOCAL EMPHASIS OF DEMOCRACY INITIATIVES CENTERED ON THE NEED FOR CENTRAL GOVERNMENT SUPPORT AND FOR A HOSPITABLE POLICY ENVIRONMENT TO ASSURE ADEQUATE IMPACTS AND SUSTAINABILITY. FOR EXAMPLE, THE STRATEGY INDICATED THAT THE MUNICIPAL GOVERNMENTS HAVE NO AUTHORITY TO TAX OR GENERATE THEIR OWN SOURCES OF REVENUE. THE AIDREP COUNTERED BY ILLUSTRATING THAT SIGNIFICANT EVENTS HAVE TAKEN PLACE AT THE MUNICIPAL LEVELS IN THE CURRENT POLICY VACUUM, SUCH AS PRIVATIZATION AND SMALL

BUSINESS DEVELOPMENT. THE REFORMIST MAYORS ARE LOOKING FOR AS MANY TOOLS AS POSSIBLE TO OPEN PRIVATE SECTOR OPPORTUNITIES AND INCREASE PUBLIC PARTICIPATION IN LOCAL GOVERNMENT.

6. THE AIDREP INDICATED THE IMPORTANCE OF THE POLICY REFORMS IN PROVIDING A CONDUCTIVE ENVIRONMENT TO SUSTAIN MUNICIPAL ADVANCES, BUT FOR NOW, THERE IS STILL AMPLE ROOM TO MANEUVER. EFFORTS IN PRIVATIZATION, CIVIL SOCIETY, PUBLIC ADMINISTRATION, HOUSING, HEALTH MARKETS, ENVIRONMENT, AND BUSINESS DEVELOPMENT WILL TARGET THE MUNICIPALITIES FOR PACKAGING MUTUALLY REINFORCING ACTIVITIES. AS A SPECIFIC OUTGROWTH OF THE STRATEGY SESSION, THE BUREAU APPROVED ADDITIONAL ONE AND A HALF MILLION DOLLARS TO SUPPORT PRIVATIZATION EFFORTS IN TEN MORE MUNICIPALITIES.

7. IT WAS AGREED IN THE REVIEW THAT THE PUBLIC ADMINISTRATION PROJECT, FOCUSING ON LOCAL GOVERNMENT, WOULD BE DESIGNED AS A BILATERAL PROJECT AND WOULD LIKELY REQUIRE MORE RESOURCES THAN ORIGINALLY PLANNED. BUREAU STAFF IN CONSULTATION WITH THE MISSION AND LOCAL EXPERTS WILL DESIGN THE PROJECT AS PART OF A MUNICIPAL DEVELOPMENT STRATEGY. THE STRATEGY WILL EXAMINE THE FEASIBILITY OF INCORPORATING A SPECIAL PROJECTS COMPONENT IN THE PUBLIC ADMINISTRATION PROJECT OR OTHER MECHANISMS TO BETTER LINK PRIVATE SECTOR INVESTMENT-ORIENTED ACTIVITIES TO THE PUBLIC ADMINISTRATION EFFORT.

8. THE REVIEW COMMITTEE CONCURRED WITH THE JUSTIFICATION FOR THE LOCAL APPROACH. HOWEVER, A CAUTIONARY NOTE WAS STRUCK OVER THE OBSTACLES PROVIDED BY THE CURRENT POLICY STRUCTURE AND THE NEED FOR EVENTUAL CENTRAL GOVERNMENT COMMITMENT. OTHER IMPORTANT FEATURES OF THIS DISCUSSION WERE THE NEED TO LINK THE MISSION'S LOCAL PROGRAMS TOGETHER TO LEVERAGE IMPACT AND EFFECTIVENESS, AND THAT OTHER USG AGENCY PROGRAMS NEEDED TO SUPPORT THIS APPROACH. ALSO, CLOSE CONSULTATIONS WITH OTHER DONORS WOULD BE REQUIRED TO FACILITATE COMPLEMENTARY ACTIVITIES AND TO PROVIDE ADEQUATE RESOURCES MAKING THE PROGRAM ATTRACTIVE TO POLICY MAKERS.

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ECONOMIC AND SOCIAL RESTRUCTURING  
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9. THE INITIAL DISCUSSION CENTERED ON WHETHER THE BOTTOM UP APPROACH OF WORKING WITH DEVELOPING SMALL BUSINESSES, NURTURING ENTREPRENEURS, ETC. WOULD HAVE SUFFICIENT IMPACT ON PRIVATE SECTOR DEVELOPMENT. THE

AIDREP CONTENDED THAT THIS BOTTOM UP APPROACH WAS OUR BEST OPTION IN HELPING TO STIMULATE GROWTH OF THE PRIVATE SECTOR. THE AIDREP INDICATED THAT THE MISSION WOULD CONTINUE TO LOOK FOR PRIVATE SECTOR DEVELOPMENT OPPORTUNITIES AT THE NATIONAL LEVEL SO THAT WHEN THE CURRENT POWER STRUCTURE DEMONSTRATES THE WILL, WE CAN MOVE FORWARD QUICKLY. THE NATIONAL LEVEL POLICY ENVIRONMENT HAS SHOWN POSITIVE SIGNS OF A TURNAROUND RECENTLY ALTHOUGH WE ARE STILL CAUTIOUS SINCE THE REVIEW AS THE LONDON CLUB DEBTS HAVE BEEN SUCCESSFULLY RESCHEDULED AND THE LONG AWAITED BANKRUPTCY LAW WAS ADOPTED BY THE PARLIAMENT ON JULY 12.

10. BAEF: RESULTS TO DATE HAVE BEEN DISAPPOINTING. A FOLLOW ON MEETING AFTER THE REVIEW WAS HELD WITH ENI/ED AND STATE/EUR/EEA WHICH CONCLUDED THAT WE SHOULD PLAN ON PROVIDING BAEF FOUR MILLION DOLLARS IN FY95, BUT WE MUST CAREFULLY MONITOR PERFORMANCE OVER THE NEXT SEVERAL MONTHS TO DETERMINE THE ADVISABILITY OF ADDITIONAL FUNDING. AT THE STRATEGY REVIEW, THE OAR HAD PROPOSED DIFFERENT USES FOR THE FOUR MILLION TO BE PROVIDED TO BAEF. THE AIDREP PROPOSED THAT THE MONEY BE USED TO BOLSTER THE MICRO/SMALL BUSINESS LENDING ACTIVITIES OF OPPORTUNITIES INTERNATIONAL (OI) AND CREATE AN AGRICULTURAL CREDIT WINDOW. THERE WAS GENERAL SUPPORT FOR THE CONCEPT OF SMALL BUSINESS AND PRIVATE AGRICULTURAL CREDIT, BUT THE DETAILS AND VIABILITY OF THESE TWO ACTIVITIES (PARTICULARLY THE AGRICULTURAL CREDIT WINDOW) STILL NEED TO BE WORKED OUT. USAID/W, THE STATE COORDINATOR, AND OAR AGREED TO DEFER FINAL FUNDING DECISIONS UNTIL WE RECEIVE THE PROPOSALS FOR THE SMALL BUSINESS AND AGRICULTURAL CREDIT WINDOWS, AND WE ASSESS BAEF'S PERFORMANCE OVER THE COMING MONTHS. A DECISION TO MOVE AHEAD WITH BOTH BAEF AND THE SMALL CREDIT WINDOWS WOULD REQUIRE REPROGRAMMING FROM OTHER PARTS OF THE PORTFOLIO.

11. THE AGRICULTURAL SECTOR IS TREMENDOUSLY IMPORTANT TO BULGARIA'S ECONOMIC DEVELOPMENT, BUT GIVEN THE GOB'S LACK OF COMMITMENT IN AGRICULTURAL POLICY AND REFORM, THE COMMITTEE HAS CONCURRED WITH A MORE FOCUSED, PRIVATE SECTOR APPROACH. AS PART OF THIS CONCENTRATION PROCESS, USDA PROJECTS WILL PHASE OUT BY THE END OF FY95.

12. THE AIDREP COMMENTED ON THE MISSION'S APPROACH TO SOCIAL SECTOR RESTRUCTURING. IN THE ABSENCE OF A REGIONAL SOCIAL SECTOR STRATEGY, THE COMMITTEE CONCURRED WITH THE MISSION'S FOCUS ON DISLOCATED WORKERS AND LOCAL HEALTH PROGRAMS SUPPLEMENTED BY PRIVATE SECTOR JOB EXPANSION PROGRAMS UNDER THE ECONOMIC GROWTH OBJECTIVE. ASSISTANCE IN THIS SECTOR HAS BEEN THROUGH EXISTING PROJECTS.

THROUGH AN INTER-AGENCY AGREEMENT WITH DEPARTMENT OF LABOR (DOL), PROBLEMS IN EMPLOYMENT SERVICES, SOCIAL INSURANCE AND UNEMPLOYMENT PROBLEMS ARE BEING ADDRESSED. DOL EXPRESSED INTEREST IN A VOCATIONAL TRAINING TYPE PROJECT WHICH THE GERMANS HAVE ALREADY BEEN EXAMINING FOR POTENTIAL ASSISTANCE.

SINCE THE STRATEGY REVIEW, BULGARIA HAS PASSED AN AMENDMENT TO THE PRIVATIZATION LAW WHICH STATES THAT 500 ENTERPRISES WILL BE PRIVATIZED IN THE FIRST PHASE USING THE CZECH VOUCHER MODEL. A HIGH PRIORITY FOR USAID WILL BE BUILDING PUBLIC AWARENESS OF PRIVATIZATION AND THE VOUCHERS ABOUT TO BE ISSUED.

13. ENVIRONMENT AND ENERGY SECTORS: THE COMMITTEE CONFIRMED THAT THESE TWO SECTORS WILL REMAIN PRIORITIES IN BULGARIA. IN ADDITION TO THE SUBSTANTIVE PROGRAM RATIONALE, THE ENVIRONMENTAL AND ENERGY PORTFOLIOS ARE LINKED TO INTERNATIONAL COMMITMENTS SUCH AS THE REGIONAL GLOBAL ENVIRONMENTAL FACILITY (GEF) IN THE FORMER AND NUCLEAR SAFETY IN THE LATTER. IN BOTH THE ENERGY AND ENVIRONMENT SECTORS, USAID NOT ONLY TARGETS THE NATIONAL LEVEL, BUT THE MUNICIPAL LEVELS ALSO.

14. MANAGEMENT SKILLS: THE AIDREP CLARIFIED THAT THE MANAGEMENT SKILLS SECTION OF THE BULGARIA STRATEGY WAS NOT A SEPARATE APPROACH, BUT A CROSS CUTTING ISSUE. THE COMMITTEE AGREED THAT MANAGEMENT SKILLS TRAINING AFFECTS ALL PRIORITY SECTORS AND PLAYS A CRITICAL ROLE IN HELPING OTHER ASSISTANCE EFFORTS SUCCEED. THE PARTICIPANTS STRESSED THE NEED FOR THIS TRAINING TO BE CLEARLY LINKED TO THE KEY PROGRAM PRIORITIES.

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OTHER TOPICS  
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15. STAFFING ISSUES: THE NEW STRATEGY IS FOCUSED ON LOCAL PARTICIPATION AND IS ANTICIPATED TO BE MORE STAFF INTENSIVE THAN BEFORE. THE ISSUE OF ADEQUATE STAFFING NEEDS WAS RAISED, RECOGNIZING THE CURRENT OVERALL MISSION CONSTRAINTS IN BULGARIA, AND IT WAS NOTED THAT USAID BULGARIA IS COMPARATIVELY LIGHTLY STAFFED FOR THE REGION AND ALSO FOR ITS WORKLOAD. USAID AND THE EMBASSY WILL CONTINUE DISCUSSIONS ON WHETHER ADDITIONAL USDH AND OR FSN MAY NEED TO BE PLACED IN THE FUTURE TO MANAGE, MONITOR AND ACCOUNT FOR THIS LARGE AND COMPLEX PORTFOLIO. THE RECENT ADDITION OF THREE FSNS AND ONE USDH PRIVATE SECTOR OFFICER WERE VIEWED AS VERY POSITIVE STEPS. USAID WILL CAREFULLY ANALYZE THE STAFF AND PORTFOLIO RATIOS AND PRESENT ANY

SUGGESTED CHANGES THIS FALL.

16. AUBG: THE COMMITTEE RECONFIRMED AUBG'S PROGRAMMATIC AND SYMBOLIC IMPORTANCE TO THE U.S. PROGRAM. THE PARTICIPANTS STRESSED THAT GRADUATES AND OTHER TRAINING PROGRAMS OFFERED BY AUBG SHOULD HAVE IMPORTANT IMPACTS ON DEMOCRACY AND ECONOMIC DEVELOPMENT. HOWEVER, WHILE NOTING THAT AUBG HAS ADVANCED ITS FINANCIAL PLANNING AND DIVERSIFICATION STRATEGY, IT WAS AGREED THAT SELF-SUSTAINABILITY MUST FOLLOW TO AVOID THE PERPETUAL DEPENDENCY ON USAID. SINCE THE MAY 24 STRATEGY REVIEW, AUBG'S FIVE YEAR FINANCIAL AND STRATEGIC PLAN, SUBMITTED TO USAID IN JANUARY, WAS CAREFULLY CONSIDERED AND APPROVED GIVING AUBG SECURITY OF FUNDS FOR THE NEXT SEVERAL YEARS.

HOWEVER, CAVEAT TO OUR FUNDING SUPPORT WAS THAT AUBG SHOULD CONTINUE TO STRIVE TO BE SELF-SUSTAINING AND MEET THE TARGETS IDENTIFIED IN THEIR FIVE-YEAR PLAN.

17. CONCLUSION: THE NEW ASSISTANCE STRATEGY FOR BULGARIA WAS APPROVED. HOWEVER, WE ARE STILL EXAMINING SPECIFIC ELEMENTS OF THE PROGRAM FOR REFINEMENT. ADDITIONALLY, MOST SEED-FUNDED PORTFOLIOS, NOT ONLY IN BULGARIA BUT OTHER COUNTRIES IN CEE, ARE COMING UNDER SCRUTINIES VIS A VIS PROJECT PROLIFERATIONS, PROGRAM FOCUS AND CONCENTRATION, QUALITY OF INTERVENTIONS, AND OVERALL IMPACT. BUILDING UPON THE MISSION'S EFFORTS, STATE AND USAID/W CONTINUE TO SEEK OPPORTUNITIES TO REFINE THE COUNTRY PORTFOLIO FOR FY95. CONSULTATIONS WILL CONTINUE WITH FIELD STAFF AND PROJECT OFFICES ON SPECIFIC BUDGET ITEMS.

18. RATHER THAN SPEND ADDITIONAL TIME EDITING THE COUNTRY STRATEGY TO INCORPORATE THE ABOVE COMMENTS, THIS CABLE WILL BE ADDED AS A PREFACE TO THE STRATEGY DOCUMENT WHEN IT IS REPRODUCED. ANY NECESSARY CHANGES IN THE BUDGET, HOWEVER, SHOULD BE MADE PRIOR TO REPRODUCING THE STRATEGY.

19. THIS CABLE HAS BEEN CLEARED IN DRAFT BY USAID/ENI TECHNICAL OFFICES (STRATOS, BROOKS, BRAGINSKI, GIDDINGS, BIRCH, SNELL, SZADEK, FRENCH, SCHWARTZMAN, ICHORD, FREER, MATTHIES, CLELAND, TERRY, RATHBUN, WEST, KARNS), STATE/EUR/EEA (MENZIES), STATE/EUR/EE (MALLY AND CHRITTON), TREASURY (GALLAGHER AND GREGORY), USIA (PORTNOY), OMB (SANDY), USIA (BAZALA), COMMERCE (TOOHEY), DOL (SMITH), EPA (PHILLIPS), FTC (RICHARDS) AND USDA (BLACKWOOD).

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21

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28