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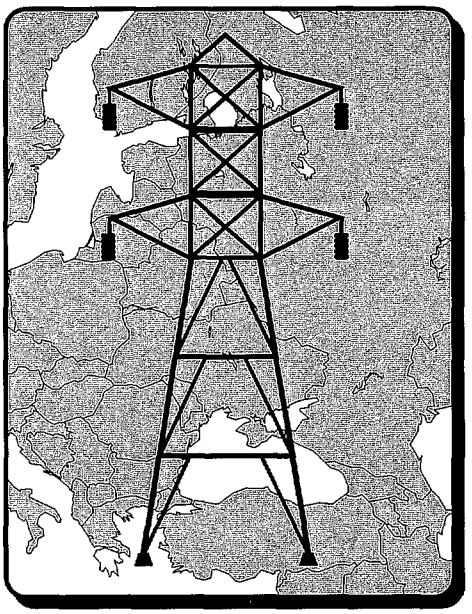
# Central and Eastern Europe Regional Energy Efficiency Project EUR-0030-C-00-2053-00



## Energy Pricing, Energy Efficiency, and Energy Sector Restructuring Component

Final Report
December 1996

**Volume IV**


Prepared for:
U.S. Agency for International Development
Bureau for Europe and NIS
Office of Environment, Energy, and Urban Development
Energy and Infrastructure Division

Prepared by:
Hagler Bailly Consulting, Inc.
1530 Wilson Blvd., Suite 900
Arlington, VA 22209
(703) 351-0300

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Macedonia: Industrial Energy Efficiency
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# CENTRAL AND EASTERN EUROPE
# REGIONAL ENERGY EFFICIENCY PROJECT
# EUR-0030-C-00-2053-00

**Energy Pricing, Energy Efficiency, and**
**Energy Sector Restructuring Component**

**Regional**
**Invitational Travel and**
**AEE Conference - 1996**

*Task Completion Memorandum*

*Prepared for:*

U.S. Agency for International Development
Bureau for Europe and NIS
Office of Environment, Energy,
and Urban Development
Energy and Infrastructure Division

*Prepared by:*

Hagler Bailly Consulting, Inc.
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Arlington, VA 22209
(703) 351-0300

December 1996

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# CENTRAL AND EASTERN EUROPE
# REGIONAL ENERGY EFFICIENCY PROJECT

*Task Completion Memorandum*

## *Regional - Invitational Travel and AEE Conference 1996*

### Summary Task Description

Under the Emergency Energy Program and the PEER Program, USAID developed ongoing relations with Eastern and Central European energy efficiency professionals, many of whom are actively promoting the development of markets for energy efficiency products and services in their respective countries. In particular, USAID set-up a program of industrial energy efficiency market development under which local professionals were trained in energy auditing and related disciplines, and were provided technical assistance in their initial energy auditing activities. These professionals passed the Certified Energy Manager (CEM) examination of the Association of Energy Engineers (AEE), have been actively involved in the creation of local chapters of the AEE, and are managing their own energy service businesses.

A delegation of these Eastern European energy efficiency professionals traveled to the United States from November 4 to November 8, 1996 to attend the 19th annual World Energy Engineering Congress of the Association of Energy Engineers (AEE) in Atlanta, Georgia.

Inviting a number of these professionals to attend the World Energy Engineering Congress sponsored by AEE allowed them to strengthen their ties with the U.S. AEE members and officials, participate in the AEE Chapter Development Meeting, attend technical and business sessions on energy efficiency, and meet US energy engineers and equipment manufacturers. This activity therefore complemented the activities developed in Eastern and Central Europe.

### Specific Goals and Objectives

This activity had the dual objective of providing increased business (trade and investment) for U.S. businesses involved in energy efficiency (equipment manufacturers, energy service companies, investors), and to increase the capabilities of the invitees to provide energy efficiency services to their clients in Eastern Europe, to further develop the local Eastern European market for energy efficiency. An important objective was to develop ongoing business and professional relationships between energy efficiency professionals from Eastern Europe and from the United

States.

**Expected Outputs**

The expected outputs from the annual invitational travel were primarily based on the results of the contacts established between the delegates and US organizations; on how much information and new ideas the delegates collect during their trip; and on how this trip reinforces the motivation and ability of the delegates to provide market-based energy efficiency services to potential clients in their countries.

**Deliverables**

- Logistical arrangements
- Invitations
- Conference coordination
- Meeting coordination
- Trip report

A trip report on the 1996 invitational travel was prepared and submitted to USAID.

**Results and Next Steps**

The invitational travel resulted in the scheduled agenda of meetings and conferences being met, as illustrated by Appendix A (Schedule).

The invitational travel task also resulted in 4 participants from Eastern Europe taking parts in the activities. Appendix B illustrates the participant list.

In the discussions held during the conference, the participants emphasized the tremendous value of the invitational travel and, in particular, of being able to:

- Meet with other AEE Chapter officers
- Make direct contacts with US companies
- Participate in conferences that emphasize the business aspects of energy efficiency
- See firsthand what are the issues affecting the energy service industry in a mature market going through deregulation of the energy sector
- Learn more about how energy efficiency projects are financed in the US

More generally, the following results can be related to this and previous years' invitational travel to the US:

Reinforcement of AEE linkages.

The links between the CEM's, their AEE chapters, and the whole AEE association were strongly reinforced throughout these invitational travels:

- Regular contacts with the US activities of the Association of Energy Engineers have contributed to promote and maintain the interest of the East European energy professionals in further developing their AEE chapter activities. The number of AEE members in Eastern Europe is growing.

The East European AEE chapters are among the rare market-based professional associations promoting energy efficiency in their countries and they therefore play a very important role. Stronger chapters therefore have a positive influence on the development of a market for energy efficiency.

Support to the development of local efficiency markets:

Both the conferences and the meetings that were organized helped the delegation in the development of their local energy efficiency markets:

- The East European energy consultants are confronted to questions such as how to best market their services for energy audits, and how to find sources of financing to implement energy conservation projects..

- Through the technical presentations they attended, the members of the delegation also learned about current developments and state-of-the-art technologies found in the U.S. During technical missions to Romania, it was noticed that some of the participants to previous years' invitational travel were actively using their book of proceedings as a source of information in the implementation of energy conservation projects.

- The AEE conference places great emphasis on the business aspects of energy efficiency. Attending these conferences has helped the East European consultants realize that technical skills alone are not enough to succeed in the business and that marketing, legal, and finance skills are at least as important. These subjects are now at the center of attention among the East European AEE members.

- Finally, the Congress illustrated to the East European consultants the type of professional development and business opportunities that can be generated by the energy efficiency market, providing further motivation for the consultants to



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pursue the development of energy efficiency markets in their own country.

Increasing business opportunities for US equipment manufacturers and investors

Due in part to their visits to the US, the East European AEE members are familiar with the US energy efficiency products and are inclined to recommend these to their clients.

A few of these professionals are representing US companies as a result of contacts they made at the AEE Congress in earlier years, and more are interested in developing further contacts to represent US manufacturers.

## Appendix A - Participant List

**Hungary**

Andras Morenth
M. Sc. Mechanical Engineer
H-1122, Budapest, XII.
Tóth Lorinc u. 4.
Hungary
Phone: 36-1-155-2784
36-20-302-519
Fax: 36-1-116-2691

Mr. Soos Laszlo
Hungarian productivity Center
Hungaria krt. 179-187
H 1146 Budapest
Vas u. 15/b. III/40
Hungary
Phone: 36 1 343-1945
Fax: 36 1 251-4088

**Romania**

Mihail Zdravcu
General Manager
Arcon S.r.l.
1 Intr. Odobesti Street
Bloc Z2, Sc. 5, Et. 1, Ap. 59
74578 Bucharest Sector 3
Romania
Phone/fax: (401) 673-6081

Vasile Grasin
Managing Director
ECO-ERG Technologie Service S.r.l.
26 Anton Pann Street
3400 Cluj-Napoca, Romania
Phone: (40) 64-194-208
Fax: Call first

## Appendix B - Schedule and Agenda

| | |
|---|---|
| Sunday, November 3 | Arrival in Washington DC |
| Monday, November 4 | |
| 9:00 - 12:30 am | Meeting with George Owens, Director of Engineering, The Rouse Company |
| 12:30 - 2:30 | Working lunch with AID (Ira Birnbaum), Bulgarian delegates, and Armenian delegate |
| Tuesday, November 5 | |
| 9:10 am | Fly from Washington National Airport to Atlanta |
| 1:30 pm | Executive Committee meeting (AEE chapter officers can sit-in on this meeting) |
| 3:00 pm | AEE Chapter Leadership meeting |
| 7:15 pm | WEEC Opening Dinner |
| Wednesday, November 6 | |
| 8:45 am - 5:10 pm | WEEC Conference and exhibition |
| Thursday, November 7 | |
| 9:00 - 11:40 am | WEEC Conference and exhibition, morning session |
| Luncheon | International Round table |
| 1:30 - 2:30 pm | Poster Session |
| 2:30 - 5:10 pm | Afternoon session |
| 5:15 - 6:30 pm | Networking Round tables |
| Friday, November 8 | |
| 9:00 - 11:40 am | WEEC Conference and exhibition, morning session |
| 12:30 | WEEC Keynote Luncheon |
| Saturday, November 9 | Depart for Eastern Europe |

# TRIP REPORT

**19th World Energy Engineering Congress**
**Atlanta, GA**
**November 5-8, 1996**

Prepared by:

Mike Ellis, Principal, Hagler Bailly Consulting, Inc.
Dan Wilcox, Manager, Hagler Bailly Consulting, Inc.

Prepared for:

Office of Energy, Environment and Technology
Center for Environment
Bureau for Global Programs, Field Support and Research
United States Agency for International Development

Novemnber 26, 1996

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# PEER PROGRAM, WEEC CONFERENCE - TRIP REPORT

## PURPOSE:

The purpose of this trip was to accompany representatives of the Association of Energy Engineers (AEE) chapters in Hungary and Romania, that were developed as part of the PEER program to the World Energy Engineering Congress meeting held in Atlanta. This meeting is held annually and is the international conference for all AEE chapters. Attendance at this meeting gives the European chapters the opportunity to develop relations with U.S. chapters and its timing, prior to the meeting held in Eastern Europe in Mid November, provided the PEER sponsored attendees time to meet with AEE officials in person to finalize last minute details.

## PARTICIPANTS:

The mission included the following personel:

Andras Morenth, Budapest, Hungary
Laszlo Soos, Budapest, Hungary
Michail Zdravcu, Bucharest, Romania
Vasile Grasin, Cluj, Romania
Dan Wilcox, Manager, Hagler Bailly Consulting, Inc.

## FINDINGS:

Attendance at this annual meeting provided the following benefits:

- Hungarian and Romanian interaction with officers from local US chapters of AEE. At prior meetings this has lead to several US chapters offering assistance to other Eastern European AEE chapters.

- A leadership council meeting was held that included all regional chapter officers to discuss issues affecting their chapters. Also discussed were methods used to increase local AEE chapter membership and suggestions for member meeting agendas.

- Participation at the International Buyer Program sponsored by the U.S. Department of Commerce. This consisted of an area located in the exposition where representatives from U.S. firms interested in doing business in Eastern Europe and NIS countries gathered to

discuss potential business interests.

- Attendance at the Exposition gave the group the opportunity to view over 300 vendor booths that offer products in the area of energy efficiency. Contacts made, and information gathered during expo attendance is extremely useful for the groups efforts in obtaining energy efficiency products in their home country.

- Meeting held with the AEE management staff were very useful to discuss the upcoming AEE meeting in Hungary and Romania. Several last minute details were worked out that helped to ensure the successful conferences.

The conference program is attached.

# PROGRAM

November 6-8, 1996
Georgia World Congress Center • Atlanta, GA

# WELCOME!

The 19th World Energy Engineering Congress is proud to be selected again this year as an International Buyer Program by the U.S. Department of Commerce. The WEEC, along with the Environmental Technology Expo, welcomes our international delegates from around the world. Again, we have an International Business Center to help U.S. manufacturers partner with our visitors.

The companion Plant & Facilities Conference and Expo (PFE), OSHA Compliance Expo (OSHA), and the Energy Service & Power Marketing Center (ESPMC), along with WEEC and ETE, make this event the most comprehensive forum of its type in the world.

For the next 3½ days, the top energy and environmental professionals will be presenting technical and managerial papers on the latest developments and applications. Attendees may attend any session of the five concurrent programs. Since the sessions run concurrently, we suggest that you review this program as well as the companion proceedings. Please feel free to move to the speaker or session of greatest interest to you. Again, welcome to the show!

**YOUR PARTICIPATION AND SUPPORT OF THE WEEC/ETE/PFE/OSHA/ESPMC ARE GREATLY APPRECIATED!**

19TH WEEC

ETE THE ENVIRONMENTAL TECHNOLOGY EXPO CONFERENCE AND EXPOSITION

PFE PLANT & FACILITIES EXPO CONFERENCE AND EXPOSITION

OSHA COMPLIANCE EXPO

ENERGY SERVICE & POWER MARKETING CENTER

The COMMERCIAL SERVICE International Buyer Program

PRESENTED BY: The Association of Energy Engineers, The Cogeneration & Competitive Power Institute of AEE, The Energy Services Marketing Society of AEE, and the Environmental Managers Institute of AEE

WEEC Cosponsored by: The Alliance to Save Energy, American Gas Association/American Gas Cooling Center, National Association of State Energy Officials, U.S. Department of Commerce, U.S. Department of Energy: Federal Energy Management Programs, U.S. Department of Energy: Office of National Programs, and U.S. General Services Administration

ETE Cosponsored by: U.S. Environmental Protection Agency: Region IV, U.S. Environmental Protection Agency: Technology Innovation Office, and National Registry of Environmental Professionals

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## SPECIAL EVENTS

### AEE Awards Banquet and Reception

**Tuesday, November 5**
Georgia World Congress Center — Zell Miller Conference Center
Reception 6:30 p.m. — Awards Banquet 7:15 p.m.
Reception sponsored by Johnson Controls, Inc.

**Wednesday, November 6**
Opening Ceremonies. Special Presentations by: John Anderson, Executive Director, Electricity Consumers Resource Council (ELCON); Jay E. Wakes, Administrtor, Energy Information Administration; and Richard O'Neill, Chief Economist and Director of Economic Policy, Federal Energy Regulatory Commission (FERC).
Coffee Break Sponsored by Energy USA
8:45 – 10:50 a.m. in Auditorium

**Wednesday, November 6**
Luncheon Sponsored by AEE
11:30 a.m. in Exhibit Hall

**Thursday, November 7**
10:00 a.m. – 3:00 p.m. – Guest Tour
Luncheon Sponsored by Philips Lighting
11:30 in Exhibit Hall

**Friday, November 8**
Keynote Luncheon. Guest Speaker:
Wesley Foell, President, Resource Management Association
12:30 p.m. — Room 313 Georgia World Congress Center

## CONTINUING EDUCATION SEMINARS

**Monday, November 4, 1996 / 9:00 a.m. – 5:00 p.m.**

| | | |
|---|---|---|
| #820 | NREP Professional Certification Program (Day 1) | ROOM 216 |
| #821 | Energy Procurement & Management | ROOM 217 |
| #822 | Relighting Manufacturing Facilities for Productivity and Profitability | ROOM 218 |

**Tuesday, November 5, 1996 / 9:00 a.m. – 5:00 p.m.**

| | | |
|---|---|---|
| #820 | NREP Professional Certification Program (Day 2) | ROOM 216 |
| #824 | Motor Efficiency Management | ROOM 217 |
| #825 | Water and Wastewater Environmental Market Opportunities | ROOM 218 |
| #827 | Computerized Building Energy Simulation | ROOM 219 |
| #828 | Applying 1996 National Electrical Code | ROOM 203 |

**Wednesday, November 6, 1996 / 9:00 a.m. – 5:00 p.m.**

| | | |
|---|---|---|
| #829 | Building Energy Management | ROOM 314 |

## REGISTRATION HOURS

| | |
|---|---|
| Tuesday: | 8:00 a.m. – 5:00 p.m. |
| Wednesday: | 7:00 a.m. – 5:00 p.m. |
| Thursday: | 8:00 a.m. – 5:00 p.m. |
| Friday: | 8:00 a.m. – 1:00 p.m. |

## EXPOSITION — HALL A

Be sure to allow time to examine the latest in energy efficient and pollution control products on display the follow hours:

Wednesday, November 6, 1996 / 10:00 a.m. – 5:00 p.m.
Thursday, November 7, 1996 / 10:00 a.m. – 5:00 p.m.
Friday, November 8, 1996 / 9:00 a.m. – 12:30 p.m.

## SPEAKER / PRESS — ROOM 313

# LOOKING FOR INTERNATIONAL BUSINESS PARTNERS?

## Find them at the *International Business Center— *your* center for international trade information

### 1996 World Energy Engineering Congress

**was selected by the U.S. Department of Commerce to be a part of the Commercial Service International Buyer Program.**

As a special feature of this year's show, the Department of Commerce International Business Center (IBC) provides an ideal opportunity for foreign buyers and U.S. exporters to interact by offering the following complimentary services:

- export counseling
- interpreters
- meeting rooms
- lounge area and refreshments
- international visitor profiles to match U.S. sellers with international buyers.

The Department offers additional services to U.S. exporters, such as Commercial News USA, Matchmaker Trade Delegations, Catalog Exhibitions, International Company Profiles and the Agent/Distributor Service. Come to the WEEC IBC and speak to one of our International Trade Specialists about your specific export needs.

The COMMERCIAL SERVICE
International Buyer Program

| | | | |
|---|---|---|---|
| Wednesday | November | 6 | 7:00 AM - 5:00 PM |
| Thursday | November | 7 | 8:30 AM - 5:00 PM |
| Friday | November | 8 | 8:00 AM - 1:00 PM |

**IBC Hours ▲**

*The IBC is located in Exhibit Hall A

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# W E E K - A T - A - G L A N C E

**CONFERENCE: Wednesday November 6, 1996 – 8:45 – 11:10 AM / Opening Session**

| SESSION A | SESSION B | SESSION C | SESSION D | SESSION E | SESSION F | SESSION G | SESSION H | SESSION I | SESSION J | SESSION K |
|---|---|---|---|---|---|---|---|---|---|---|
| **Wednesday November 6, 1996 / Concurrent Sessions / 2:30 – 5:10 PM** | | | | | | | | | | |
| Climate Wise Initiatives | Industrial Water Management | 1996 Nat'l. Electrical Code: Important Changes | Internet and Energy Bulletin Boards | Natural Gas: Price, Risk & Reliability | Gas Cooling | Energy Management I | Energy Efficiency Policy Initiatives | Energy Services: New Opportunities for Utilities and End Users | Impact of Deregulation on End-User Strategies | Industrial Process Optimization |
| **Thursday November 7, 1996 / Concurrent Sessions / 9:00 – 11:10 AM** | | | | | | | | | | |
| Indoor Air-Quality Case Studies | Pollution Prevention | OSHA Compliance | Innovative Technologies | Motors and Drives | HVAC | Effective Energy Management | Privatization in the Department of Defense | Financing Performance Contracting | DSM and Retail Wheeling | Power Quality |
| **Thursday November 7, 1996 / Concurrent Sessions / 2:30 – 5:10 PM** | | | | | | | | | | |
| Biomass Energy Systems | Georgia Environmental Compliance | Market Trends and Opportunities | Industrial and Commercial Applications of Solar Energy | Computer Energy Management Systems | Demonstrating New HVAC Technologies | Energy Management II | Government Procurement: An Opportunity for Energy Efficiency | Productivity Improvement Using New Energy and Environmental Technology | Measurements and Verification | Maintenance Management |
| **Friday November 8, 1996 / Concurrent Sessions / 9:00 – 11:10 AM** | | | | | | | | | | |
| Indoor Air Quality in Buildings | Environmental Management | Improving Job Safety | Emerging Technologies | Lighting Management | HVAC Systems | Energy Management III | Federal Energy Management | Performance Contracting: A World of Opportunity | International Energy Projects | Operations and Management |

# C O N G R E S S  S C H E D U L E

## Tuesday, November 5, 1996

### Continuing Education Seminars

9:00 a.m. – 5:00 p.m.

(See page 2 for details)

### AEE Banquet and Reception

6:30 p.m. Reception Sponsored by Johnson Controls, Inc.

7:15 p.m. Dinner

Georgia World Congress Center
Zell Miller Conference Center

***Press Releases – Room 313***

*Some papers not included in the proceedings are available at the registration desk.*

*Numbers by sessions indicate the chapter in proceedings.*

## Wednesday, November 6, 1996

### Keynote Opening Ceremonies

8:45 – 10:50 a.m. Auditorium

**Chair:** **Wayne Turner, Ph.D., P.E., CEM, Professor**
Industrial Engineering and Management
Oklahoma State University, Stillwater, OK

**8:45-9:15 am** **United States Army Ground Forces Band, Ft. McPherson, GA**

**9:15-9:20 am** **Welcome**
**Albert Thumann, P.E., CEM, CLEP**
Executive Director, Association of Energy Engineers

**9:20-9:50 am** **Deregulation: What It Means for Customers of Electricity**
30 min
**John Anderson, Executive Director**
Electricity Consumers Resource Council (ELCON)
Washington, D.C.
28 members

**9:50-10:20 am** **How the World Got Smaller and Faster – Electronic Dissemination of Energy Information**
30 min
**Jay E. Hakes, Administrator**
Energy Information Administration, Washington, D.C.

**10:20-10:50am** **Issues & Options for Gas & Electricity Deregulation**
30 min
**Richard P. O'Neill**
Chief Economist & Director of Economic Policy
Federal Energy Regulatory Commission, Washington, D.C.

Coffee sponsored by *EnergyUSA*

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Wednesday, November 6, 1996

THE ENVIRONMENTAL TECHNOLOGY EXPO

OSHA COMPLIANCE EXPO

19TH WEEC

| ENVIRONMENTAL TECHNOLOGY CONFERENCE & EXPO | | OSHA COMPLIANCE EXPO | WORLD ENERGY ENGINEER | | |
|---|---|---|---|---|---|
| **A**<br>**CLIMATE WISE INITIATIVES**<br>**CHAIR: Marsha Quinn**<br>**Director of Technology Access**<br>**U.S. Department of Energy** | **B**<br>**INDUSTRIAL WATER MANAGEMENT**<br>**CHAIR: Chip Larson**<br>**Program Manager**<br>**Pacific Northwest National Laboratory** | **C**<br>**1996 NATIONAL ELECTRICAL CODE: IMPORTANT CHANGES**<br>**CHAIR: Gregg Bierals**<br>**President**<br>**Electrical Design Institute** | **D**<br>**INTERNET & ENERGY BULLETIN BOARDS**<br>**CHAIR: Patricia Rose**<br>**Program Analyst**<br>**U.S. Department of Energy** | **E**<br>**NATURAL GAS: PRICE, RISK AND RELIABILITY**<br>**CHAIR: Leonard Parent**<br>**Publisher**<br>***The Gas Price Report*** | **F**<br>**GAS COOLING**<br>**CHAIR: Ed Reid**<br>**Executive Director**<br>**American Gas Cooling Center** |
| **Room 203** | **Room 204** | **Room 205** | **Room 202** | **Room 219** | **Room 218** |
| **2:30-5:10 pm**<br><br>**Panelists:**<br><br>Paul Scheiling<br>Program Manager<br>The Motor Challenge<br>(#1)<br><br>Amy Manheim<br>Co-Director<br>Climate Wise<br><br>Chuck Glaser<br>Program Manager<br>Industrial Assessment Centers | **2:30-3:10 pm**<br>**A Site-Wide Approach to Water Conservation: Procedures, Results, and Lessons Learned**<br>Greg Sullivan<br>Research Engineer<br>Pacific Northwest National Laboratory<br>(#5) | **2:30-5:10 pm**<br><br>**Panelists:**<br><br>Gregg Bierals<br>President<br>Electrical Design Institute<br><br>Ray Mullin<br>Consultant<br><br>George Oakuley<br>Vice President, Technical Sales & Services<br>Bussmann Division<br>Cooper Industries | **2:30-3:10 pm**<br>**Energy and Environmental Resources on the Internet**<br>Curt Phillips, CEM<br>Industrial Program Manager<br>N. Carolina Energy Division | **2:30-3:10 pm**<br>**Dealing with Business Risk**<br>Tim McKone<br>Catex Coral | **2:30-3:10 pm**<br>**Overview of New Developments in Absorption Cooling and Heat Pumping**<br>Bill Ryan<br>Commercial Business Unit<br>Gas Research Institute |
| | **3:10-3:50 pm**<br>**Water Conservation at Army Installations**<br>Richard Scholze<br>Principal Investigator<br>U.S. Army CERL<br>(#6) | | **3:10-3:50 pm**<br>**DOE's Customer Service Center - We're Here to Help You!**<br>Carole Dobbs<br>U.S. Department of Energy | **3:10-3:50 pm**<br>**Making the Seamless Marketplace for Natural Gas a Reality: The Gas Industry Standards Bd.**<br>Rae McQuade<br>Executive Director<br>Gas Industry Standards Board | **3:10-3:50 pm**<br>**Absorption Cooling**<br>Bill Plzak<br>The Trane Company |
| | **3:50-4:30 pm**<br>**Water and Energy Service Performance Contracting**<br>Matthew Puffer<br>Chief Operating Officer<br>ERI Water | | **3:50-4:30 pm**<br>**Electronic Dissemination of Energy Data and Analysis**<br>Mark Rodekohr<br>Director, Energy Markets and Contingency, Division Information<br>U.S. Dept. of Energy (#29) | **3:50-4:30 pm**<br>**Overview of Price, Risk and Reliability**<br>Margaret Carson<br>Director, Competitive Analysis<br>Enron | **3:50-4:30 pm**<br>**Overview: Natural Gas Fueled Engine Driven Chillers**<br>Kirby Brown<br>Product Manager, HVAC<br>Cummins Southwest, Inc. |
| | **4:30-5:10 pm**<br>**Implementation and Evaluation of High Performance Clothes Washing Machines**<br>John J. Tomlinson<br>Group Leader<br>Oak Ridge National Laboratory | | **4:30-5:10 pm**<br>**The World Wide Web and Building Management**<br>James May<br>Centenary United Methodist Church | **4:30-5:10 pm**<br>**New Opportunities and New Players**<br>Robert Kreppel<br>President<br>National Fuel Resources | **4:30-5:10 pm**<br>**Improving the Learning Environment for Georgia's Children Through Desiccant Technology**<br>Bruce Longino<br>Director<br>Atlanta Gas Light Co. |

EXHIBIT HOURS 10:00 A.M. – 5:00 P.M.

## PROCEEDINGS

To purchase extra copies of the proceedings, stop at the registration desk after 10:00 a.m. on Friday.

## INTERNATIONAL BUSINESS CENTER HOURS:

7:00 a.m. – 5:00 p.m.

Located in Hall A

ENERGY SERVICE & POWER MARKETING CENTER

PFE PLANT & FACILITIES EXPO

# AEC / EMTE / PFE / ASHA TSPM CTR PROGRAM

| NG CONGRESS | | ENERGY SERVICE & POWER MARKETING CENTER | | PLANT & FACILITIES EXPO |
|---|---|---|---|---|
| ERGY ANAGEMENT I HAIR: Fredic S. oldner, CEM, Principal ergy Management & esearch | H Energy Efficiency Policy Initiatives CHAIR: Douglas A. Decker, P.E. Director, Government Affairs Johnson Controls, Inc. | I ENERGY SERVICES: NEW OPPORTUNITIES FOR UTILITIES AND END-USERS CHAIR: Virginia Hines Editor-in-Chief *Energy User News* | J IMPACT OF DEREGULATION ON END-USER STRATEGIES CHAIR: George Wood Director A&C Enercom | K INDUSTRIAL PROCESS OPTIMIZATION CHAIR: Walt Smith, CEM President Energy Technology Services |
| **Room 217** | **Room 216** | **Room 215** | **Room 211** | **Room 201** |
| **30-3:10 pm** **as-Fired Low Intensity frared for Improved oductivity and oduct Quality** eg Connors, P.E. les Engineer anta Gas Light Company (#14) | **2:30-3:10 pm** **Forget Energy Conservation - Think Energy Efficiency** Douglas A. Decker, P.E. Director, Government Affairs Johnson Controls | **2:30-3:00 pm** **Working with ESCO's** Virginia Hines *Energy User News* | **2:30-3:10 pm** **Positioning Yourself for Utility Competition** Lindsay Audin, CEM, CLEP Manager for Energy Conservation Columbia University (#76) | **2:30-3:10 pm** **Process Optimization** Walt Smith, CEM President Energy Technology Services |
| **10-3:50 pm** **chieving True Energy ystems Optimization** rge B. Wong enior Engineer eneral Electric Company ansh Viswanathan, EM Engineer hnson Controls, Inc. | **3:10-3:50 pm** **Leading the Way to Energy Efficiency in the Federal Sector: Success Through Barrier Reduction** Mark Ginsberg Director, Federal Energy Management Program U.S. DOE (#44) | **3:00-3:30 pm** **Cooking with Power: Marketing Parallels between Deregulated Gas & Power** Dean Jones Vice President of Power Marketing & Trading Williams Energy Services Company (WESCO) | **3:10-3:50 pm** **Electrons for Sale - Status of Retail Wheeling Pilots in Progress in New England** George Wood Director A&C Enercom | **3:10-3:50 pm** **Case Study: Rethinking the Process and Process Economics** Bruce Watkins Facilities Manager Eastman Gelatine Corporation |
| **50-4:30 pm** **entralized Energy anagement Made ffordable for New ational Aviation and ansportation Center** ans J. Lizardos, P.E., CEM, CCP, CIAQ, DSM esident ardos Engineering Associates, PC (#15) | **3:50-4:30 pm** **The Direction and Priorities of Energy Efficiency** Eric A. Dunham Special Assistant, Office of Property Management U.S. General Services Administration | **3:30-4:00 pm** **Optimized Energy Services: Integrating Supply and Demand Opportunities** Dan Greco, Director, Sales & Marketing LG&E Enertech<br>**4:00-4:30 pm** **The Integrated Approach: Financing to Operation of Energy Projects** Leslie Solmes, President LAS and Assoc. (#69) | **3:50-4:30 pm** **The Effect of Real Time Pricing (RTP) on TES Systems** Klaus Schiess, P.E., CEM President KSEngineers (#77) | **3:50-4:30 pm** **Process Optimization Techniques: Level 1 Audit** Lyman Wible VP Northern Region RMT, Inc. |
| **30-5:10 pm** **n Analysis of Program haracteristics and esults for Eighteen ears of Operation of the niversity of Tennessee nergy Analysis and iagnostic Center** chard J. Jendrucko, EM rofessor niversity of Tennessee (#16) | **4:30-5:10 pm** **Future Direction of Department of Defense's Energy Program** Millard Carr Director, Energy & Engineering Office of the Assistant Secretary of Defense The Pentagon | **4:30-5:10 pm** **Deregulation Doesn't Matter: Energy Solutions are Available** John Sheputis Director Enron Capital & Trade Resources | **4:30-5:10 pm** **Implementing Real-Time Information Networks for Providing Open Transmission Access and Services** Prem K. Bahl Utilities Consultant Arizona Corporation Commission | **4:30-5:10 pm** **Ultraviolet Curing Technology & Recent Development** Richard Stowe Fusion UV Curing Systems (#79) |

## *"MEET YOUR PEERS"*
## LUNCHEON IN THE EXHIBIT HALL

Wednesday, November 6
Georgia World Congress Center, Atlanta, Georgia
Luncheon: 11:30 a.m.

Luncheon provided to conference attendees registered for full three-day conference.
**SPONSORED BY: AEE**

20th Anniversary 1977–1997
AEE
Two Decades of Achievement

-18

Thursday Morning - November 7, 1996

| Environmental Technology Conference & Expo | | OSHA Compliance Expo | World Energy Engineer | | |
|---|---|---|---|---|---|
| A<br>**INDOOR AIR QUALITY - CASE STUDIES**<br>**CHAIR:**<br>**Jerry Taylor, CEM, CIAQ President**<br>**Jerry A. Taylor Consulting Engineers** | B<br>**POLLUTION PREVENTION**<br>**CHAIR:**<br>**Wesley Lambert**<br>**Public Affairs Specialist**<br>**U.S. EPA Region IV** | C<br>**OSHA COMPLIANCE**<br>**CHAIR: Adrienne Burke**<br>**Senior Editor**<br>***Industrial Safety & Hygiene News*** | D<br>**INNOVATIVE TECHNOLOGIES**<br>**CHAIR: Wayne Turner, Ph.D., P.E., CEM**<br>**Industrial Engineering and Management**<br>**Oklahoma State Univ.** | E<br>**MOTORS & DRIVES**<br>**CHAIR: Kon Lobodovsky**<br>**Consultant** | F<br>**HVAC**<br>**CHAIR: William B. Hardin, CEM, CLEP, CDSM**<br>**Department Manager, Plant Engineer**<br>**Springs Industry** |
| **Room 203** | **Room 201** | **Room 205** | **Room 202** | **Room 219** | **Room 218** |
| **9:00-9:40 am**<br>**Desiccant-Based Heat Recovery for Olympic Housing at Georgia Tech- An Energy Efficient Approach to Good Indoor Air Quality**<br>Christopher C. Downing,P.E.<br>Sr. Research Engineer<br>Georgia Tech Economic Development Institute | **9:00-10:20 am**<br>**Pollution Prevention**<br>Dennis Creech<br>Director<br>Southface Energy Institute | **9:00-10:20 am**<br>**OSHA Update**<br>R. Davis Layne<br>Administrator<br>OSHA Region IV Office<br><br>Ray Finney<br>Atlanta Area Office<br>Director<br>OSHA Region IV Office | **9:00-9:40 am**<br>**LED Technologies for the 21st Century**<br>Leslie L. Pace<br>C.E.M.C.<br>(#30) | **9:00-9:40 am**<br>**Case Study**<br>Pedro J. Otaduy, Ph.D.<br>Research Engineer<br>Oakridge National Laboratory | **9:00-9:40 am**<br>**A Simple Method to Model HVAC Retrofit Projects**<br>Richard R. Vaillencourt, P.E.<br>Sole Proprietor<br>Canterbury Engineering Associates<br>(#56) |
| **9:40-10:20 am**<br>**Indoor Air Quality: Problems to Opportunities**<br>Jude Anders<br>Manager, Engineering Services<br>Johnson Controls, Inc. | | | **9:40-10:20 am**<br>**Fuel Cell System Technologies and Applications Issues**<br>Clint Christenson<br>Project Co-Director<br>Industrial Engineering & Management<br>Oklahoma State Univ. (#31) | **9:40-10:20 am**<br>**Preventing Premature Failure in Inverter-Fed Motors**<br>Darryl Van Son<br>Manager, Market Research<br>Baldor Electric Company | **9:40-10:20 am**<br>**Analysis of Cost-Effective Pipe Insulation Requirements**<br>David Winiarski<br>Research Engineer<br>Pacific Northwest National Laboratory<br>(#57) |
| **10:20-11:00 am**<br>**Microbial Contamination of a Florida Courthouse Due to Moisture, Incursion and Inadequate Dehumidification**<br>Richard J. Scott, AIA<br>Sr. Architect, Indoor Air Quality:Environmental Health & Safety, Clayton Environmental Consultants,Inc. | **10:20-11:40 am**<br>**Update on EPA's Pollution Prevention Programs**<br>Connie Roberts<br>Pollution Prevention Coordinator<br>US EPA Region IV | **10:20-11:00 am**<br>**Pro Bono Health and Safety Training Course - The Georgia Experience**<br>Jean Randolph, RN, COHN.S, MPA<br>Manager, Employee Health<br>Egleston Children's Health Care System | **10:20-11:00 am**<br>**The Impact of New Lubricants and Additives in Equipment Performance**<br>Javier Mont<br>Research Assistant<br>Industrial Assessment Center<br>Oklahoma State University | **10:20-11:00 am**<br>**Expert Systems Supports Optimal AC Motors Application**<br>N.F. Ilinski<br>Moscow Power Engineering Institute<br>Russia<br>(#43) | **10:20-11:00 am**<br>**Pre-qualification and DDC Vendor Selection for the Facility**<br>Viktor Boed, CEM, CDSM<br>Manager, Plant Engineering<br>Department of Facilities & Services<br>Yale University (#58) |
| **11:00-11:40 am**<br>**PANEL DISCUSSION - IAQ CASE STUDIES** | | **11:00-11:40 am**<br>**The National Occupational Research Agenga: What It is, Where It's Going**<br>Lynn Jenkins<br>Senior Scientist,<br>Office of the Director<br>NIOSH | **11:00-11:40 am**<br>**Operating Experiences of Geo-Thermal Heat Pump Convenience Store vs Conventional Roof Top HVAC Convenience Store**<br>Steven C. Ganzer<br>President<br>Energy Performance Consultants, Inc. | **11:00-11:40 am**<br>**PANEL DISCUSSION** | **11:00-11:40 am**<br>**HVAC Optimization as Facility Requirements Change with Corporate Restructuring**<br>Renee Rodak,<br>Performance Contracting Specialist, CSI<br>Mark Sankey,<br>Branch Leader<br>Control Solutions, Inc. -Tr State<br>(#59) |

## GUEST PROGRAM 10:00 A.M. – 3:00 P.M.

**MEET THURSDAY, NOVEMBER 7, IN ROOM 210. COFFEE & ROLLS WILL BE AVAILABLE AT 9:00 A.M.**

Tour will leave at 10:00 a.m. Your tour will take you past the Georgia Dome, the Omni Coliseum, and the massive Georgia World Congress Center. See the new Olympic Stadium and the Olympic Village, world-renowned Peachtree Street and the elegant Northwest residential districts. Luncheon will be enjoyed at Anthony's, a beautifully restored plantation home, now one of the city's Top 10 continental restaurants. Experience the spirit and beauty of Atlanta!

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PFE
PLANT & FACILITIES EXPO

ENERGY SERVICE & POWER MARKETING CENTER

| ING CONGRESS | | ENERGY SERVICE & POWER MARKETING CENTER | | PLANT & FACILITIES EXPO |
|---|---|---|---|---|
| G<br>EFFECTIVE ENERGY MANAGEMENT<br>CHAIR: Bill Mashburn, Ph.D., CEM<br>Consultant | H<br>PRIVATIZATION IN DEPARTMENT OF DEFENSE<br>CHAIR: Douglas R. Dixon, Technical Group Manager<br>Pacific Northwest National Laboratory | I<br>FINANCING PERFORMANCE CONTRACTING<br>CHAIR: Shirley Hansen, Ph.D.<br>President<br>Hansen Associates, Inc. | J<br>DSM & RETAIL WHEELING<br>CHAIR: Martin A. Mozzo, CEM, CLEP<br>M and A Associates, Inc. | K<br>POWER QUALITY<br>CHAIR: Wayne Stebbins<br>Electrical Staff Engineer<br>Hoechst Celanese Corporation<br>Celriver Plant |
| **Room 217** | **Room 216** | **Room 215** | **Room 211** | **Room 201** |
| **9:00-9:40 am**<br>**Mobil's Energy Program**<br>Fred C. Schoeneborn<br>Global Facility & Energy Management Coordinator<br>Mobil Corporation<br>#17) | **9:00-9:40 am**<br>**Privatization of Electrical and Natural Gas Utility Systems at Army Installations**<br>William F. Eng, P.E.<br>General Engineer, Utilities Branch Headquarters, U.S. Army, Assistant Chief of Staff for Installation Mgmt. (#45) | **9:00-9:40 am**<br>**Financing Performance Contracting: A Strategic Approach**<br>Daron Coates<br>President<br>Team Systems International<br>(#70)<br>Perform Contract Firm | **9:00-9:40 am**<br>**DSM and Retail Wheeling - Part 2, Who Provides What?**<br>Edward T. Liston, P.E.<br>President<br>EUA Cogenex Corporation<br>Boott Mills South | **9:00-9:40 am**<br>**Introduction to Harmonics and Power Factor**<br>Michael Z. Lowenstein, Ph.D.<br>President<br>Harmonics Limited<br>(#82) |
| **9:40-10:20 am**<br>**Star Wars Technology in the Third Decimal Place - Are they Needed for Effective Energy Management?**<br>Thomas D. (Dan) Mull<br>President<br>Carolina Consulting Grp. (#18) | **9:40-10:20 am**<br>**Navy Utility System Privatization**<br>Dr. Joseph L. Ashley<br>Manager, Navy Utility System Privatization Program<br>Naval Facilities Engineering Command | **9:40-10:20 am**<br>**Stategies for Financing Performance Contracting**<br>Amarquaye Armar<br>Senior Energy Planner<br>The World Bank | **9:40-10:20 am**<br>**Deregulation of the Utility Market and the Need for Strategic Partnerships**<br>Russ B. Mykytyn<br>President<br>Utility Choice Marketing, Inc. | **9:40-10:20 am**<br>**Electrical System Power Quality and Interactions**<br>R.M. Waggoner<br>Vice President & General Manager<br>ENTEG Systems, Inc.<br>(#80) |
| **10:20-11:00 am**<br>**Energy Management in the Real World**<br>Gary Bunce<br>Manager<br>Walton EMC | **10:20-11:00 am**<br>**Implementation of Army Privatization Directives at Forces Command Installations**<br>Rick Armstrong,<br>Project Manager/Electrical Engineer, U.S. Army Corps of Engineers<br>Huntsville Engineering Ctr.(#46) | **10:20-11:00 am**<br>**Financing of Performance Contracting**<br>Gene Rogero<br>Senior Marketing Officer<br>CitiCorp<br>Business Project | **10:20-11:00 am**<br>**Buy Signals for the "New" DSM**<br>Joseph A. Polaski<br>Chief Operating Officer<br>Measuring & Monitoring Services, Inc. | **10:20-11:00 am**<br>**Power Quality: A Utility Perspective**<br>Steven G. Whisenant<br>Manager, System Power Quality<br>Duke Power Company<br>(#81) |
| **11:00-11:40 am**<br>**Cost Effective Energy Conservation Measures**<br>William H. Mashburn, Ph.D., CEM<br>Consultant<br>(#19) | **11:00-11:40 am**<br>**Privatization of Federal Facilities - A Utility Perspective**<br>Billy B. Wise<br>Management Consultant<br>B.B. Wise & Associates | **11:00-11:40 am**<br>**The Attractiveness of Energy Efficiency Investments for Commercial Banks**<br>Peter Garforth<br>Consultant<br>Sr Consultant to World Bank<br>IFC Loans to private Businesses | **11:00-11:40 am**<br>**Performanced Based DSM Lessons Learned in New Jersey**<br>Richard N. Longenecker<br>General Manager - Sales and Business Services<br>Public Service Electric and Gas Company | **11:00-11:40 am**<br>**Installation Issues for IGBT Based Drives**<br>Gary Skibinski<br>Allen-Bradley Company<br>(#83) |

EXHIBIT HOURS 10:00 A.M. – 5:00 P.M.

## MEET YOUR COLLEAGUES

**EXHIBIT HALL — HAPPY HOUR**
**WEDNESDAY: 1:00 – 5:00 P.M. (CASH BAR)**
**THURSDAY: 1:00 – 5:00 P.M. (CASH BAR)**

NEMA / ETE / PFE / NASPMC PROGRAM

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| ETE THE ENVIRONMENTAL TECHNOLOGY EXPO | OSHA COMPLIANCE EXPO | 19TH WEEC |
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| ENVIRONMENTAL TECHNOLOGY CONFERENCE & EXPO | OSHA COMPLIANCE EXPO | WORLD ENERGY ENGINEER |

| A | B | C | D | E | F |
|---|---|---|---|---|---|
| **BIOMASS ENERGY SYSTEMS**<br>**CHAIR: David Stephenson**<br>**Assistant Manager**<br>**S.E. Regional Biomass Energy Program** | **GEORGIA ENVIRONMENTAL COMPLIANCE**<br>**CHAIR: Miriam Romain**<br>**Environmental Correspondent**<br>***Georgia Environmental News*** | **MARKET TRENDS AND OPPORTUNITIES**<br>**CHAIR: Richard K. Miller, CEM**<br>**President**<br>**Richard K. Miller & Associates** | **INDUSTRIAL & COMMERCIAL APPLICATIONS OF SOLAR ENERGY**<br>**CHAIR: Peter Lowenthal**<br>**Director, Solar Thermal and Building Products Division** | **COMPUTER ENERGY MANAGEMENT SYSTEMS**<br>**CHAIR: W. Curtis Phillips**<br>**Industrial Program Manager**<br>**North Carolina Energy Division** | **DEMONSTRATING NEW HVAC TECHNOLOGIES**<br>**CHAIR: Steven A. Parker, P.E., CEM**<br>**Senior Research Engineer, Energy Sciences Department**<br>**Pacific Northwest National Laboratory** |
| **Room 203** | **Room 204** | **Room 205** | **Room 202** | **Room 219** | **Room 218** |
| **2:30-3:10 pm**<br>**The United States Department of Energy Regional Biomass Energy Program**<br>David Stephenson<br>Assistant Manager<br>Southeastern Regional Biomass Energy Program | **2:30-3:10 pm**<br>**ACCG's Role at the Local Level in Georgia Environmental Compliance**<br>W. Ross King<br>Assistant Director<br>Association of County Commissioners of GA | **2:30-3:10 pm**<br>**Trends in the Environmental Marketplace**<br>Terri C. Walker<br>Richard K. Miller & Associates | **2:30-3:10 pm**<br>**Parabolic Trough Collectors for Industrial & Commercial Applications**<br>Randy C. Gee<br>Co-President<br>Industrial Solar Technology (#33) | **2:30-3:10 pm**<br>**EMS/BAS/FAS: Avoiding the Pitfalls and Making Them Work**<br>W. Curtis Phillips<br>Industrial Program Manager<br>North Carolina Energy Division | **2:30-3:10 pm**<br>**A Review of an Energy Saving Technology: Refrigerant Subcooling**<br>Srinivas Katipamula<br>Research Engineer<br>Pacific Northwest National Laboratory<br>(#60) |
| **3:10-3:50 pm**<br>**United States Department of Energy Biomass Gasification Demonstration Programs**<br>Richard L. Bain<br>Technology Manager, Biomass Power Program<br>National Renewable Energy Laboratory (#2) | **3:10-3:50 pm**<br>**Georgia Environmental Compliance**<br>Gregory W. Blount<br>Environmental Partner<br>Constangy Brooks & Smith<br>(#7) | **3:10-3:50 pm**<br>**Trends in the Industrial Safety & Hygiene Market**<br>Adrienne Burke<br>Senior Editor<br>*Industrial Safety & Hygiene News* | **3:10-3:50 pm**<br>**Solar Cladding in New and Retrofit Applications**<br>Richard A. Grainger<br>National Sales Manager<br>Conserval Systems Inc.<br>(#34) | **3:10-3:50 pm**<br>**Integrating Air Quality Monitoring into An Energy Management System**<br>Dr. Harmohindar Singh, P.E., CEM<br>Professor of Architectural Engineering<br>N.C. A & T University | **3:10-3:50 pm**<br>**Transpired Solar Collector Systems: A Major Advance in Solar Heating**<br>Chuck Kutscher<br>Senior Engineer<br>National Renewable Energy Laboratory (#61) |
| **3:50-4:30 pm**<br>**Biomass Energy: A Successful Case Study**<br>Roger Woodworth<br>LA-Z-BOY Furniture<br>Dennis Manetta<br>LA-Z-BOY Furniture | **3:50-4:30 pm**<br>**Using Pollution Prevention to Reduce Environmental Compliance**<br>Bob Donaghue<br>Pollution Prevention Assistance Division | **3:50-4:30 pm**<br>**Healthy Commercial Building Environments**<br>David L. Dahlstrom, CIH<br>Environmental Due Diligence & Occupational Health & Safety Executive Manager<br>Environmental Resource Process Management | **3:50-4:30 pm**<br>**Commercial Applications of Solar Thermal Systems**<br>William T. Guiney<br>President<br>Solar International Technologies | **3:50-4:30 pm**<br>**Latest Developments in Industrial Computerized EMS/DDC**<br>Robert Gribble<br>President<br>Techtrol, Inc. | **3:50-4:30 pm**<br>**Rooftop Retrofit with Ice Storage**<br>John J. Tomlinson<br>Group Leader<br>Oak Ridge National Laboratory |
| **4:30-5:10 pm**<br>**Deploying Anaerobic Digesters: Current Status and Future Possibilities**<br>Philip D. Lusk<br>Principal<br>Resource Development Associates<br>(#3) | **4:30-5:10 pm**<br>**A Holistic Approach to Environmental Regulatory Management: Cost Savings and Energy Material, Manpower and Disposal**<br>Charles Parker<br>OKI Telecom | **4:30-5:10 pm**<br>**A New Way of Doing Business in the Engineering Marketplace**<br>Richard K. Miller, CEM<br>President<br>Richard K. Miller & Associates | **4:30-5:10 pm**<br>**Cost Effective Solar Applications for C&I Facilities**<br>Henry M. Healey, P.E.<br>Principal<br>Healey & Associates<br>(#35) | **4:30-5:10 pm**<br>**Facility Automation and Computerized Energy Management in the Commercial Sector**<br>James Leonard<br>Director, National Marketing<br>E-MON Corporation, Energy Monitoring Products | **4:30-5:10 pm**<br>**Panel Discussion** |

## Networking Luncheon in the Exhibit Hall
## Thursday November 7, 11:30 a.m.

**SPONSORED BY: PHILIPS LIGHTING**
**Luncheon provided for conference attendees registered for full three-day conference.**

PHILIPS

ENERGY SERVICE & POWER MARKETING CENTER

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# AETC / ETE / PFE / ASHA / ESPMC PROGRAM

| ING CONGRESS | | ENERGY SERVICE & POWER MARKETING CENTER | | PLANT & FACILITIES EXPO |
|---|---|---|---|---|
| NERGY MANAGE-ENT II<br>HAIR: Graham Parker<br>rogram Manager<br>acific Northwest National Laboratory | H<br>GOVERNMENT PROCUREMENT: AN OPPORTUNITY FOR ENERGY EFFICIENCY<br>CHAIR: Aimee McKane<br>Sr. Scientific/ Engineering Associate, Lawrence Berkeley National Laboratory | I<br>PRODUCTIVITY IMPROVEMENT USING NEW ENERGY & ENVIRONMENTAL TECHNOLOGY<br>CHAIR: Barney Capehart, Ph.D.<br>Professor/Director Energy Anaylsis<br>University of Florida | J<br>MEASUREMENT & VERIFICATION<br>CHAIR: David I. McGeown<br>General Manager<br>PSCRC | K<br>MAINTENANCE MANAGEMENT<br>CHAIR: WalterJohnston, CEM, CLEP, CCP,CDSM<br>Energy/EM Program Manager, Industrial Extension Service<br>North Carolina State Univ. |
| **Room 217** | **Room 216** | **Room 215** | **Room 214** | **Room 201** |
| :30-3:10 pm<br>**pplication and emonstration of the High fficiency Sulfur (S) Lamp echnology at a U.S. ostal Service Facility**<br>arol C. Jones<br>enior Research Scientist<br>acific Northwest National Laboratory | **2:30-3:10 pm**<br>**Federal Procurement Challenge**<br>Richard Klimkos<br>Program Manager<br>Federal Energy Management Program<br>U.S. Department of Energy<br>(#47) | **2:30-3:10 pm**<br>**Electric Motor and Drives New Technology-Potential Savings in Old Applications**<br>Ted W. Atkins<br>Vice President<br>Baldor Electric Company<br>(#26) | **2:30-3:10 pm**<br>**The North American Energy Measurement & Verification Protocol**<br>Scott McGaraghan<br>Efficiency Consultant<br>U.S. Department of Energy<br>(#74) | **2:30-3:10 pm**<br>**Increased Productivity & Profits Through Preventative Maintenance**<br>Allan W. Rinne<br>Industrial Engineering Consultant<br>Allan Rinne & Associates |
| :10-3:50 pm<br>**Membrane Filter Water ecycling System for entral Laundry Systems - aving Water and Energy ith Innovative echnology**<br>arlick<br>ch Engineer<br>acific Northwest National Laboratory (#20) | **3:10-3:50 pm**<br>**Energy-Efficient Procurement Collaborative**<br>Rachel Winters<br>Program Manager<br>New York State Energy Research & Development Authority (#49) | **3:10-3:50 pm**<br>**Measurement of the Manufacturing Productivity and Environmental Effects of Pollution Prevention**<br>Paul T. Otis, P.E.<br>Virginia Tech<br>Dr. Konstaninos Triantis<br>Virginia Tech | **3:10-3:50 pm**<br>**Energy: If You Can't Measure It, You Can't Manage It!**<br>David DePerro, Global Accounts Sales Manager<br>Cutler Hammer Westinghouse & Cutler-Hammer Products | **3:10-3:50 pm**<br>**Totalized Results of Electric Motor Parameters in a Manufacturing Facility**<br>Jim Haven<br>Consultant, Industrial Extension Service<br>North Carolina State Univ. |
| :50-4:30 pm<br>**artnering to Achieve uccess in Energy anagement**<br>roy C. Scott<br>resident<br>nergy and Environmental Technologies<br>#21) | **3:50-4:30 pm**<br>**Marketing Energy Star Products**<br>Jennifer Dolin<br>Energy Star Program Manager<br>Atmospheric Pollution Prevention<br>U.S. Environmental Protection Agency | **3:50-4:30 pm**<br>**Industry/Government Partnerships: Enhanced Energy Savings, Environmental Impacts and Process Improvements**<br>Nancy Moore<br>Senior Program Manager<br>Pacific Northwest National Laboratory | **3:50-4:30 pm**<br>**Measuring Energy & Demand Savings**<br>George Reeves<br>George Reeves & Associates Inc. | **3:50-4:30 pm**<br>**Combined Cycle Cogeneration for Municipal Electricity with Thermal Ice Storage**<br>Walter Johnston, CEM, CLEP, CCP, CDSM |
| :30-5:10 pm<br>**Strategic Management pproach for Energy nd Waste Minimization ssessment Centers**<br>.N. Ortiz<br>ssistant Professor of Energy Engineering<br>ational University of Engineering<br>#22) | **4:30-5:10 pm**<br>**Green Seal and Government Procurement**<br>My Ton<br>Program Manager<br>Green Seal | **4:30-5:10 pm**<br>**Productivity Benefits from New Energy Technology: A Case Study of a Paint Manufacturing Company**<br>Partha Raghunathan<br>Industrial Assessment Center<br>Barney Capehart, Ph.D.<br>University of Florida | **4:30-5:10 pm**<br>**From the Inside Out, An End User's Viewpoint on Energy Conservation and Verification**<br>Gavin Jones<br>Base Energy Manager<br>Wright-Patterson AFB<br>(#75) | **4:30-5:10 pm**<br>**Panel Discussion** |

**EXHIBIT HOURS:**
**10:00 A.M. – 5:00 P.M.**

**INTERNATIONAL BUSINESS CENTER HOURS:**
**8:30 A.M. – 5:00 P.M.**
**LOCATED IN HALL A**

# Friday Morning – November 8, 1996

| Environmental Technology Conference & Expo | | OSHA Compliance Expo | World Energy Engineer | | |
|---|---|---|---|---|---|
| A<br>INDOOR AIR QUALITY IN BUILDINGS<br>CHAIR: Barney Burroughs, CIAQ, CEO<br>IAQ/Building Wellness Consultancy | B<br>ENVIRONMENTAL MANAGEMENT<br>CHAIR: Edward Miceli, CEM President<br>Miceli Energy Engineering | C<br>IMPROVING JOB SAFETY<br>CHAIR: Kim Berry<br>Georgia Power Company | D<br>EMERGING TECHNOLOGIES<br>CHAIR: Steven A. Parker, P.E., CEM<br>Sr Research Engineer<br>Energy Sciences Dept.<br>Pacific Northwest National Laboratory | E<br>LIGHTING MANAGEMENT<br>CHAIR: George Preston<br>Thomas Lighting Group | F<br>HVAC SYSTEMS<br>CHAIR: Jon Haviland, CEM, CLEP<br>Director of Engineering<br>Marx Okubo & Associates |
| **Room 203** | **Room 204** | **Room 205** | **Room 202** | **Room 219** | **Room 218** |
| **9:00-9:40 am**<br>**Energy Cost Comparison for Demand Controlled Ventilation Versus 20 CFM Per Person in Commercial Office Buildings**<br>James Jones<br>Assistant Professor<br>North Carolina A&T State University (#65) | **9:00-9:30 am**<br>**Waste Minimization**<br>William R. Leizear<br>Vice President, HVAC Filtration, Lakos | **9:00-9:40 am**<br>**Pollution Prevention and Job Safety**<br>Eric Feldman<br>Environomics | **9:00-9:40 am**<br>**Natural Gas Technologies at Kenneday Space Center**<br>Roberta (Bobbie) Simmons, P.E., CEM, CCP<br>Mechanical Engineer, Alternative Fuels Office<br>EG&E Florida<br>Base Operations Contractor, Kennedy Space Center (#53) | **9:00-9:40 am**<br>**Lighting Retrofits: Maximize Savings Through Detailed Calculations**<br>Carlos S. Warren, Ph.D., P.E., CEM<br>Vice President, Energy Services<br>Reynolds, Smith and Hills, Inc.<br>(#66) | **9:00-9:40 am**<br>**New Refrigeration Flow Controls for Heat Pumps and Air Conditioners**<br>Charles N. High, M.S.M.E.<br>ECR Technologies, Inc.<br>(#62) |
| **9:40-10:20 am**<br>**Commissioning an IAQ Application and Benefits**<br>Joey Milam<br>Principal Engineer<br>Environmental Design International, Ltd. | **9:30-10:00 am**<br>**EPA'S Landfill Methane Outreach Program: Helping Facilities Save Money and Protect the Environment By Using Landfill Gas**<br>James J. Walsh<br>SCS Engineers (#8) | **9:40-10:20 am**<br>**Creative Environment, Health, and Safety (EHS) Training on a Shoestring Budget That Gets Results**<br>Blair Stock<br>Vice President<br>Performance EFX, Inc. | **9:40-10:20 am**<br>**Field Monitoring and Evaluation of a Residential Gas-Engine Driven Heat Pump**<br>James D. Miller<br>Senior Research Scientist<br>Pacific Northwest National Laboratory (#54) | **9:40-10:20 am**<br>**Use of T12 Lighting Systems in Retrofit Applications Within New York State Office of Mental Health Facilities: A Case Study**<br>Eric Marsh, Sr. Engineer<br>Novus Engineering, P.C.<br>(#67) | **9:40-10:20 am**<br>**Chiller Optimization**<br>Pete Aitcheson, P.E., CEM<br>Senior Engineer<br>Enviro-Management & Research, Inc. |
| **10:20-11:00 am**<br>**IAQ and Airborne Disease Control in Health Facilities**<br>Stephen Turner, P.E., CIAQP<br>Senior Engineer<br>Chelsea Group, Ltd.<br>(#4) | **10:00-10:30 am**<br>**Privatization Considerations of Environmental Remediaton of DOE Wastes**<br>Marc A. Zocher, CCC, PMP<br>Vice President<br>Jason Associates Corp. (#9) | **10:20-11:00 am**<br>**Employee-Driven Behavior-Based Safety for Maintenance Workgroups**<br>Patrick T. Killimett, M.B.A.<br>Director of Consulting Services<br>Behavioral Science Technology, Inc. (#12) | **10:20-11:00 am**<br>**Heat Pipe Applications at the John F. Kennedy Space Center**<br>Michael Mann<br>Engineer<br>EG&E Florida<br>Kennedy Space Center | **10:20-11:00 am**<br>**Maintenance Considerations when Retrofiting/Designing Lighting Systems**<br>Eric A. Woodroof<br>Project Coordinator<br>Oklahoma Industrial Assessment Center<br>Industrial Engineering and Management (#68) | **10:20-11:00 am**<br>**Defense Program CFC HVAC/Chiller Retrofit Program**<br>Roger Snyder<br>Program Coordinator<br>U.S. Department of Energy James E. Coyle<br>Program Analyst, Systematic Mgt (#63) |
| **11:00-11:40 am**<br>**IAQ and Filtration: Application Tactics and Benefits**<br>Barney Burroughs, CIAQ, CEO<br>IAQ/Building Wellness Consultancy | **10:30-11:00 am**<br>**The Greening of the Federal Government Creating Energy and Environmental Showcases**<br>David M. Hunt, Associate Program Manager<br>Pacific Northwest National Laboratory (#10) | **11:00-11:40 am**<br>**PANEL DISCUSSION** | **11:00-11:40 am**<br>**DoD Fuel Cell Demonstration Program**<br>Michael Binder<br>Mechanical Engineer<br>U.S. Army Construction Engineering Research Laboratories<br>(#32) | **11:00-11:40 am**<br>**PANEL DISCUSSION** | **11:00-11:40 am**<br>**Refrigerant Subcooling Yeilds 28.0 EER Air Conditioning**<br>Richard H. Ross<br>Manufacturing Manager<br>Automatic Controls, Inc.<br>(#64) |
| | **11:00-11:40 am**<br>**Removal of $SO_2$ and NOx Using a Pulsed Streamer Corona**<br>Young Sun Mok<br>Environmental Catalysis Research Team<br>Institute of Industrial Science and Technology<br>(#11) | | | | |

**KEYNOTE LUNCHEON: FRIDAY, NOVEMBER 8, 12:30 P.M.**
**ROOM 313, GEORGIA WORLD CONGRESS CENTER**

**1996 HALL OF FAME AWARDS**
Chair: Kenneth J. Kogut, President
Kenneth J. Kogut & Associates

**"International Opportunities and Challenges for Energy & the Environment"**
Wesley Foell, President
Resource Management Associates

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PFE
PLANT & FACILITIES EXPO

ENERGY SERVICE & POWER MARKETING CENTER

| ING CONGRESS | | ENERGY SERVICE & POWER MARKETING CENTER | | PLANT & FACILITIES EXPO |
|---|---|---|---|---|
| G<br>ENERGY MANAGEMENT III<br>CHAIR: Dan R. Williams, CEM<br>Energy Consultant | H<br>FEDERAL ENERGY MANAGEMENT<br>CHAIR: Ted Collins<br>Training Manager<br>U.S. DOE FEMP | I<br>PERFORMANCE CONTRACTING: A WORLD OF OPPORTUNITY<br>CHAIR: Shirley Hansen, Ph.D.<br>President<br>Hansen Associates, Inc. | J<br>INTERNATIONAL ENERGY PROJECTS<br>CHAIR: Larry Good, CEM<br>Good Consulting | K<br>OPERATIONS & MANAGEMENT<br>CHAIR: George R. Owens<br>Director of Engineering<br>The Rouse Company |
| **Room 217** | **Room 216** | **Room 215** | **Room 211** | **Room 201** |
| **9:00-9:40 am**<br>**The Effect of the National Election on the National Energy Policy**<br>Dan R. Williams, CEM<br>Energy Consultant | **9:00-9:40 am**<br>**The Evolving Direction of Federal Energy Management**<br>Louis Harris<br>Program Manager<br>U.S. Department of Energy, Federal Energy Management Program | **9:00-9:40 am**<br>**Selecting International Performance Contracting Opportunities**<br>James C. Hansen<br>President<br>Kiona International<br>(#38) | **9:00-9:30 am**<br>**International Technology Transfer**<br>Larry Good, CEM<br>Good Consulting (#39) | **9:00-9:40 am**<br>**Technology Advances for Operations and Maintenance**<br>Richard J. Meador<br>Sr. Research Engineer<br>Pacific Northwest National Laboratory<br>Predictive Operations and Maintenance Technologies<br>(#85) |
| **9:40-10:20 am**<br>**Electric Industry Restructuring - Waste Heat Recovery**<br>Jack W. Rosenthal, P.E.<br>CEM<br>[illegible]pal<br>[illegible]y Dynamics<br>(#23) | **9:40-10:20 am**<br>**Which Projects Should We Select?**<br>Robert K. Hoshide, CEM, CLEP, CDSM<br>Energy Management Consultant<br>(#50) | **9:40-10:20 am**<br>**Weighing International ESCO Opportunities**<br>Don Smith<br>Energy Masters Corporation<br>(#71) | **9:30-10:00 am**<br>**Energy Conservation in Buildings**<br>Dr. S.M. Saleem Moini<br>Special Advisor to the Director of International Airport Projects, Ministry of Defense and Aviation<br>**10:00-10:30 am**<br>**Demand-Side Management in India: Opportunities and Challenges**<br>Hameed G. Nezhad, Ph.D.<br>Senior Energy Scientist<br>Resource Management Associates of Madison, Inc.<br>(#40) | **9:40-10:20 am**<br>**Energy Conservation Strategy, The Ignored Cooling Tower**<br>Robert Burger<br>President<br>Burger Associates, Inc.<br>(#84) |
| **10:20-11:00 am**<br>**Retrofit of Existing 400-Horsepower Air Compressor Motor with a Steam Turbine**<br>Siegfried F. Sanders<br>Maintenance Engineer<br>Ajinomoto USA<br>#24) | **10:20-11:00 am**<br>**The Systematic Grouping of Building Sets and Selection of Building Prototypes: BUCS as a Pre-Processor to FEDS**<br>Robert E. Beasley<br>Union College<br>(#51) | **10:20-11:00 am**<br>**Performance Contracting Opportunities in the Carribean**<br>Andre Escalante, CEM<br>CEO<br>Climate Control | **10:30-11:00 am**<br>**Renewable Energy For China's Sustainable Development: Potentials, Constraints and Options**<br>John Byrne, Director<br>Bo Shen, Research Assoc.<br>Center for Energy and Environmental Policy<br>University of Delaware (#41) | **10:20-11:00 am**<br>**The Impact of New Lubricants and Additives in Equipment Performance**<br>Javier A. Mont<br>Research Assistant<br>Oklahoma Industrial Assessment Center<br>Industrial Engineering and Management<br>Oklahoma State Univ. |
| **11:00-11:40 am**<br>**Energy Management System Optimization for On-Site Facility Staff: A Case History of the New York State Office of Mental Health**<br>Mark Bagdon<br>Senior Engineer<br>Novus Engineering, P.C.<br>(#25) | **11:00-11:40 am**<br>**PANEL DISCUSSION** | **11:00-11:40 am**<br>**Where Are International Markets Going?**<br>James B. Sullivan, Ph.D.<br>President<br>World Energy Efficiency Association | **11:00-11:40 am**<br>**Energy Conservation Opportunities in India's Commercial Air Conditioned Buildings**<br>Douglas Presny<br>Energy Engineer<br>Gurvinder Singh<br>Energy Engineer<br>Resource Management Associates<br>(#42) | **11:00-11:40 am**<br>**Steam Trap Maintenance as a Profit Center**<br>Jerry L. Bouchillon, P.E., CEM<br>President<br>Steam, Inc.<br>(#86) |

# EXHIBIT HOURS 9:00 A.M. – 12:30 P.M.

**INTERNATIONAL BUSINESS CENTER HOURS:**
**8:00 A.M. – 1:00 P.M. / LOCATED IN HALL A**

# ENERGY / PFE / HALL A PROGRAM

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# 19TH WEEC TECHNICAL STEERING COMMITTEE

**APPRECIATION IS GIVEN TO THE FOLLOWING INDIVIDUALS FOR THEIR HELP IN DEVELOPING THE PROGRAM:**

**William W. Camp, P.E.**
Hydroscience, Inc.

**Ted Collins**
U.S. Department of Energy

**Douglas A. Decker**
Johnson Controls, Inc.

**Douglas Dixon**
Pacific Northwest National Laboratory

**Shirley Hansen, Ph.D.**
Hansen Associates, Inc.

**John R. Haviland, P.E. CEM**
Criterium Haviland Engineers

**Konstantin K. Lobodovsky**
Consultant

**William H. Mashburn, Ph.D., P.E.**
Virginia Polytechnic Institute

**Malcolm Maze**
Abbott Laboratories

**Richard K. Miller, CEM**
Richard K. Miller & Associates

**Harvey Morris**
Independent Power Producers

**Martin A. Mozzo, Jr., P.E.**
M and A Associates, Inc.

**Graham B. Parker, P.E., CEM**
Pacific Northwest National Laboratory

**W. Curtis Phillips**
North Carolina Department of Commerce

**Particia Rose**
U.S. Department of Energy

**Frank Santangelo**
Consultant

**Walter P. Smith, Jr.**
Energy Technology Services Consulting

**Jerry A. Taylor, P.E., CEM**
Jarry A. Taylor Environmental

**Albert Thumann, P.E., CEM**
Association of Energy Engineers

**Wayne C. Turner, Ph.D., P.E., CEM**
Oklahoma State University

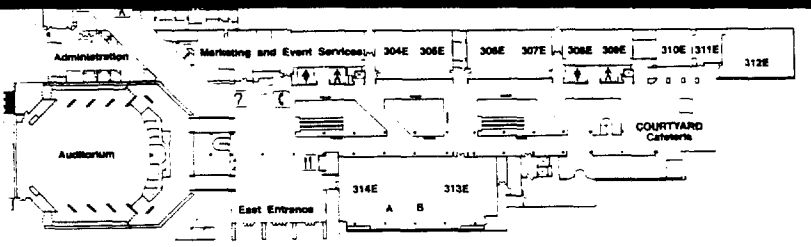
# MEETING ROOMS

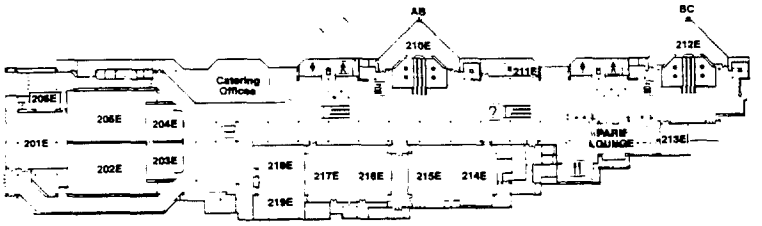
**OPENING SESSION:**
**Auditorium**

**SPEAKERS ROOM: 313**
**PRESS ROOM: 313**
**REGISTRATION & EXPO: Hall A**

**MEETING ROOMS:**
**Levels 2 & 3 East Concourse**

**KEYNOTE LUNCHEON: Room 313**




# CALL FOR PAPERS

You are cordially invited to submit a one-page abstract to be considered for our 20th WEEC/ETE/PFE/ESPMC. November 19-21, 1997 at the Georgia World Congress Center, Atlanta, Georgia. Abstracts should include title of paper, a one-page summary, presenter's name, company address, and biography. The theme for the 1997 Congress is **The New Energy & Environmental Competitive Marketplace.**

Please submit abstracts by February 20, 1997 to:

**Jana Ricketts, Program Director**
**20th WEEC/ETE/PFE/ESPMC**
**4025 Pleasantdale Road, Suite 420**
**Atlanta, Georgia 30340**

The COMMERCIAL SERVICE
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Thank you for your participation in this year's Congress. We hope to see you next year at the 20th WEEC, Georgia World Congress Center, Atlanta, GA, November 19-21, 1997

**BAGGAGE AREA**

A baggage area will be provided on Friday at the main entrance, from 7:00 a.m. - 5:30 p.m..

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# CENTRAL AND EASTERN EUROPE
# REGIONAL ENERGY EFFICIENCY PROJECT
# EUR-0030-C-00-2053-00

**Energy Pricing, Energy Efficiency, and Energy Sector Restructuring Component**

**1995 AEE Regional Energy Efficiency Conference - Hungary**

*Task Completion Memorandum*

*Prepared for:*

U.S. Agency for International Development
Bureau for Europe and NIS
Office of Environment, Energy,
and Urban Development
Energy and Infrastructure Division

*Prepared by:*

Hagler Bailly Consulting, Inc.
1530 Wilson Boulevard, Suite 900
Arlington, VA 22209
(703) 351-0300

December 1996

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# CENTRAL AND EASTERN EUROPE
# REGIONAL ENERGY EFFICIENCY PROJECT

*Task Completion Memorandum*

## *1995 AEE Regional Energy Efficiency Conference - Hungary*

### Summary Task Description

The United States Agency for International Development (USAID) in conjunction with The Association for Energy Engineers (AEE), ICF Resources and Hagler Bailly Consulting, Inc. conducted the regional conference and exposition *Energy Efficiency: Expanding the Market in Central and Eastern Europe*, June 12-16, 1995 in Budapest, Hungary. Most of the conference participants were energy efficiency professionals from Central and Eastern Europe who have been actively involved in promoting and expanding the energy efficiency market (services, equipment, products) throughout CEE. Previous USAID efforts have provided these local professionals with technical assistance, training, and the procurement of equipment. Many of these professionals have passed the Certified Energy Manager examination by The Association for Energy Engineers and since have been actively involved in the creation of local AEE chapters in their countries.

### Specific Goals and Objectives

The objective of the conference was to review USAID experience in promoting energy efficiency in the Central and Eastern Europe region using market oriented approaches, including: 1) development of local energy service companies; 2) establishment of utility DSM as a financing and implementation mechanism; 3) performance contracting and other innovative financing techniques; 4) establishment of local energy efficiency NGO's and AEE chapters; and 5) support for policies that encourage NGO and private sector participation in energy efficiency.

In addition, the conference also sought to provide participants with training and to create an opportunity to establish a rapport with U.S. experts and manufactures, to encourage the exchange of ideas and information as well as to share experiences and concerns.

**Expected Outputs**

The expected outputs of the program were the following:

- 8 professionals trained in fundamentals of demand-side management
- 8 professionals trained in project finance for energy efficiency
- 8 professionals trained in fundamentals of national energy efficiency policy
- 50 contacts for U.S. industry of potential regional representatives
- 200 contacts for U.S. industry of potential Hungarian customers

**Deliverables**

The deliverables under this task were the following:

1. Draft agenda
2. Brochure
3. Mailing list
4. Telecon contact list
5. Seminar training materials
6. Participants' briefing book
7. Exhibitors' briefing book
8. Proceedings of conference
9. Task completion memorandum

**Results and Next Steps**

Hagler Bailly completed all the pre-conference organization tasks and conducted the conference according to the agenda provided as Appendix A.

The organization of the conference resulted in the participation of approximately 20 U.S. energy efficiency manufacturing companies, who exhibited their products and literature, and more than 120 energy professionals representing the following countries: Poland, Hungary, Czech Republic, Bulgaria, Lithuania, Estonia, Latvia, Romania and Slovakia.

The duration of the conference was 5 days. Day 1 consisted of 3 seminars: *Project Finance for Energy Efficiency - Innovative Approaches* (Shirley Hansen); *DSM - Utility Driven*

*Implementation* (Donald Bradshaw) and *National Energy Efficiency Policy - Options and Strategies* (Mary Ellen Hopkins). These three topics were selected as the three most needed, based on a survey of the participants, several months before the conference.

Days 2 and 3 consisted of: Opening Ceremonies/Welcome; Market Development; Financing Energy Efficiency; Demand Side Management; Privatization Development; Role of NGO's; and presentations by manufacturers. The Exhibition was open each day.

Day 4 enabled the Hungarian Chapter of the AEE to invite an additional 200 Hungarian energy professionals to a forum on energy efficiency in Hungary. This also allowed U.S. manufacturers of energy efficiency equipment to expand their Hungarian contacts.

Day 5 AEE conducted their regional meeting for Central and Eastern Europe. The objective was to develop resolutions for the development of the market for energy efficiency in CEE, goals and operation of AEE chapters in the region and to provide guidance to USAID.

Following the conference, evaluations were completed by conference participants. The results are summarized below.

***Seminars***

Each of the three seminars, i.e. the instructors, information covered, hand-outs and facility, were ranked as Excellent - Good by conference participants. Generally, participants expressed a desire for extended seminar lengths to allow for more detailed discussion and the opportunity to interact with fellow participants, as well as instructors.

*Information covered in the seminars was:*
Excellent = 60.9% Good = 30.4% Satisfactory = 8.7% Fair = 0% Poor = 0%

*Instructor presentations were:*
Excellent = 82.6% Good = 17.4% Satisfactory = 0% Fair = 0% Poor = 0%

*Workbook and other hand-out materials were:*
Excellent = 43.5% Good = 47.8% Satisfactory = 4.4% Fair = 4.4% Poor = 0%

*The meeting facilities were:*
Excellent = 78.3% Good = 8.7% Satisfactory = 13% Fair = 0% Poor = 0%

***Topic #1*** ***Project Finance for Energy Efficiency - Innovative Approaches (Shirley Hansen)***

*Suggestions for Improvements:*

- More detailed focus on Eastern European countries
- Disseminate this information to bankers of CEE and the Baltics
- Case studies
- Increased discussions about the deficiency of projects
- Stimulation of participant involvement and discussions

*What did you like best?*

- Innovative methods to finance the implementation of our recommendations in energy efficiency improvement
- Open format
- ESCO's experiences - trial and errors
- Shirley Hansen

*Overall reaction/comments:*

- Seminar should be extended to other banks
- New and interesting information
- Performance contracting is not suitable for small ESCO's
- Performance project information should be made into a leaflet and disseminated to bankers

***Topic #2 DSM - Utility Driven Implementation (Donald Bradshaw)***

*Suggestions for improvements:*

- Case studies
- Comparisons between successful and unsuccessful projects
- More detailed information about DSM methodology

*What did you like best?*

- Discussion/comparison of the theoretical and practical problems
- New information
- Practical experience
- Electrical utilities restructuring in CEEC

*Overall reaction/comments:*

- Impressed with instructors experience, skills and commitment to education

- Well organized, like to see this in other countries

***Topic #3*** ***National Energy Efficiency Policy - Options and Strategies (Mary Ellen Hopkins)***

*Suggestions for improvement:*

- More discussions extension of seminar length

*What did you like best?*

- Seminar format

*Overall reaction/comments:*

- Primary interest for future programs
- Excellent

***Conference***

Following the conference, comment sheets were completed by conference participants. The results are summarized below.

The participants overall evaluation of the conference, i.e. presentations, organization and coordination of the congress and meeting facilities and services, was overwhelming excellent (a small percentage felt the conference was average). The primary areas of interest for future programs is financing and banking. Participants suggest more detailed information. Generally, concerns and key issues for the coming years focus on 1) restructuring: cost rates and utility energy services and 2) privatization: adoption and implementation of new policy laws, promotion of private energy services and legislation.

In addition, attendees established invaluable contacts and were provided with the opportunity to share and identify common obstacles and experiences with other participants.

*What is your overall evaluation of the conference program?*
Excellent = 86.7% Average = 13.3% Poor = 0%

*Overall presentations were:*
Excellent = 63.3% Average = 36.7% Poor = 0%

*Organization and coordination of the congress was:*
Excellent = 86.7% Average = 13.3% Poor = 0%

*The services and meeting facilities were:*
Excellent = 73.3% Average = 26.7% Poor = 0%

***Primary areas of interest for future programs:***

- Additional, more detailed information - financing, banking, accounting
- ECO's - details on activities/results particularly in different economic sectors
- Case studies - successful energy efficiency projects and financing
- Demand Side Management
- Energy audits
- Policy making/energy legislation in CEEB
- Additional areas of energy efficiency
- Exchange and sharing of information and experiences
- USA experiences and examples
- Management - human aspect, financial decision makers

***Key energy issues/problems in the coming years:***

- Industry restructuring - cost rates, utility energy services
- Adoption/implementation of privatization - new policy laws, pricing, promotion of private energy services, legislation
- Energy saving legislation
- Performance contracting promotion
- Energy awareness
- Managing staff/problem solving
- Nuclear energy, air pollution

***Overall reaction/comments:***

- Very useful
- Excellent opportunity to learn, exchange and share experiences, information, concerns and visions
- Contacts established are invaluable - opportunity to identify common obstacles
- You managed to find the balance of combining seminars, conference and chapter meetings in a complimentary manner



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## Appendix A - Schedule and Agenda

**SEMINARS**
**MONDAY, JUNE 12, 1995**

Location: Ramada Grand Hotel / Thermal Hotel, Margaret Island, Budapest

Attendees: Invited members of AEE, CEMs, participants in USAID industrial energy efficiency projects, energy efficiency professionals.

Objective: To provide seminars on market-oriented approaches to energy efficiency, such as development of national energy efficiency policy, innovative financing, and demand-side management.

| | | |
|---|---|---|
| 0800-0900 | Registration | |
| 1. Topic #1 - Project Finance for Energy Efficiency - Innovative Approaches | | Shirley Hansen |
| 0900-1030 | | |
| 1030-1100 | Coffee break | |
| 1100-1230 | | |
| 1230-1400 | Lunch break | |
| 1400-1530 | | |
| 2. Topic #2 - Demand-Side Management - Utility-driven Implementation | | Donald Bradshaw |
| 0900-1030 | | |
| 1030-1100 | Coffee break | |
| 1100-1230 | | |
| 1230-1400 | Lunch break | |
| 1400-1530 | | |
| 3. Topic #3 - National Energy Efficiency Policy - Options and Strategies | | Mary Ellen Hopkins |
| 0900-1030 | | |
| 1030-1100 | Coffee break | |
| 1100-1230 | | |
| 1230-1400 | Lunch break | |
| 1400-1530 | | |
| 1400-on | Set-up of exhibit hall | Exhibitors |
| 1900-2200 | Participants Dinner | Sponsored by Hagler Bailly |



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**REGIONAL CONFERENCE & EXHIBITION**
**TUESDAY, JUNE 13, 1995**

Location: Ramada Grand Hotel / Thermal Hotel, Margaret Island, Budapest

Participants: Invitations will be extended to selected members of AEE, CEMs, participants in USAID industrial energy efficiency projects, energy efficiency professionals, energy managers. Invitations by RCG/Hagler Bailly.

Objective: To review USAID experience in promoting energy efficiency in the Central and Eastern Europe region using market-oriented approaches, including: (1) development of local energy service companies; (2) establishment of utility DSM as a financing and implementation mechanism; (3) performance contracting and other innovative financing techniques; (4) establishment of local energy efficiency NGO's and AEE chapters; and (5) support for policies that encourage NGO and private sector participation in energy efficiency.

Opening ceremonies

| | | |
|---|---|---|
| 0830-0840 | Welcome | Karoly Attila Soos ,Secretary of the MoIT |
| 0840-0850 | Role of USAID in Central & Eastern Europe | Nance Kyloh, USAID |
| 0850-0920 | USAID Assistance in Energy Efficiency | Robert Archer, USAID |
| 0920-0950 | Mission of the Association of Energy Engineers | Al Thumann, AEE |

1. First Steps in Market Development: Audits, Low-cost Measures & Energy Management

Moderator: Al Thumann

| | | |
|---|---|---|
| 0950-1010 | Experience in Hungary in Industrial Energy Audits | Zoltan Lontay, EGI |
| 1010-1030 | Results of the USAID Emergency Energy Project | Greg Butera, USAID |
| 1030-1050 | Coffee break | |
| 1050-1110 | Experience in Bulgaria in with Low-cost Energy Efficiency Equipment | Christian Spassov, Ecotech |
| 1110-1130 | An integrated approach to energy management | David Keith, Hagler Bailly |
| 1130-1200 | Discussion | |
| 1200-1230 | Innovative financing & regional applications: Poland & Hungary | Shirley Hansen, Kiona |
| 1230-1400 | Luncheon | |

2. Financing Energy Efficiency

Moderator: Shirley Hansen

| | | |
|---|---|---|
| 1400-1430 | Criteria for Lending and Equity Investment in Energy Efficiency | Bernard Jamet, EBRD |
| 1430-1450 | Energy Performance Contracting - issues & activities in Czech Republic | Ivo Slavotinek, EPS |
| 1450-1510 | Energy Efficiency Projects - Partnership & Commitment | Frank Andres, Landis & Gyr |
| 1510-1530 | Energy Performance Contracting - issues & activities in Bulgaria | Boris Petkov, IVEL |
| 1530 -1550 | Coffee Break | |
| 1550-1620 | A Policy Framework for Energy Efficiency Initiatives | Robin Bates, World Bank |
| 1620-1640 | Energy Efficiency Lending Experience | Eva Weores, Magyar Hitel Bank |
| 1640-1730 | Panel Discussion - Energy Performance Contracting and financing of energy efficiency projects<br>Pat Cronin, Johnson Controls; Bernard Jamet; Robin Bates; Eva Weores | |
| 1730-1930 | Exhibition of U.S. energy efficiency equipment<br>Reception | Sponsored by U.S. Exhibitors |

**REGIONAL AEE CONFERENCE & EXHIBITION**
**WEDNESDAY, JUNE 14, 1995**

3. Demand-Side Management - making a market for energy efficiency

Moderator: Donald Bradshaw

| | | |
|---|---|---|
| 0830-0850 | DSM in a competitive power sector | David Wolcott, Hagler Bailly |
| 0850-0910 | DSM in Slovakia | Eugenia Maderova, Slovakia Electric Co. |
| 0910-0930 | DSM and IRP activities in Poland | Maciej Lenczewski, Polish Power Grid Co. |
| 0930-0950 | Industrial DSM in the United States | Mary Ellen Hopkins, ICF |
| 0950-1030 | Discussion | |
| 1030-1050 | Coffee break | |

4. Development of Local Private Energy Service Companies

Moderator: Mark Oven

| | | |
|---|---|---|
| 1050-1100 | USAID's program to develop local energy service companies | Mark Oven, Hagler Bailly |
| 1100-1120 | Bulgaria: Activities & Experiences of Rampov & Sons | Georgi Rampov, Rampov & Sons |
| 1120-1140 | Romania: Activities & Experiences of ECO-ERG | Georgeta Padureanu, ECO ERG |
| 1140-1200 | Hungary: Activities & Experiences of Gellert Innovation | Miklos Gellert, Gellert Innovation |
| 1200-1210 | Gellert Client's perspective | Deszo Szanto, MOFA |
| 1210-1240 | Discussion | |
| 1240-1400 | Luncheon | |

5. Introduction of U.S. Exhibitors of Energy Efficiency Equipment and Services

Moderator: Barbara Stroup, AEE

Company presentations:

| | |
|---|---|
| 1400-1410 | Ametek |
| 1410-1420 | Alstrom Pyropower |
| 1420-1430 | APV |
| 1430-1440 | Armstrong International - Development Management Systems |
| 1440-1450 | Bacharach, Inc. |
| 1450-1500 | Chesterton/TPI |
| 1500-1530 | Discussion |
| 1530-1600 | Coffee Break |

Moderator: Laurent Pommier, Hagler Bailly

Company presentations:

| | |
|---|---|
| 1600-1610 | Electric Power Software |
| 1610-1620 | GE Lighting - Tungstram |
| 1620-1630 | Johnson Controls International |
| 1630-1640 | Landis & Gyr |
| 1640-1650 | Magnetek |
| 1650-1700 | Rosemount Analytical |
| 1700-1710 | UE Systems |
| 1710-1740 | Discussion |
| 1740-1900 | Exhibition of U.S energy efficiency equipment |
| 2000-2200 | Dinner — Sponsored by U.S. Exhibitors |



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**REGIONAL CONFERENCE & EXHIBITION**
**THURSDAY MORNING, JUNE 15, 1995**

6. Role of Non-Government Organizations (NGOs) in Energy Efficiency Market Development

| | | |
|---|---|---|
| 0830-0850 | NGO Capacity Building and Energy Legislation | Peter Hobson, IIEC Europe |
| 0850-0940 | Panel Discussion: role of NGOs<br>Moderator: Mark Hopkins, Alliance to Save Energy<br>IIEC - Europe (Peter Hobson)<br>FEWE, Poland (Adam Gula),<br>SEVEn, Czech Republic (Martina Diduskova),<br>EnEffect, Bulgaria (Zdravco Genchev) | |
| 0940-1030 | Panel Discussion: role of Industry and Professional Associations<br>Moderator: Al Thumann<br>AEE Hungary<br>AEE Bulgaria<br>AEE Romania<br>MESZ Hungary | Other AEE members |
| 1030-1050 | Coffee break | |

7. Conference Conclusions and Recommendations

| | |
|---|---|
| 1050-1200 | Final Group Discussion: Next Steps to Expand the Market<br>Moderator: Robert Archer |
| 1200 | Regional Conference Concludes |

**FORUM ON ENERGY EFFICIENCY IN HUNGARY**
**THURSDAY AFTERNOON, JUNE 15, 1995**

Location: Ramada Grand Hotel / Thermal Hotel, Margaret Island, Budapest

Attendees: Invitations will be extended to participants in the regional conference.
Invitations will also be extended to 200 large Hungarian energy consumers by Hungarian AEE Chapter and MESZ.

Objective: To enable the Hungarian Chapter of the AEE to hold a forum on energy efficiency, in conjunction with the Regional Conference. To enable U.S. manufactuerers of energy efficiency equipment to expand their Hungarian contacts.

| | | |
|---|---|---|
| 1130-1200 | Registration, by Hungarian AEE Chapter<br>Rappoteurs by Hungarian AEE Chapter and Hagler Bailly | |
| 1200-1400 | Luncheon | |
| | Entrepreneurship in Energy Efficiency | Tamas JASZAY, President, Hungarian Chapter AEE |
| | Approaches to Energy Efficiency | Robert ARCHER, USAID |
| | Introduction to AEE | AlbertTHUMANN, AEE |
| 1400 | Moderator: Tamas JASZAY | |
| 1400-1430 | Energy Efficiency Policy in Hungary | Imre SZABO, President, Hungarian Energy Office |
| 1430-1500 | Feasibility of Performance Contracting in Hungary | Shirley HANSEN, Kiona International |
| 1500-1530 | Energy Efficiency Project in Hungary | David KEITH, Hagler Bailly |
| 1530-1550 | Coffee break | |
| 1550-1610 | Energy Efficiency Possibilities in the Hungarian Market | Miklos GELLERT, Gellert Innovation |
| 1610-1700 | Activities and Experiences of Local Energy Service Companies | Albin ZSEBIK, Jomuti<br>Gyorgy VIRAGH, Kontravill<br>Mihaly SZANISZLO, Rendszertechnika Fejleszto<br>Tibor NAGY, Controll |
| 1700-1730 | Panel Discussion<br>Tamas JASZAY, Miklos GELLERT, Shirley HANSEN, David KEITH | |
| 1730 | Opening of Exhibition | Ministry of Environment |
| 1730-1930 | Exhibition of U.S. energy efficiency equipment<br>Press conference in Exhibition Hall<br>Reception | Sponsored by U.S. Exhibitors |



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**MEETING OF THE ASSOCIATION OF ENERGY ENGINEERS**
**FRIDAY, JUNE 16, 1995**

Location: Ramada Grand Hotel, Margaret Island, Budapest

Attendees: Invited members of AEE, CEMs, USAID, Hagler Bailly.

Objective: To develop resolutions for the development of the market for energy efficiency in Central and Eastern Europe, goals and operation of AEE Chapters in the Region, and to provide guidance to USAID.

Chairpersons - Al Thumann and Barbara Stroup

0800-1000 AEE Meeting, topics:
- -- reaction to seminars, conference, and exhibition
- -- role of AEE chapters in promoting energy efficiency policy reform
- -- role of AEE chapters in professional development and certification
- -- role of AEE chapters in commercial business development
- -- role of AEE chapters in financing
- -- support from AEE headquarters
- -- how to expand AEE membership
- -- CEM certification programs
- -- libraries and equipment for AEE chapters
- -- marketing support for AEE chapters
- -- guidance to USAID

1000-1030 Drafting of a resolution urging an approach to energy efficiency

1030-1200 AEE Members - Open Forum
- -- exchanges between AEE members
- -- presentations of capabilities by individual AEE members
- -- discussion

1200-1400 Luncheon



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# LOOKING FOR EASTERN EUROPEAN BUSINESS PARTNERS?

## PARTICIPATE IN...

## *Energy Efficiency: Expanding the Market In Central & Eastern Europe*

## CONFERENCE & EXPOSITION

**JUNE 13-15, 1995**
**BUDAPEST, HUNGARY**
**RAMADA GRAND HOTEL**
**MARGARET ISLAND**

Here's your opportunity to find dealers, distributors or representatives of your energy products by participating in the following programs:

- ✓ Exhibitor & Speaker Program
- ✓ Literature Display Program

PRESENTED BY:
The Association of Energy Engineers
Hagler Bailly, Inc.
ICF Resources

SPONSORED BY:
US Agency for International Development

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# Show Vision:

The Association of Energy Engineers (AEE) has teamed up with the U.S. Agency for International Development to create an exciting networking and sales opportunity. U.S. companies are invited to participate as an exhibitor (staffed or unstaffed) or speaker and meet face-to-face with influential energy professionals from Central and Eastern Europe. The conference and exposition program is devised to attract over 350 decision makers in search of energy efficiency technologies, partnerships, joint ventures and distributor opportunities.

## Why Participate?

- Meet potential sales representatives for your products
- Network with local private entrepreneurial energy auditors who are active and who are specifying energy efficiency equipment
- Hear testimonials from Hungarian energy consumers who are using U.S. energy efficiency equipment
- Showcase your products in technology exhibition
- Present your company to Central and Eastern European energy professionals
- Receive conference participants list

## Who Will Attend?

The audience will feature representatives from Bulgaria, Czech Republic, Hungary, Estonia, Latvia, Lithuania, Poland, Romania and Slovakia, including:

- Electric and gas utility managers
- Commercial & industrial plant managers
- Regional AEE members
- Certified Energy Managers
- Participants in USAID's industrial energy efficiency projects
- Energy efficiency professionals
- Government officials
- Commercial & industrial end-users

Other representatives will include multilateral development banks, American financial institutions, energy professionals and consultants, as well as government officials.

## What Are The Conference Objectives?

- Establish business development linkages for U.S. manufacturers
- Promote energy efficiency through market-oriented approach
- Disseminate results of USAID programs
- Increase policy support for public/private/NGO partnerships

# Conference Agenda

## Tuesday, June 13

| | |
|---|---|
| 0900-1030 | Opening Ceremonies |
| 1100-1230 | Development of Energy Service Companies |
| 1230-1400 | Luncheon |
| 1400-1530 | Energy Efficiency Case Studies |
| 1600-1730 | Company Presentations |
| 1730-1900 | Exhibition Open/Reception in Exhibit Hall Sponsored by U.S. Manufacturers |

## Wednesday, June 14

| | |
|---|---|
| 0900-1030 | Financing Energy Efficiency |
| 1100-1230 | Energy Performance Contracting (EPC) |
| 1230-1400 | Luncheon |
| 1400-1530 | Demand-Side Management (DSM): Making a Market for Energy Efficiency |
| 1600-1730 | Company Presentations |
| 1730-1900 | Exhibition Open |

## FOCUS ON HUNGARY
## Thursday, June 15

| | |
|---|---|
| 0900-1030 | Non-Governmental Energy Efficiency Centers |
| 1100-1230 | Non-Governmental Organizations Active in Energy Efficiency |
| 1230-1400 | Luncheon |
| 1400-1530 | Forum on Energy Efficiency in Hungary |
| 1600-1730 | Company Presentations |
| 1730-1900 | Exhibition Open/Reception in Exhibit Hall Sponsored by U.S. Manufacturers |

# Registration Information

## Two Ways to Participate

In order to help U.S. companies reach this market cost effectively, we have developed two program opportunities:

### Option #1: Exhibition & Speaker Presentation

Companies are invited to make a presentation to conference delegates and display their products in the exposition. Companies interested in attending the entire conference/exhibition or portions of the exhibition should complete the registration form below. Companies interested in making formal presentations at the conference are encouraged to register early as space is limited to 18 U.S. manufacturers. Companies are responsible for shipping and handling exhibition materials. All companies should indicate exhibit requirements (e.g., space allocation, electrical needs) upon registration. Registration deadline for exhibitors is Friday, May 19, 1995.

### Option #2: Literature Display

The exhibition will also include a product literature display booth. Companies unable to attend the conference but interested in sending product literature should complete the registration form accordingly. Hagler Bailly, Inc. will receive and ship all product literature to Budapest. Conference staff will arrange and handle display of materials. All product literature must be received by Hagler Bailly, Inc. no later than Friday, May 19, 1995. Conference materials may not exceed 30 pounds.

**Option #1:** $1500 per Booth Package
Includes exhibition space rental, conference participation, participants mailing list, Hungarian interpreter, and sponsorship of social events.

**Option #2:** $500 per Literature Display Package
Includes shipping and handling of product literature (30 pound limit) and daily display set-up and removal of all materials

***Payment is due upon registration. Please make checks payable to Hagler Bailly, Inc.***

## How To Register

Please complete and submit registration form by May 19, 1995.

Company _____

Representative Name _____ Title _____

Representative Name _____ Title _____

Address _____

_____

Phone: _____ Fax: _____

I would like to participate in: Option #1: ☐ Conference (Speaker) ☐ Exhibition * _____ # of booths
Option #2: ☐ Literature Display Only (unstaffed)

** Please indicate your booth furnishing requirements (e.g. table, chair, electrical).*

## Hotel Accommodations

Blocks of rooms have been reserved for attendees at:
RAMADA GRAND HOTEL
H-1138 Budapest
Tel: 36-1/132-1100 Fax: 36-1/153-3029

*Hagler Bailly will coordinate all room reservations.*
*Please complete hotel information below:*

Arrival Date and Time: _____

Departure Date and Time: _____

Number of Rooms Circle one: Single / Double

Special Requests _____

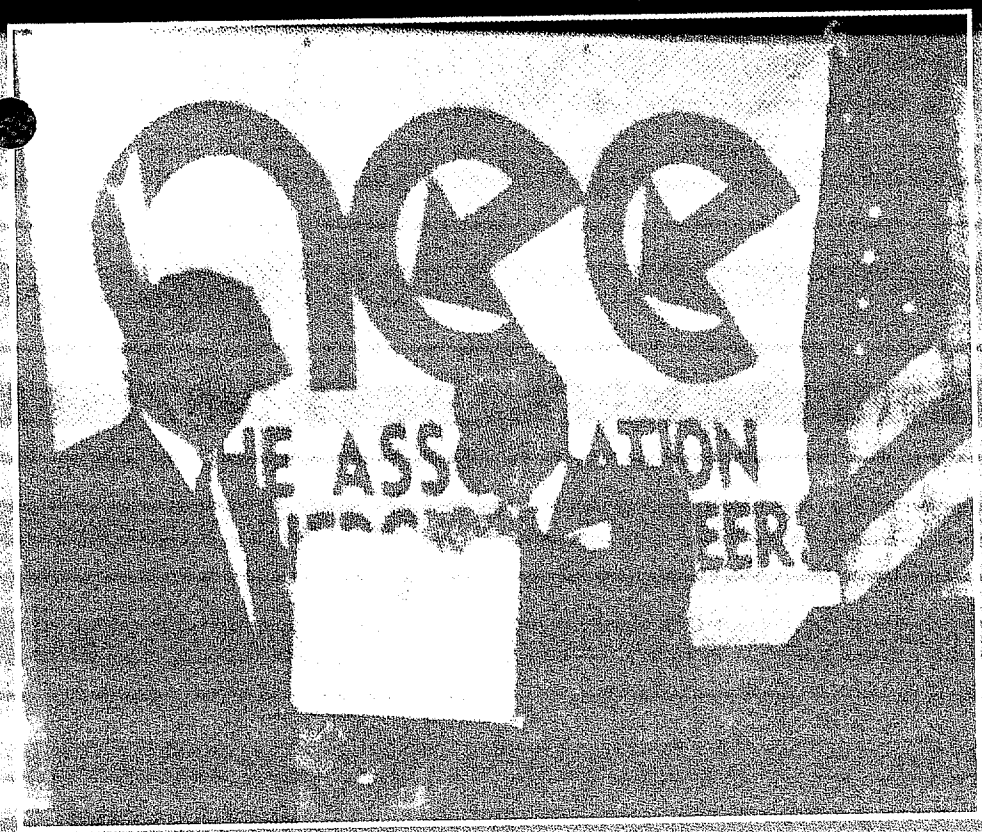
## Mail or Fax Completed Registration Forms To:

Regional AEE Conference
Hagler Bailly, Inc.
1530 Wilson Boulevard, Suite 900
Arlington, VA 22209
Tel: (703) 351-0300 Fax: (703) 351-0342

## FOR ADDITIONAL INFORMATION CONTACT:

Roxi Reeves
Hagler Bailly, Inc.
Tel: (703) 312-9893 Fax: (703) 351-0342

*Confirmation letters and follow-up information will be sent to companies after receipt of conference registration forms.*




# Energy

## Efficiency

## Expansion

## The Market

## Technology

## Policy

Participants Briefing Book June 12–16, 1995

Presented by
The Association for Energy Engineers
Hagler Bailly Consulting, Inc.

# ENERGY EFFICIENCY: EXPANDING THE MARKET IN CENTRAL AND EASTERN EUROPE

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**Conference/Exhibition Materials**

1. Program Agenda
2. List of Participants

**Conference Papers**

3. The Global Market for Energy Efficiency
4. An Integrated Apoproach to Industrial Energy Management
5. DSM in the Context of Central and Eastern Europe
6. Financing Energy Efficiency in International Markets
7. Industrial Energy Efficiency Improvement in Central an Eastern Europe: Policy Options and Institutional Roles

# Energy Efficiency: Expanding the Market in Central and Eastern Europe

## Seminars
## Monday, June 12, 1995

***Location:*** Ramada Grand Hotel / Thermal Hotel, Margaret Island, Budapest

***Attendees:*** Invited members of AEE, CEMs, participants in USAID industrial energy efficiency projects, energy efficiency professionals.

***Objective:*** To provide seminars on market-oriented approaches to energy efficiency, such as development of national energy efficiency policy, innovative financing, and demand-side management.

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0800-0900 Registration

**1. Topic #1 - Project Finance for Energy Efficiency - Innovative Approaches** ***Shirley Hansen***

0900-1030
1030-1100 Coffee Break
1100-1230
1230-1400 Lunch Break
1400-1700

**2. Topic #2 - Demand-Side Management - Utility-driven Implementation** ***Donald Bradshaw***

0900-1030
1030-1100 Coffee Break
1100-1230
1230-1400 Lunch Break
1400-1700

**3. Topic #3 - National Energy Efficiency Policy - Options and Strategies** ***Mary Ellen Hopkins***

0900-1030
1030-1100 Coffee Break
1100-1230
1230-1400 Lunch Break
1400-1700

1400-on Set-up of Exhibit Hall Exhibitors

1900-2200 Dinner at the Gundel restaurant Sponsored by Hagler Bailly

# Energy Efficiency: Expanding the Market in Central and Eastern Europe

## Regional Conference & Exhibition
## Tuesday, June 13, 1995

***Location:*** Ramada Grand Hotel / Thermal Hotel, Margaret Island, Budapest

***Participants:*** Invitations will be extended to selected members of AEE, CEMs, participants in USAID industrial energy efficiency projects, energy efficiency professionals, and energy managers. Invitations by Hagler Bailly.

***Objective:*** To review USAID experience in promoting energy efficiency in the Central and Eastern Europe region using market-oriented approaches, including: (1) development of local energy service companies; (2) establishment of utility DSM as a financing and implementation mechanism; (3) performance contracting and other innovative financing techniques; (4) establishment of local energy efficiency NGOs and AEE chapters; and (5) support for policies that encourage NGO and private sector participation in energy efficiency.

**Opening Ceremonies**

| | | |
|---|---|---|
| 0830-0840 | Welcome | *Karoly Attila Soos,* Secretary of the MoIT |
| 0840-0850 | Role of USAID in Central & Eastern Europe | *Nance Kyloh*, USAID-Hungary |
| 0850-0920 | USAID Assistance in Energy Efficiency | *Robert Archer*, USAID |
| 0920-0950 | Mission of the Association of Energy Engineers | *Al Thumann*, AEE |

**1. First Steps in Market Development: Audits, Low-cost Measures & Energy Management** — **Moderator:** ***Al Thumann***

| | | |
|---|---|---|
| 0950-1010 | Experience in Hungary in Industrial Energy Audits | *Zoltan Lontay*, EGI |
| 1010-1030 | Results of the USAID Emergency Energy Project | *Greg Butera*, USAID |
| 1030-1050 | Coffee Break | |
| 1050-1110 | Experience in Bulgaria with Low-cost Energy Efficiency Equipment | *Raina Zlatareva*, Ecotechproduct |
| 1110-1130 | An Integrated Approach to Energy Management | *David Keith*, Hagler Bailly |
| 1130-1200 | Discussion | |
| 1200-1230 | Innovative Financing & Regional Applications | *Shirley Hansen*, Kiona International |
| 1230-1400 | Luncheon with Keynote Speaker<br>Prospects for Using Project Finance for Energy Efficiency | *Charles Kovacs,* Barclays Bank |

**2. Financing Energy Efficiency** — **Moderator:** ***Shirley Hansen***

| | | |
|---|---|---|
| 1400-1430 | Criteria for Lending and Equity Investment in Energy Efficiency | *Bernard Jamet*, EBRD |
| 1430-1450 | Energy Performance Contracting - Issues & Activities in Czech Republic | *Ivo Slavotinek*, EPS |
| 1450-1510 | Energy Efficiency Projects - Partnership & Commitment | *Frank Andres*, Landis & Gyr |
| 1510-1530 | Energy Performance Contracting - Issues & Activities in Bulgaria | *Boris Petkov*, IVEL |
| 1530 -1550 | Coffee Break | |
| 1550-1620 | A Policy Framework for Energy Efficiency Initiatives | *Robin Bates*, World Bank |
| 1620-1640 | Energy Efficiency Lending Experience | *Eva Weores*, Magyar Hitel Bank |
| 1640-1730 | Panel Discussion - Energy Performance Contracting and Financing of Energy Efficiency Projects | *Pat Cronin*, Johnson Controls; *Bernard Jamet*; *Robin Bates*; *Eva Weores* |
| 1730-1930 | Exhibition of U.S. Energy Efficiency Equipment | |
| Reception | Sponsored by U.S. Exhibitors | |

# Energy Efficiency: Expanding the Market in Central and Eastern Europe

## Regional Conference & Exhibition
## Wednesday, June 14, 1995

**3. Demand-Side Management - Making a Market for Energy Efficiency** — **Moderator:** ***Donald Bradshaw***

| | | |
|---|---|---|
| 0830-0850 | DSM in a Competitive Power Sector | *David Wolcott*, Hagler Bailly |
| 0850-0910 | DSM in Slovakia | *Eugenia Maderova*, Slovakia Electric Co. |
| 0910-0930 | DSM Activities in Poland | *Maciej Lenczewski*, Polish Power Grid Co. |
| 0930-0950 | Industrial DSM in the United States | *Mary Ellen Hopkins*, ICF |
| 0950-1030 | Discussion | |
| 1030-1050 | Coffee Break | |

**4. Development of Local Private Energy Service Companies** — **Moderator:** ***Mark Oven***

| | | |
|---|---|---|
| 1050-1100 | USAID's Program to Develop Local Energy Service Companies | *Mark Oven*, Hagler Bailly |
| 1100-1120 | Bulgaria: Activities & Experiences of Rampov & Sons | *Georgi Rampov*, Rampov & Sons |
| 1120-1140 | Romania: Activities & Experiences of ECO-ERG | *Georgeta Padureanu*, ECO ERG |
| 1140-1200 | Hungary: Activities & Experiences of Gellert Innovation | *Miklos Gellert*, Gellert Innovation |
| 1200-1210 | Gellert Innovation: Client's Perspective | *Deszo Szanto*, MOFA |
| 1210-1240 | Discussion | |
| 1240-1400 | Luncheon | |

**5. Introduction of U.S. Exhibitors of Energy Efficiency Equipment and Services**

**Company Presentations:** — **Moderator:** ***Barbara Stroup*, AEE**

| | | |
|---|---|---|
| 1400-1410 | Ametek-Cheminst | *Jolanda houben-Cortlever* |
| 1410-1420 | Alstrom Pyropower | *Markku Kostamo* |
| 1420-1430 | APV | *Gyula Hidegkuti* |
| 1430-1440 | Armstrong International - DMS | *Mark Heffernan* |
| 1440-1450 | Bacharach, Inc. | *Jorgen Schack* |
| 1450-1500 | Chesterton/TPI | *Jozsef Flieg* |
| 1500-1530 | Discussion | |
| 1530-1600 | Coffee Break | |

**Company Presentations:** — **Moderator:** ***Laurent Pommier*, Hagler Bailly**

| | | |
|---|---|---|
| 1600-1610 | Electric Power Software | *Mark Germer* |
| 1610-1620 | GE Lighting - Tungstram | *Erika Farkas* |
| 1620-1630 | Johnson Controls International | *Patrick Cronin* |
| 1630-1640 | Landis & Gyr | *Larry Kamberg* |
| 1640-1650 | Magnetek | *Miklos Juhasz* |
| 1650-1700 | Rosemont Analytical | *Gary Mohr* |
| 1700-1710 | UE Systems | |
| 1710-1740 | Discussion | |
| 1740-1900 | Exhibition of U.S energy efficiency equipment | |
| 2000-2200 | Dinner at the Fortuna restaurant | Sponsored by U.S. Exhibitors |

# Energy Efficiency: Expanding the Market in Central and Eastern Europe

## Regional Conference & Exhibition
## Thursday Morning, June 15, 1995

**6. Role of Non-Government Organizations (NGOs) in Energy Efficiency Market Development**

| | | |
|---|---|---|
| 0830-0850 | NGO Capacity Building and Energy Legislation | *Peter Hobson*, IIEC Europe |
| 0850-0940 | Panel Discussion: Role of NGOs | Moderator: *Mark Hopkins*, Alliance to Save Energy |
| | IIEC - Europe | *Peter Hobson* |
| | FEWE, Poland | *Adam Gula* |
| | SEVEn, Czech Republic | *Martina Diduskova* |
| | EnEffect, Bulgaria | *Zdravco Genchev* |
| 0940-1030 | Panel Discussion: Role of Industry and Professional Associations | Moderator: *Al Thumann* |
| | AEE Hungary | *Tamas Jaszay* |
| | AEE Bulgaria | *Georgi Rampov* |
| | AEE Romania | *Mihail Zdravcu* |
| | MESZ Hungary | *Lajos Nemeth* |
| 1030-1050 | Coffee Break | |

**7. Conference Conclusions and Recommendations**

| | | |
|---|---|---|
| 1050-1200 | Final Group Discussion: Next Steps to Expand the Market | Moderator: *Robert Archer* |
| 1200 | | Regional Conference Concludes |

# Energy Efficiency: Expanding the Market in Central and Eastern Europe

## Forum on Energy Efficiency in Hungary
## Thursday Afternoon, June 15, 1995

***Location:*** Ramada Grand Hotel / Thermal Hotel, Margaret Island, Budapest

***Attendees:*** Invitations will be extended to participants in the regional conference.
Invitations will also be extended to 200 large Hungarian energy consumers by Hungarian AEE Chapter and MESZ.

***Objective:*** To enable the Hungarian Chapter of the AEE to hold a forum on energy efficiency, in conjunction with the Regional Conference. To enable U.S. manufacturers of energy efficiency equipment to expand their Hungarian contacts.

| | | |
|---|---|---|
| 1130-1200 | Registration, by Hungarian AEE Chapter | |
| 1200-1400 | **Luncheon with Keynote Speakers** | |
| | Entrepreneurship in Energy Efficiency | *Tamas JASZAY*, President, Hungarian Chapter AEE |
| | Approaches to Energy Efficiency | *Robert ARCHER*, USAID |
| | Introduction to AEE | *Albert THUMANN*, AEE |
| | **Forum on Energy Efficiency** | **Moderator:** ***Tamas JASZAY*** |
| 1400-1430 | Energy Efficiency Policy in Hungary | *Imre SZABO*, President, Hungarian Energy Office |
| 1430-1500 | Feasibility of Performance Contracting in Hungary | *Shirley HANSEN*, Kiona International |
| 1500-1530 | USAID Energy Efficiency Market Development Project in Hungary | *David KEITH*, Hagler Bailly |
| 1530-1550 | Coffee Break | |
| 1550-1610 | Energy Efficiency Possibilities in the Hungarian Market | *Miklos GELLERT*, Gellert Innovation |
| 1610-1700 | Activities and Experiences of Local Energy Service Companies | *Albin ZSEBIK*, Jomuti<br>*Gyorgy VIRAGH*, Kontravill<br>*Mihaly SZANISZLO*, Rendszertechnika Fejleszto<br>*Tibor NAGY*, Controll |
| 1700-1730 | Panel Discussion | *Tamas JASZAY*<br>*Miklos GELLERT*<br>*Shirley HANSEN*<br>*David KEITH* |
| 1730-1745 | **Opening of Exhibition** | ***Dr. Gabor LANYI*, Ministry of Environment** |
| 1745-1800 | Donation of Equipment | U.S. Exhibitors |
| 1800-1930 | Exhibition of U.S. Energy Efficiency Equipment | |
| | Press Conference in Exhibition Hall | |
| | Reception | Sponsored by U.S. Exhibitors |

# Energy Efficiency: Expanding the Market in Central and Eastern Europe

## Association of Energy Engineers
## Regional Meeting
## Central and Eastern Europe
## Friday, June 16, 1995

***Location:*** Ramada Grand Hotel, Margaret Island, Budapest

***Attendees:*** Invited members of AEE, CEMs, USAID, Hagler Bailly.

***Objective:*** To develop resolutions for the development of the market for energy efficiency in Central and Eastern Europe, goals and operation of AEE Chapters in the Region, and to provide guidance to USAID.

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Chairpersons - Al Thumann and Barbara Stroup

0800-1000 AEE Meeting - Topics:
- Reaction to seminars, conference, and exhibition
- Role of AEE chapters in promoting energy efficiency policy reform
- Role of AEE chapters in professional development and certification
- Role of AEE chapters in commercial business development
- Role of AEE chapters in financing
- Support from AEE headquarters
- How to expand AEE membership
- CEM certification programs
- Libraries and equipment for AEE chapters
- Marketing support for AEE chapters
- Guidance to USAID

1000-1030 Drafting of a Resolution Urging an Approach to Energy Efficiency

1030-1200 AEE Members - Open Forum
- Exchanges between AEE members
- Presentations of capabilities by individual AEE members
- Discussion

1200-1400 Luncheon

ENERGIAHATÉKONYSÁGI FÓRUM MAGYARORSZÁGON

# PROGRAM

RAMADA GRAND HOTEL / THERMÁL HOTEL
BUDADAPEST , MARGITSZIGET
1995. JÚNIUS 15., CSÜTÖRTÖK

11.30 - 12.00
**REGISZTRÁCIÓ**

12.00 - 14.00
**MUNKAEBÉD**
közben

*VÁLLALKOZÁSOK AZ ENERGIAHATÉKONYSÁGBAN*
Prof. Dr. JÁSZAY TAMÁS
az AEE Magyar Tagozatának elnöke

*ENERGIAHATÉKONYSÁG MAGYARORSZÁGON*
SOÓS Károly Attila államtitkár
Ipari és Kereskedelmi Minisztérium

*AZ ENERGIAHATÉKONYSÁG MEGKÖZELITÉSEI*
Robert ARCHER
USAID

*AZ ENERGETIKAI MÉRNÖKÖK EGYESÜLETÉRÖL*
Albert THUMANN PE. C.E.M
AEE / Atlanta GA ügyvezető igazgatója

14.00
**FÓRUM**
Elnököl: Prof. Dr. JÁSZAY Tamás

14.00 - 14.30
*ENERGIAHATÉKONYSÁGI POLITIKA MAGYARORSZÁGON*
Prof. dr SZABÓ Imre főigazgató
Magyar Energia Hivatal

14.30 - 15.00
*A TELJESITMÉNY SZERZÖDÉSEK MEGVALÓSITHATÓSÁGA MAGYARORSZÁGON*
*ALKALMAK AZ ENERGIAHATÉKONYSÉG JAVITÁSÁRA*
Shirley HANSEN
Kiona International Inc.

15.00.-15.30
*ENERGIAHATÉKONYSÁGI PROJEKTEK MAGYARORSZÁGON*
David KEITH
Hagler Bailly Inc.

15.30 - 15.50
**KÁVÉSZÜNET**

# ENERGIAHATÉKONYSÁGI FÓRUM MAGYARORSZÁGON
## PROGRAM

15.50 - 16.10
*ENERGIAHATÉKONYSÁGI LEHETŐSÉGEK A MAGYAR PIACON*
GELLÉRT Miklós CEM
Gellért Innovációs Mérnöki Iroda

16.10 - 17.00
*A MAGYARORSZÁGI "ESCO" ENERGETIKAI VÁLLALKOZÁSOK TEVÉKENYSÉGE ÉS TAPASZTALATAI*
Dr. ZSEBIK Albin C.E.M., JOMUTI KFT
VIRÁGH György C.E.M., KONTRAVILL Műszaki Iroda
Dr. SZANISZLÓ Mihály CEM. RENDSZERTECHNIKA FEJLESZTŐ KFT
NAGY Tibor C.E.M. CONTROLL Minőségfejlesztési Tanácsadó Iroda

17.00-17.30
**VITAFÓRUM**
Prof. Dr. JÁSZAY Tamás
Shirley HANSEN
David KEITH
GELLÉRT Miklós C.E.M.

17.30
**KIÁLLITÁS MEGNYITÁSA**
Dr. LÁNYI Gábor Stratégiai Iroda vezetője
Környezetvédelmi és Területfejlesztési Minisztérium

17.30
**USA-BAN GYÁRTOTT, ENERGIAHATÉKONYSÁGOT SZOLGÁLÓ BERENDEZÉSEK KIÁLLITÁSA**

**SAJTÓKONFERENCIA A KIÁLLITÓTEREMBEN**

**FOGADÁS**
Szponzorálják az Amerikai Kiállitók

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További információval állunk szives rendelkezésükre


| | | | |
|---|---|---|---|
| Prof. Dr. Jászay Tamás | BME Energetika Tanszék | Telefon:463-2559 | Fax:463-3273 |
| Gellért Miklós | Gellért Innovációs Mérnöki Iroda 7635, Barackos út 24. | Telefon:06-72-319661 | Fax:06-72319661 |
| Dr. Zsebik Albin | BME Rendszer és Irányitástechnika Tanszék | Telefon:(1) 463-2981 | T/F:257-7369 |
| Dr. Morenth András | | Telefon:155-27-84 | Fax: 116-2691 |


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**Bulgaria**


Dipl.El.Eng. Dobrin Oreshkov
Manager, Energy Efficiency Department
Ministry of Industry
8 Slavyanska str.
1046 Sofia, Bulgaria
Phone: 359 2 87 32 25 or 867 26 95
Fax: 359 9 80 17 14

Ina Bojadgieva
Ministry of Industry
8 Slavyanska str.
1046 Sofia, Bulgaria
Phone: 359 2 87 32 25 or 867 26 95
Fax: 359 9 80 17 14

Zdravco Genchev
Executive Director
Bulgarian Foundation for Energy Efficency
(EnEFFECT)
1-B Strumitza Str., IV fl.,
1000 Sofia Bulgaria
Phone: 359-2-87-41-64
Fax: 359-2-80-51-40

Mr. Deian Iordanov
Engineer
Argus 91
P.O. Box 440
V. Drumev Str., entr. 61, app. 39
9000 Varna, Bulgaria
Phone: 359-52-88-46-13
Fax: 359-52-88-46-13

Mr. Yordan Katzarov
Senior Project Manager
Risk Engineering Ltd.
34 Totleben Blvd.
Sofia 1606, Bulgaria
Phone: 359 2 52 12 17,52 12 1787
Fax: 359 2 52 25 46

Mr. Boris Petkov
IVEL Ltd.
4002 Plovdiv
56 Svoboda Str., Bulgaria
Phone: 359 32 44 75 63
Fax: 359 32 45 55 05

Georgi Rampov
Rampov & Sons
Manager
3 Smoljanska Street
bl. 56. vh. V. app. 49
1612 Sofia, Bulgaria
Phone: 359 2 545895
Fax: 359 2 545895

Dr. Nikola G. Kaloyanov
Associate Professor
ALPHA-Pro
BG, 1680 Sofia
P.O. Box 138, Bulgaria
Phone: 359 2 742 609
Fax: 359 2 52 67 40




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Stefan Hristov
Energo Eco Iconomiaa, Ltd.
42 Lazar Stanev St.
1113 Sofia Bulgaria
Phone: 359 2 727 131
Fax: 359 2 727 650

Nikola Zikatanov
President
Energy Efficient Systems
Mladost - 3
bl.341/2/52
Sofia 1712, Bulgaria
Phone: 359 2 447 495
Fax: 359 2 447 495

Ms. Raina Zlatareva
Senior Engineer
Ecotech Products
66 Dimitar Manov Street
Sofia 1408, Bulgaria
Phone: 359 2 541 267
Fax: 359 2 547 206

Dr. Dimitar Baev
President
Design & Business Consulting
j.k. "Mladost"
bl. 50 vh. 1 ap. 3
Sofia 1784, Bulgaria
Phone: 359 2 74 1880
Fax: 359 2 74 1880

Mr. Nikola Stankov
STIF
75 Cherkovna St.
Sofia 1505, Bulgaria
Phone: 359 2 884 351
Fax:

Dimiter Shivkov
Associate Professor
Sofia Technical University
Department of Automation
1756 Sofia, Bulgaria
Phone: 359 2 63 62 298
Fax: 359 2 63 63 648

Stefan Kanchovski
Chief Specialists, Development & Research
Natsionalna Elektricheska Kompania AD
8 Triaditsa Str.
1040 Sofia, Bulgaria
Phone: 3592-7-86-101
Fax: 3592-875-826, 872550

Ivan Yuroukov
Bulgarian Committee on Energy
8 Triadista Street
1040 Sofia, Bulgaria
Phone: c/o Nikola Zikatanov
359-2-447-495
Fax: 359-2-447-495

Konstantin Khrahtov
Director
District Heating Company
PO Box 85, 1606 Sofia
Bulgaria
Phone: 359-2-59-80-75
Fax: 359-2-59-80-57



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**Czech Republic**

Ivo Slavotinek
General Manager
EPS
Rubesova 10
120 00 Prague 2
Czech Republic
Phone: 42-2-242-31876
Fax: 42-2-242-31204

Martina Diduskova
SEVEN - Center for Energy Efficiency
Sleska 7, P.O. Box 146
120 29 Praha 2
Phone: 42 2 24 24 7552
Fax: 42 2 24 24 7597

**Estonia**

Heinar Nurste
Managing Director
ENPRO Engineers Bureau Ltd.
Mustamae tee 33
Tallinn EE0006, Estonia
Phone: 372-2-52-86-06
Fax: 372-2-52-84-07

**Hungary**

Dr. Gyorgy Toth
CEM
H-1013 Budapest, Pauler u. 5
Hungary
Phone: 361-175-9897
Fax:

Ferenc Martok
MIESZ
H-7634 Pecs Lillom cet 27
Hungary
Fax: 36-72-311-272
Phone:36-72-447-353

Szigeti Tibor
East Hungarian Electricity Supply Company
4028 Debrecen
Kossuth u. 41. Titasz Rt.
Hungary
Phone: 52/410-011, 11-44
Fax: 52/414-031

Gyorgy Foldvary
Senior Technical & Economic Advisor
Department of Energy Strategy
Hungarian Ministry of Industry and Trade
Margit Korut 85
H-1024 Budapest II, Hungary
Phone: 361-175-7128
Fax: 361-175-4593

Ed Corcoran
Managing Director
CENTECH
1024 Budapest, Margit Krt. 39.
Hungary
Phone: 361-135-6190
Fax: 361-135-6190

Andras Morenth
M. Sc. Mechanical Engineer
Budapest, XII.,
Tóth Lorinc u. 4.
H-1122, Hungary
Phone: 361-155-2784
Fax: 361-116-2691



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Tamas Jaszay
AEE President
President, Jaszay & Jaszay
Müegyetem rkp. 9.
Budapest H-1111
Hungary
Phone: 361-463-2559
Fax: 361-463-3273

Mr. Gyorgy Viragh
Manager
Kontravill, Inc.
1154 Budapest
Domahaza u.28, Hungary
Phone: 36 1 271 9553
Fax: 36 1 271 9553

Mr. Miklos Gellert
AEE Vice President
Managing Director
Gellert Innovative Bureau of Engineering
Barackos ut 24
H 7635 PECS, Hungary
Phone: 36 72 319 661
Fax: 36 72 319 661

Dr. Janos Zhelev
Mechanical Engineer
CENTECH Hungary
1024 Budapest, Margit Krt. 39.
Hungary
Phone:/Fax: 361 135 6190

Dr. Szaniszlo Mihaly
Managing Director
Rendzertechnika Fejleszto
H 1088 Budapest
Vas u. 15/b. III/40
Hungary
Phone: 36 1 117 2295
Fax: 36 1 117 3370

Tamas Csoknyai
Jomuti, Kft.
H 1172 Budapest
Almashaza u. 55
Phone: 36-257-73-69
Fax: 36-1-257-7369

Mr. Laszlo Soos
Chief Engineer, Development Department
EPOS-PVI, Inc.
Kesmark u. 10
Budapest 1158, Hungary
Phone: 36 1 252 5222
Fax: 361-183-1928/251-2261

Mr. Peter Macskassy
Managing Director
Comptech Ltd.
Jobbagy u. 5
Budapest 1221, Hungary
Phone: 361-226 1585
Mobile Phone: 361-20-419-439
Fax: 361-226-1586




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Mr. Nagy Tibor
Control Quality Consulting Ltd.
1118 Budapest
Radveny u.34/b
1476 Bp.Pf. 183, Hungary
Phone: 36 1 267 1101/267 1102/166 1902
Fax: 36 1 611 2040

Lajos Nemeth
President
MESZ - Association of Hungarian Energy Consumers
Kossuth ter 6-8
H-1055 Budapest
Hungary
Phone: 361 153-3333
Fax: 361 153-4069

Dezso Porpaczy
Director
MESZ
Kossuth ter 6-8
H-1055 Budapest
Hungary
Phone: 361 153-3333
Fax: 361 153-4069

Pal Langfy
Energy Adviser
MESZ - Hungarian Energy Consumers
Kossuth ter 6-8
H-1055 Budapest
Hungary
Phone: 361 153-3333
Fax: 361 153-4069

Tibor Bertok
Energy Adviser
MESZ - Hungarian Energy Consumers
Kossuth ter 6-8
H-1055 Budapest
Hungary
Phone: 361 153-3333
Fax: 361 153-4069

Zoltán Lontay
Head of Department
Energy Conservation, Environment Technology
EGI Contracting Engineering Co. Ltd.
H-1027 Budapest, Bem rkp. 33-34.
Phone: 361-201-8652
Fax: 361-201-9216

Mr. Geza Homonnay
President
Gamax
1122 Budapest, Csabu u. 24/A
Hungary
Phone: 361-155-3016
Fax: 361-175-3134

Ms. Eva Weores
General Manager
Magyar Hitel Bank RT
H-1853 Budapest
Josef Attila Str. 8, Hungary
Phone: 361-266-8787
Fax: 361-266-9113



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Geza Szeremi
Head of Section
Ministry of Industry and Trade
Republic of Hungary
Department of Energy
Martirok utja 85.
H 1024 Budapest
Phone: 361-1557-819
Fax: 361-175-0219

Ms. Katalin Békés
Head of Department
Budapest Electricity Supply Company Ltd.
H-1132 Budapest, Váci út 72-74
Hungary
Phone: 361-120-8254
Fax: 361-149-6329

Mr. Geza Szabo
Buszesz Rt. - Budafoki Eleszto es Szeszgyar
H-1222 Budapest
Gyar utca 5-9, Hungary
Phone: 36 1 226 6311
Fax: 36 1 226 5011

Mr. Gyorgy Nikleszi
Buszesz Rt. - Budafoki Eleszto es Szeszgyar
H-1222 Budapest
Gyar utca 5-9, Hungary
Phone: 36 1 226 6311
Fax: 36 1 226 5011

Mr. Gyula Eifert
Deputy General Manager - Technical Affairs
Budapesti Vegymuvek
Ken utca 5
H-1097 Budapest, Hungary
Phone: 36 1 280 6547
Fax: 36 1 282 6773

Mr. Peter Sandor
Dunaferr Energiaszolgaltato Kft
H-2401 Dunaujvaros
Vasmu ter 1-3, Hungary
Phone: 36 25 381 186, 25 382 501
Fax: 36 25 312 658

Mr. Csaba Pomazi
Dunaqua-Therm
2400 Dunaujvaros
Dozsa Gy. utca 25/A
Hungary
Phone: 36 25 311 925
Fax: 36 25 311 925

Mr. Attila Kecskes
Mohacsi Farostlemezgyar Rt. (MOFA)
H-7701 Mohacs
P.O. Box 129, Hungary
Phone: 36 69 311 922
Fax: 36 69 322 742

Mr. Bela Kiss
Nitrokemia Rt.
8184 Fuzfogyartelep Pf. 45, Hungary
Phone: 36 88 352 011
Fax: 36 88 351 240

Mr. Lenart Laszlo
North Hungarian Waterworks Corp.
3701 Kazincbarcika
Tardonay ut 1, Hungary
Phone: 36 48 310 811
Fax: 36 48 310 015



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Ms. Gyorgyne Baranovszky
North Hungarian Waterworks Corp.
3701 Kazincbarcika
Tardonay ut 1, Hungary

Mr. Laszlo Varga
Energy Manager
Dunapack
H-1215 Budapest
Duna u. 42, Hungary
Phone: 36 1 277 1133
Fax: 36 1 276 9062

Mr. Jozsef Vincze
Komloi Futoeromu Kft.
7300 Komlo
Bem u. 24, Hungary
Phone: 36 72 481 266
Fax: 36 72 436 972

Miklos Poos
Director General, Department of Energy
Ministry of Industry
1051 Budapest
Vigado str. 6, Hungary
Phone: 361-118-4655/0257
Fax; 361-118-0257

Szala Pal
Eszakmagyarorszagi Regionalis Vizmuvek
Reszvenytarsasag
3701 Kazincbarcika
Tardonal ut. 1
Phone: 48-310-811
Fax:

Balazs Benko
Head, Public Relations
Magyar Villamos Muvek Rt.
H-1022 Budapest Vam u. 5-7
Hungary
Phone: 361-201-9964, 0164
Fax: 361-202-1164

Arpad Vajdovich
Hungarian Energy Office
Budpest, Hungary
H-1081 Budapest
Koztarsasag ter 7
Phone: 361-117-4222, 7092 04 210-0361
Fax: 361-210-0351

Dr. Karoly Attila Soos
Secretary of State
Ministry of Industry and Trade Hungary
H-1051 Budapest
Vigado u. 6
Hungary
Phone: 361-118-50-44 x. 388
Fax: 361-118-02-57

Lajos Bokros
Minister of Finance
Ministry of Finance
Government of Hungary
Phone:
Fax: 361-118-2570



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Dr. Ferenc Baja
Minister of Environment & Regional Policy
Ministry for Environment & Regional Policy
Government of Hungary
Phone:
Fax: 361-201-3852

Dr. Albin Zsebik
Jomuti, Kft.
H-1111 Budapest
Goldmann Gy.ter 3.
Hungary
Phone:
Fax: 361-257-7369

Dezso Szanto
General Director
Mohacsi Farostlemezgyar Rt.
Fibreboard Factory Inc. Mohacs
H-7701 Mohacs
P.O. Box 129
Hungary
Phone: 36-69-311-922
Fax: 36-69-322-742

**Lithuania**

Mr. Vidmanatas Jankauskas
Lithuanian Energy Institute
Aukstadvario 3, 3035 Kaunas
Lithuania
Phone: 7-0127-75-35-50
Fax: 7-0127-75-12-71

Mr. Algimantas Spelis
Deputy Technical Director
Lithuanian State Power System
(Kaunas Electrical Network)
Kestucio 36, Kaunas 3000
Lithuania
Phone: 7-0127-206933
Fax: 7-0127-224461

Vytautas Vasiliauskas
Chief Engineer, Energy Saving Directorate,
Energy Agency
Zveju 14 2600 Vilnius
Lithuania
Phone: 3702-35-38-12
Fax: 3702-62-67-48

**Latvia**

Dr. Dagnija Blumberga
President
B.V. Ekodoma, Ltd.
12-49 Zentenes Str.
LV 1069 Riga, Latvia
Phone: 371-2-419853
Fax: 371-2-212206

Leonids Kvaskovs
Director
Latvian Energy Agency
Riga
Latvia
Phone: 371-2-290675
Fax/Phone: 371-9-34-1587



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Dr. Ivars Viedenbergs
Professor
Riga Technical University
Dept. of Thermal Engineering
1 Kalku str., RTU
226355 Riga, Latvia
Phone: 371-320668
Fax: 371-0132/212206

Mr. Valdis Ginters
Director
Latvenergo Energocontrol
12, 1st. Ganibu dambis, Riga
LV 1230, Latvia
Phone: 371 2 328 500
Fax:

Mr. Girts Stelbovics
Vice President
Latvijas Gaze
Blieku G, LV-1139
Riga, Latvija
Phone: 371-2-882-1405
Fax: 371 2-882-1406

**Poland**

Maciej Lenczewski
Polish Power Grid
Mysia 2, 00-486
Warsaw, Poland
Phone: 48-2-693-2470
Fax: 48-2-628-0426

Adam Gula
Director, FEWE
ul. Poselska 20/15
31-002 Cracow, Poland
Phone: 48-12-213070/2138-89/213781
Fax: 48-12-213070

Manfred Wawrzynosek
DSM Specialist
Silesian Power Distribution Company
ul. Barlkickiego 2
44-100 Gliwice
Poland
Phone: 48-32-37-53-52
Fax: 48-32-37-53-71

Zbigniew Lewandoski
Silesian Power Distribution Company
ul. Barlkickiego 2
44-100 Gliwice
Poland
Phone: 48-37-53-49
Fax: 48-37-53-71

Wojciech Tabis
Managing Engineer
Zielonogorskie Zaklady Energetyczne S.A.
W Zialonsi Gorze
ul. Zacisze 15
66-775 Zielona Gora
Phone: 48-68-271230
Fax: 48-68-272030



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Maryla Jakubowicz
Project Specialist
USAID Poland
U.S. Embassy, Warsaw
Al. Jerozolimskie 56 C
Phone: 48-2-630-24-80
Fax: 48-2-628-74-86

**Romania**

Sarchis Arachelian
Chief, Marketing Department
General Direction for Electricity& Distribution
RENEL
1A Stefan Cel mare Street
Sector, 1 Cod 71216
Bucharest, Romania
Phone: 40-1-211-42-10
Fax: 401-210-23-00

Dr. Aureliu Leca
Chairholder
University "Politehnica" Bucharest
SPLAIUL INDEPENDENTEI 313
Sector 6 - 77206 - Bucharest
Romania
Phone: 401 312 17 20
Fax: 401 312 17 69

Mr. Vasile Grasin
S.C. ECO-ERG Technologie Service S.R.L.
Str. Anton Pann, Nr. 26
3400 CLUJ NAPOCA
Romania
Phone: 40 64 194 208
Fax:

Dr. Gleb Dragan
President, Romanian Energetics Society
Romanaian Academy
Calea Victoriei 125
Bucharest, Romania
Phone: 401 01 659 48 66
Fax: 401 01 312 02 90

Ms. Georgeta Padureanu
S.C. ECO-ERG Technologie Service S.R.L.
Str. Anton Pann, Nr. 26
3400 CLUJ NAPOCA, Romania
Phone: 40 64 194 208
Fax:

Mr. Paul Zara
B.I.T.
31 Cimpineanu Street
et. 5, Ap. 36
Bucharest 1, Romania
Phone: 40 1 312 1098 or 610 2010
Fax:

Mr. Florin Mihailescu
CAMIGO Ltd.
Str. Dr. Anibal Teohari, Nr. 21
76228 BUCHAREST Sector 5
Romania
Phone: 40 1 781 3353
Fax:



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Mr. Mihail Zdravcu
AEE President
ARCON S.R.L.
Str. Intr. Odobesti, Nr. 1
Bl. Z2, Sc. 5, Et. 1, Ap 59
BUCHAREST Sector 3
Romania
Phone: 40 1 673 60 81
Fax: 40 1 673 60 81

Mr. Haralambie Pavel
S.C. INVEST PROIECT S.R.L.
Str. D. Cantemir, Nr.4,
Bl. I 4, Sc. A, Et. III, Ap. 14.
5800 SUCEAVA, Romania
Phone: 40 30 71 72 08
Fax:

Ms. Simona Parvu
AUTOMATIZARI ORION S.R.L.
Str. Malu Rosu 99A
Bl. 120C, Ap. 25
PLOIESTI, Romania
Phone: 40 44 155 799
Fax:

Mr. Constantin Manolescu
EC-ENERG SR
Intr. Patriahiei No.
Bucharest , Romania
Phone: 40 1 623 9934
Fax: 40 1 769 2138

Mihai Maracineanu
Marpos New Trade Ltd
13 Cimpia Turzii Street
Sec I Bucharest Romania
Phone: 401-618-3521
Fax: 401-210-1788

Gianina Moncea
Program Management Assistant
USAID Romania
Balcscu 26, 5th Floor
Bucharest, Romania
Phone: 401-312-05-07
Fax: 401-312-05-08

**Slovakia**

Martin Brunovsky
Energy Advisor
USAID Slovakia
Bratislava
Fax: 42-7-334-711

Mr. Marian Rutsek
General Manager
EMES
PO Box 135
974 01 Banska Bystrica, Slovakia
Phone: 42 88 43456
Fax: 42 88 745183

Ms. Eugenia Maderova
Energy Advisor
Slovenske Elektrarne
Konvenina 9
811 03 Bratislava, Slovakia
Phone: 42 7 314 475
Fax: 42 7 313 482



63

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**World Bank**

Robin Bates
World Bank
1818 H Street, NW
Washington, DC 20433
Phone: 202-477-1234
Fax: 202-477-0542

Tamas Markus
Deputy Resident Representative
World Bank
Budapest 1065
Nagymezo 44, 4th Floor
Hungary
Phone: 361-269-0389
Fax: 361-269-0396

**Association for Energy Engineers**

Al Thumann
Executive Director
Association of Energy Engineers
4025 Pleasantdale Rd., Suite 420
Atlanta, GA 30340-4278
Phone: (404) 447-5083, x. 212
Fax: (404) 446-3969

Barbara Stroup
Association of Energy Engineers
4025 Pleasantdale Rd. Suite 420
Atlanta, GA 30340-4278
Phone: (404) 447-5083
Fax: (404) 446-3969

**Kiona International**

Shirley Hansen
President
Kiona International
226 Chatham Lane
Annapolis, MD 21403
Phone: 410-858-5241
Fax: 410-268-3621

**United States Agency for International Development**

Robert Archer
Deputy Chief
AID/ENI/EUR/DR/EI
320 21st Street, Room 4440
Washington, D.C. 20523
Phone: 202-647-8274
Fax: 202-647-5194

Greg Butera
Energy Program Analyst
Hungary Country Coordinator
AID/ENI/EUR/DR/EI
320 21st Street, Room 4440
Washington, D.C. 20523
Phone: 202-736-4480
Fax: 202-647-5194

Patrick Egan
Project Specialist
USAID Hungary
Koraly korut 11
1075 Budapest
Hungary
Phone: 36 269 7860
Fax: 36 1 251 1981



64

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Nance Kyloh
Project Unit
USAID Hungary
Koraly korut 11
1075 Budapest
Hungary
Phone: 36 269 7860
Fax: 36 1 251 1981

**Hagler Bailly Consulting, Inc.**

David Keith
Director
Hagler Bailly Consulting, Inc.
1530 Wilson Boulevard, Suite 900
Arlington, VA 22209
Phone: 703-312-0335
Fax: 703-351-0342

Mark Oven
Principal
Hagler Bailly Consulting, Inc.
1530 Wilson Boulevard, Suite 900
Arlington, VA 22209
Phone: 703-312-9862
Fax: 703-351-0342

David Wolcott
Manager
Hagler Bailly Consulting, Inc.
1530 Wilson Boulevard, Suite 900
Arlington, VA 22209
Phone: 703-312-9819
Fax: 703-351-0342

Laurent Pommier
Senior Associate
Hagler Bailly Consulting, Inc.
1530 Wilson Boulevard, Suite 900
Arlington, VA 22209
Phone: 703-312-9816
Fax: 703-351-0342

Theresa Preslik
Associate
Hagler Bailly Consulting, Inc.
c/o Energy Efficient Systems
Mladost - 3
bl. 341/2/52
Sofia 1712
Bulgaria
Phone: 359 2 447 495
Fax: 359 2 447 495

Michael Maier
Associate
Hagler Bailly Consulting, Inc.
c/o Gamax
1122 Budapest, Csabu u. 24/A
Hungary
Phone: 361 155 3016
Fax: 361 175 3134

Pedro Herrera
Associate
Hagler Bailly Consulting, Inc.
c/o Marpos New Trade Ltd.
13 Cimpia Turzii Street
Sec I Bucharest
Romania
Phone: 401 618 3521
Fax: 401 210 1788



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**Alliance to Save Energy**

Mr. Mark Hopkins
Director of Corporate Relations
The Alliance to Save Energy
1725 K Street, N.W., Suite 509
Washington, D.C. 20006-1401
Phone: 202-857-0666
Fax: 202-331-9588

**ICF Incorporated**

Mary Ellen Hopkins
Project Manager
ICF Incorporated
1850 K Street, NW, Suite 1000
Washington, D.C. 20006
Phone: 202-862-1200
Fax: 202-574-2329

Theodore R. Breton
ICF Resources
Vice President
9300 Lee Highway
Fairfax, VA 220310-1207
Phone: 703-934-3351
Fax: 703-691-3349

Kathy Ackley
ICF Incorporated
9300 Lee Highway
Fairfax, VA 220310-1207
Phone: 703-934-3293
Fax: 703-218-2669

**Arthur D. Little, Inc.**

Donald Bradshaw
Senior Consultant
Arthur D. Little, Inc
Acorn Park
Cambridge, MA 02140
Phone: 617-498-6127
Fax: 617-498-5000

**Johnson Controls**

Patrick Cronin
Manager, Marketing Services
Johnson Controls
507 East Michigan Street
PO Box 755
Milwaukee, WI 53201
Phone: 414-274-4148
Fax: 414-274-4388

**International Institute for Energy Conservation**

Peter Hobson
International Institute for Energy Conservation
1-2 Purley Place
London N1 1QA
United Kingdom
Phone: 44-171-704-6737
Fax: 44-171-704-8757



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**Resource Management Associates**

Jennifer Fagan
Resource Management Associates
202 State Street suite 303
Madison, WI 53703
Phone: (608) 283 2880
Fax: (608) 283 2881

**European Bank for Reconstruction & Development**

Bernard Jamet
European Bank for Reconstruction
& Development
122 Leadenhall St.
London EC3V 4EB
United Kingdom
Fax: 44171 338 6106

**Exhibitors**

Frank Andres
Vice President, Commercial
Building Services - Europe
Landis & Gyr Management Corp.
Grafenauweg 10
CH-6301 Zug
Switzerland
Phone: 41-42-245660
Fax: 41-42-245618

R. Stephen Soley
Director, Business Development Central &
Eastern Europe
Owens Corning World Headquarters
Fiberglas Tower
Toledo, OH 43659
Phone: 419-248-6180
Fax: 419-248-6302

Gary Mohre
UE Systems, Inc.
12C West Main St.
Elmsford, NY 10523
Phone: (914) 592-1220
Fax: (914) 347-2181

Kelly Paffel
UE Systems, Inc.
12C West Main St.
Elmsford, NY 10523
Phone: 914-592-1220
Fax: 914-347-2181

Jorgen Schack
Bacharach
European Sales Manager
58 Kongensgade
DK 6070 Christiansfield
Denmark
Phone: 40 74 56 3171
Fax: 45 745 63 178

Mark Heffernan
President
DMS
2917 Woodstock Avenue
Silver Spring, MD
Phone: 301-588-7532
Fax: 301-585-7158



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# Regional Energy Efficiency Conference
# Budapest, Hungary
# June 12-16, 1995

Mark Germer
Electric Power Software
Vice President
1 Carlson Way
Minneapolis, MN 55731
Phone: 612-473-1303
Fax: 612-473-1466

I. Dombovari
Johnson Controls
Manager, Hungary
61381 Friedrichsdorf
Germany
Phone: 49-6172-735-0
Fax: 49-6172-735-159

Erika Farkas
GE Lighting - Tungstram
Advertising Manager
1340 Budapest
Vaci ut. 77
Hungary
Phone: 36 1 169 11 78
Fax: 36 1 169 11 78

Eso Tepponen
Ahlstrom CNIM
Marketing and Sales Manager
58 Avenue d'Iena
75016 Paris
France
Phone: 33 1 536 78 090
Fax: 33 -1 536-78-091

Markku Kostamo
Ahlstrom CNIM
Sales Manager
58 Avenue d'Iena
75016 Paris
France
Phone: 33 1 536 78 090
Fax: 33 -1 536-78-091

Larry Kamberg
Magnetek
Director, Corporate Accounts
1145 Corporate Lake Dr.
St. Louis, MO 63132-1716
Phone: 800-960-6877
Fax: 314-436-2076

Andras Salga
Magnetek, Inc.
Director of Marketing, Hungary
1145 Corporate Lake Dr.
St. Louis, MO 63103
Phone:800-960-6877
Fax: 314-436-2076

Jolando Houben - Cortlever
Ametek
Industrieregler GMBH
Voslauerstrabe 65
A-2500 Baden, Austria
Phone: 43-1-406-59080
Fax: 43-1-406-4483



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# Regional Energy Efficiency Conference
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Tom Laurenz
Delmhorst Instrument Co.
Manager
51 Indian Lane East
Tuaco, NJ 07082
Phone: 800-222-0638
Fax: 201-334-2657

Theo F.J. van Erning
Fluke Europe B.V.
Area Sales Manager
5602 BD Eindhoven
Science Park Bindhoven 5110
5692 EC Son
The Netherlands
Phone: 31 40 644257
Fax: 31 40 644260

Jozsef Kozbenheyer
Panametrics Messtechnik Gesellschaft
Waldgasse 39
A-1100 Wien
Germany
Phone: 0043 1 6022534
Fax: 0043 1 6022534

Miklos Juhasi
Fisher- Rosemount
Branch Manager
1146 Budapest
Erzsehet Kirdlyne utja 11c
Hungary
Phone: 36-1 153 1190
Fax: 36-1 343 0173

Maria Korodi
Fisher Rosemount
Sales Engineer
1146 Budapest
Erzsehet Kirdlyne utja 11c
Hungary
Phone: 36-1 153 1190
Fax: 36-1 343 0173

Jozsef Flieg
Chesterton/TPI
Manager, Hungary
Carl Zeiss Ring 9
D-85737 Ismaning
Germany
Phone: 49 89 9965460
Fax: 49 89 99654660

Dr. Gyula Hidegknti
APV Hungary
Technical Director
H-1222 Budapest
Haros u. 7
Phone: 36-1 227 4496
Fax: 36-1 227 4497

# THE GLOBAL MARKET FOR ENERGY EFFICIENCY

by
Henri-Claude Bailly
Managing Director
Hagler Bailly Consulting, Inc.
Arlington, Virginia, USA

Energy Efficiency:
Expanding the Market in Central and Eastern Europe

Budapest, Hungary
June 15, 1995

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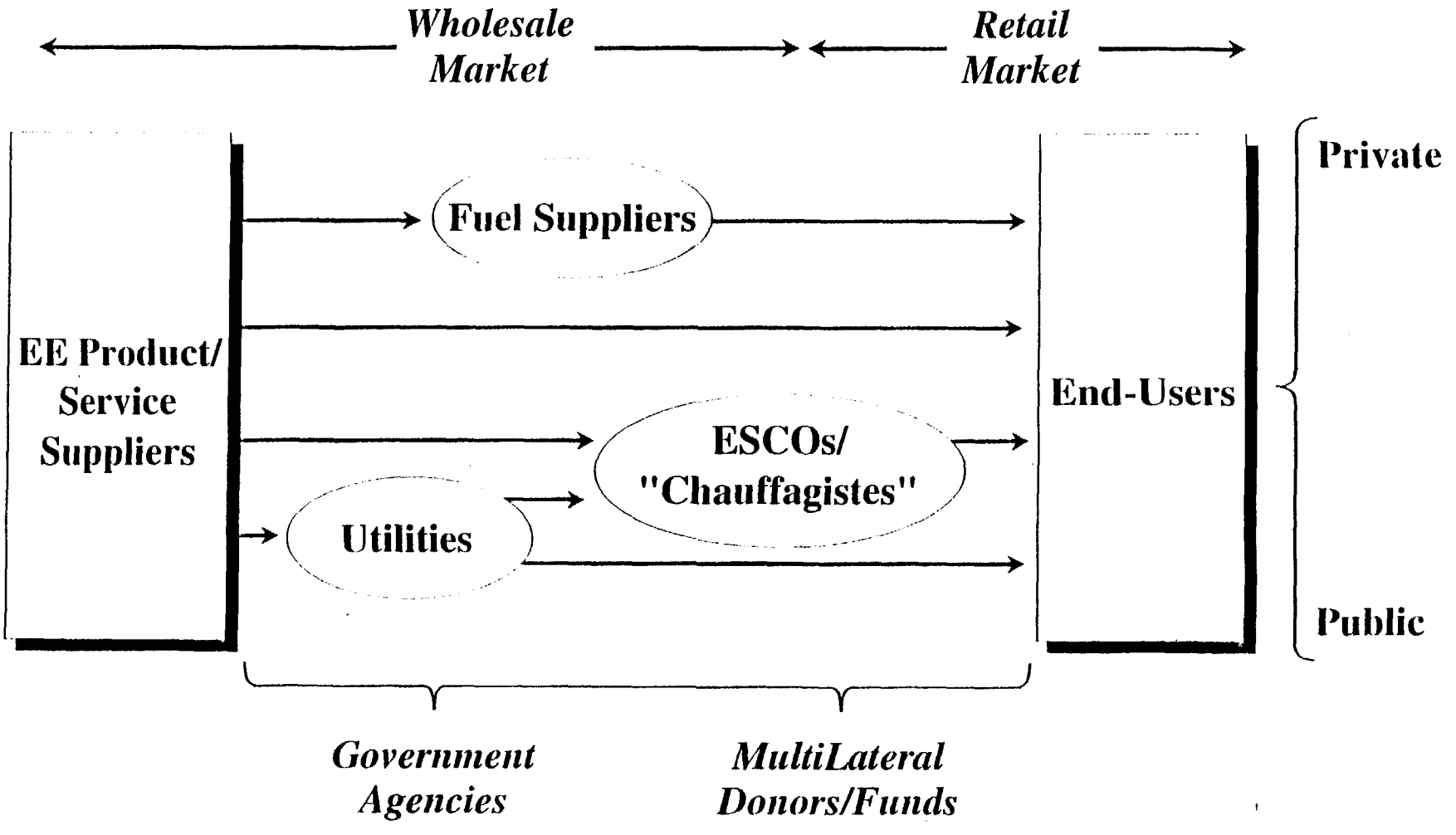
# Outline

- The "Buyers"
- Representative Technologies and Services
- Potential Benefits
- Current Market Size
- Market Outlook
- Concluding Message

# The "Buyers" of Energy Efficiency




Source: Hagler Bailly; March 1995.

# Representative Technologies and Services

(Excludes Transport/Power Sectors)

**Industrial Technologies**

- High-Efficiency Boilers
- Cogeneration
- Conservation Controls
- High-Efficiency Motors
- Adjustable Speed Drives
- Process Controls
- Waste Heat Recovery
- Insulation
- Lighting
- Integrated EMS

**Commercial/Residential Technologies**

- High-Efficiency HVAC
- High-Efficiency Appliances
- Lighting
- EMS/Controls
- Building Envelope Systems

**Services**

- Energy Audits
- Feasibility Studies
- DSM Program Design
- Installation/Operation

Source: Hagler Bailly; March 1995.



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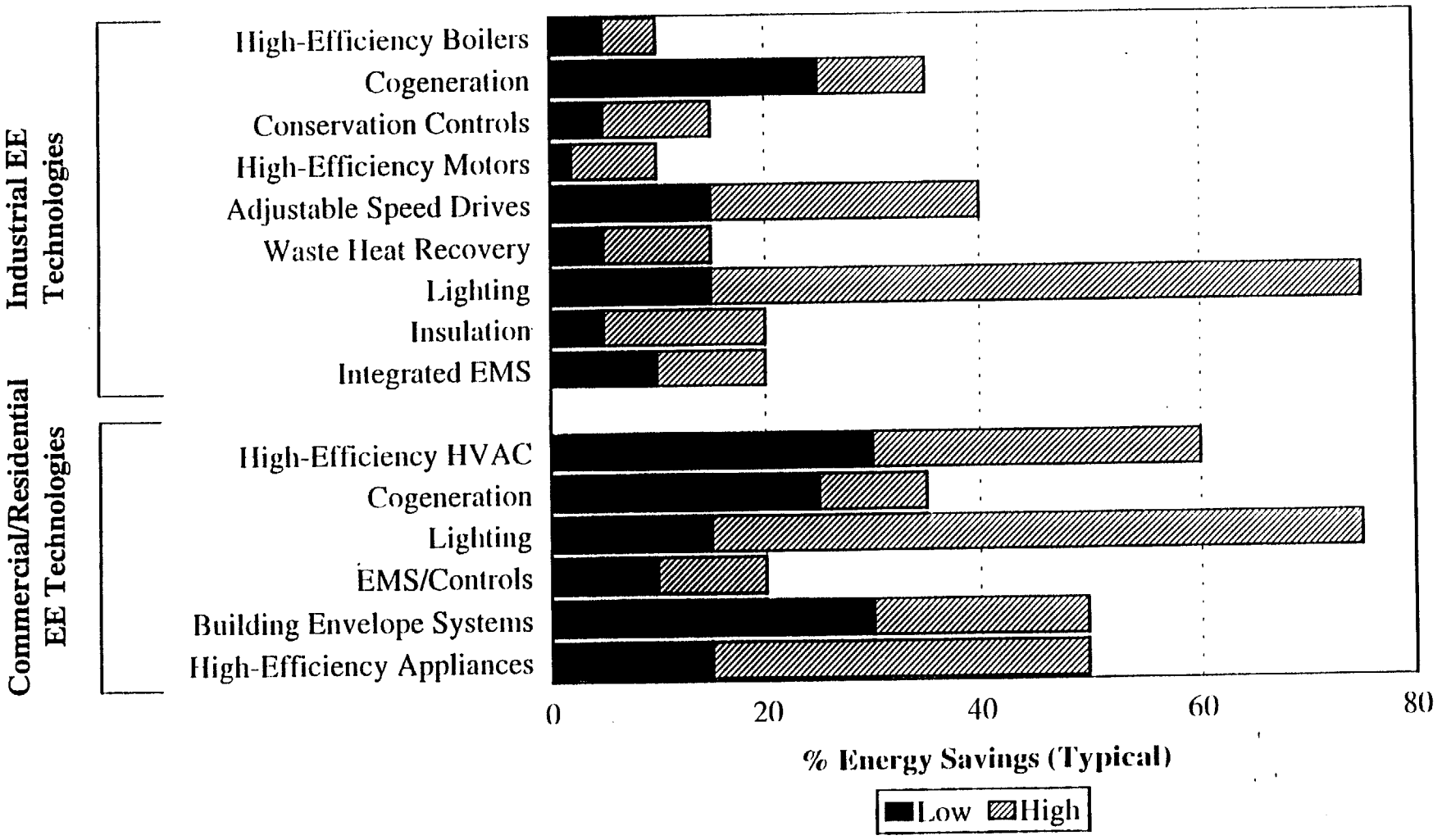
# Potential Benefits

## – Typical Energy Savings to End-Users –




Source: Hagler Bailly; March 1995.

# Current Market Size

**In the Private Sector**

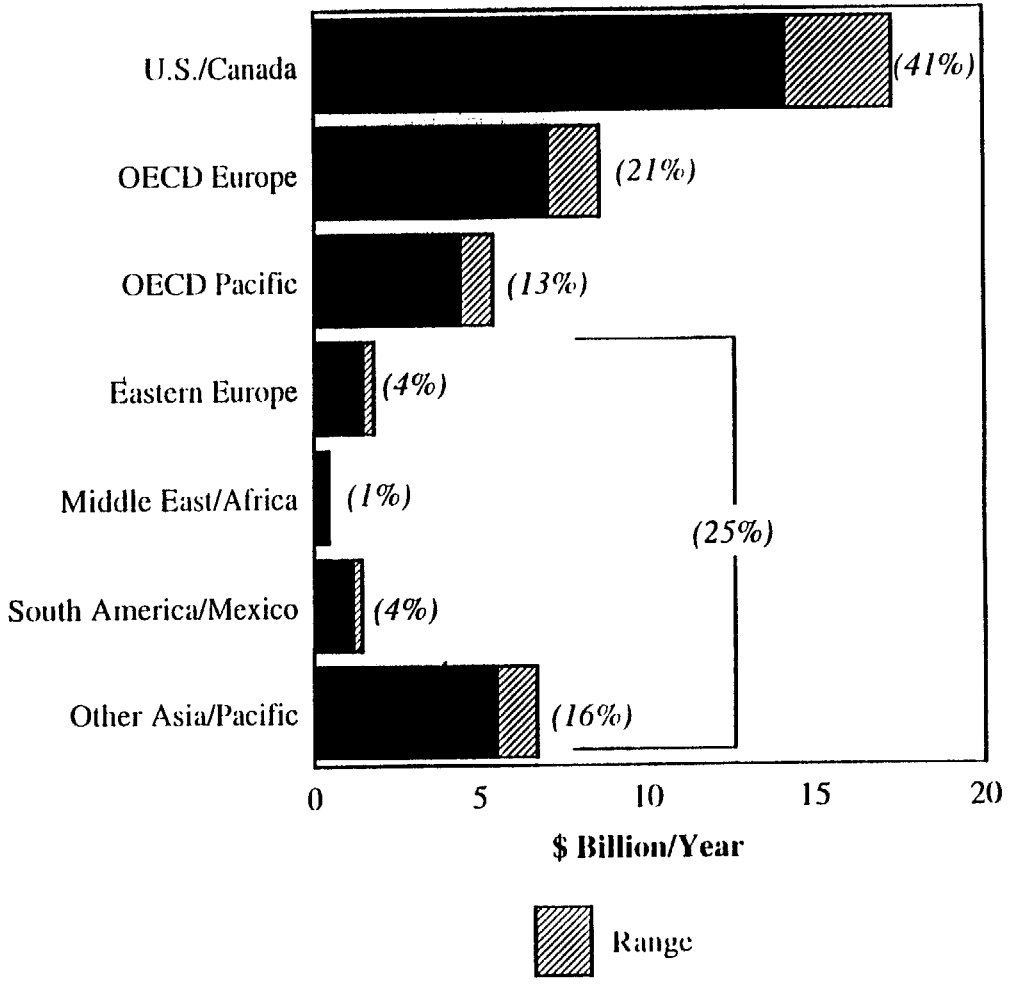
- Estimates vary widely across sectors/technologies
- Probably over $80 billion/year
- Growing rapidly, particularly for services
- Many services/technologies can be provided locally

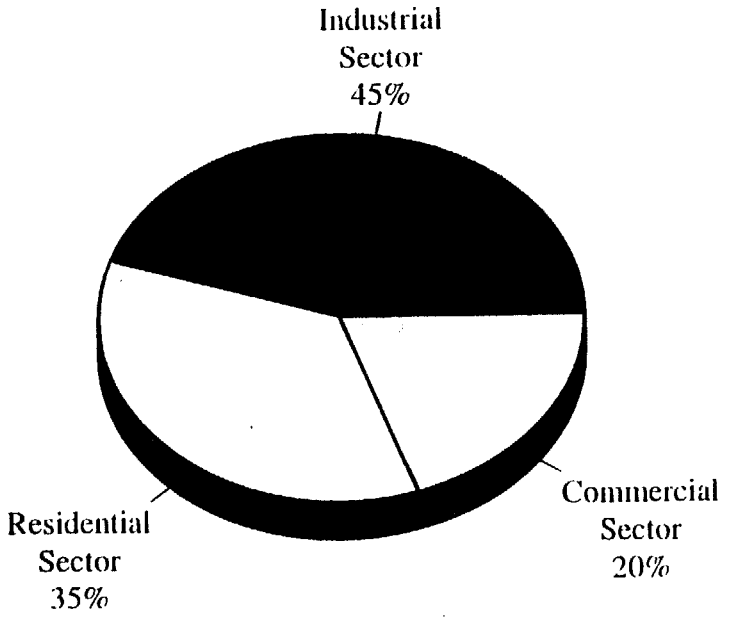
**In the Public Sector (OECD)**

- Nearly $2 billion/year in government spending
- More than $600 million/year for government-sponsored R&D
- Focus is on technology demonstration/"market-pull" initiatives

# Current Market Size

## -- For Selected Industrial and C/R Technologies --



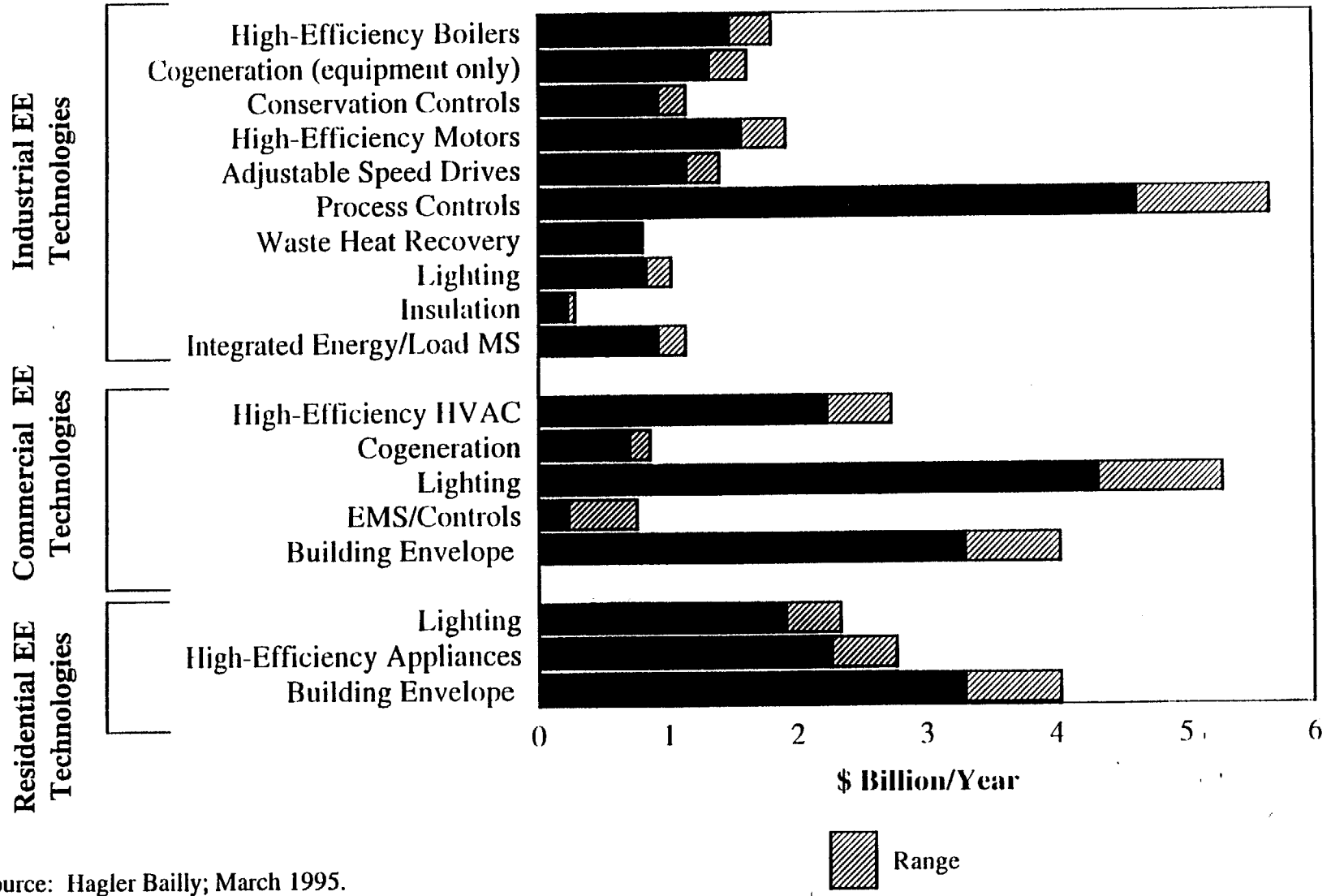




**Total Market**
**$34 - 42 Billion/Year**

Source: Hagler Bailly; March 1995.

# Current Market Size

## -- For Selected Industrial and C/R Technologies --

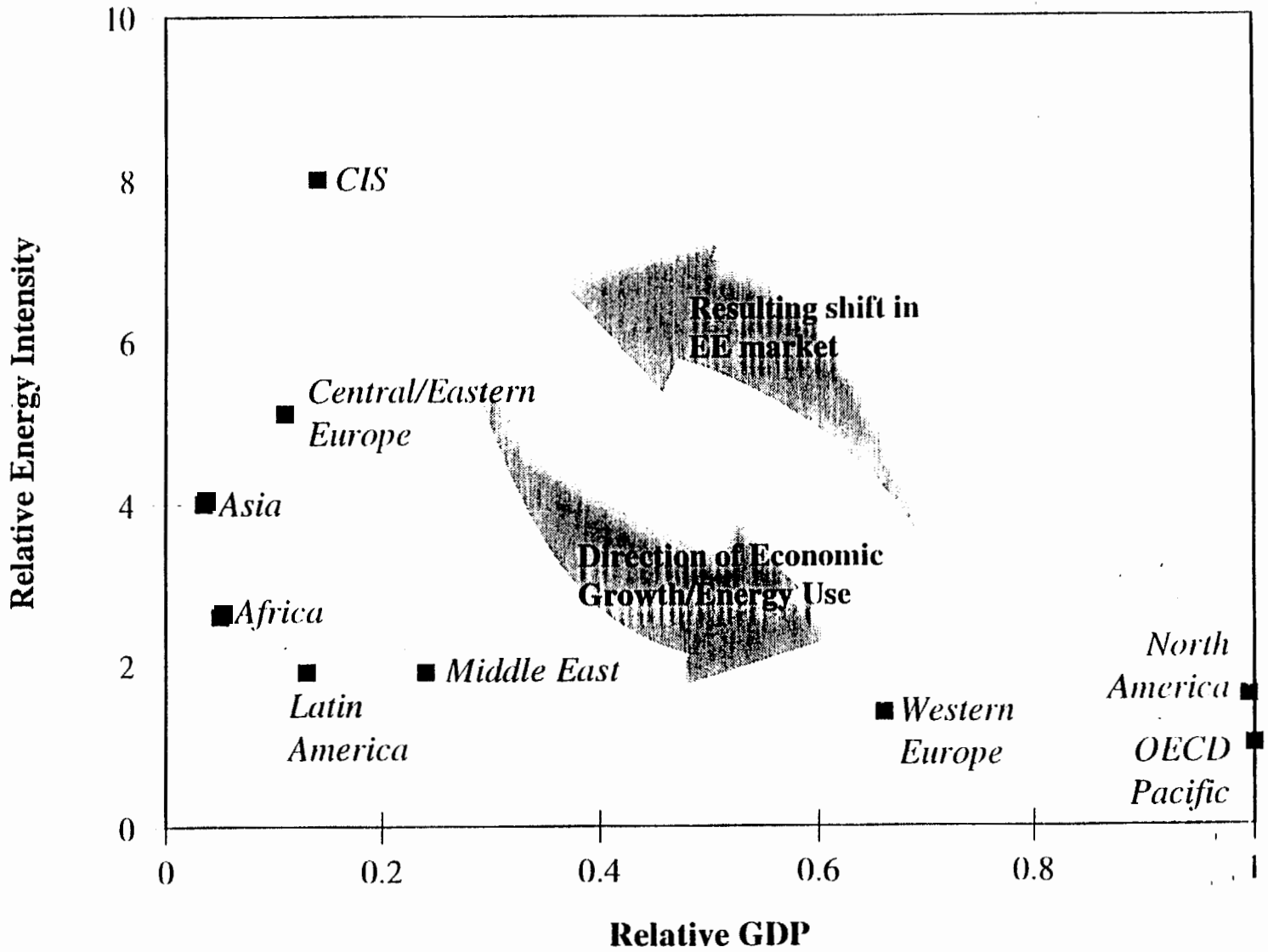



Source: Hagler Bailly; March 1995.

# Market Outlook

- European Union estimates 40% energy savings achievable with "best available technologies"; 8% electricity savings with 4 technologies alone.
- Japan targeting another 35% improvement in energy intensity.
- U.S. has the potential to reduce consumption over 20%.
- Many Asian countries targeting energy improvements of 15-30%.
- Markets expected to shift to non-OECD countries.

# Market Outlook




Source: Hagler Bailly based on IEA data; March 1995.



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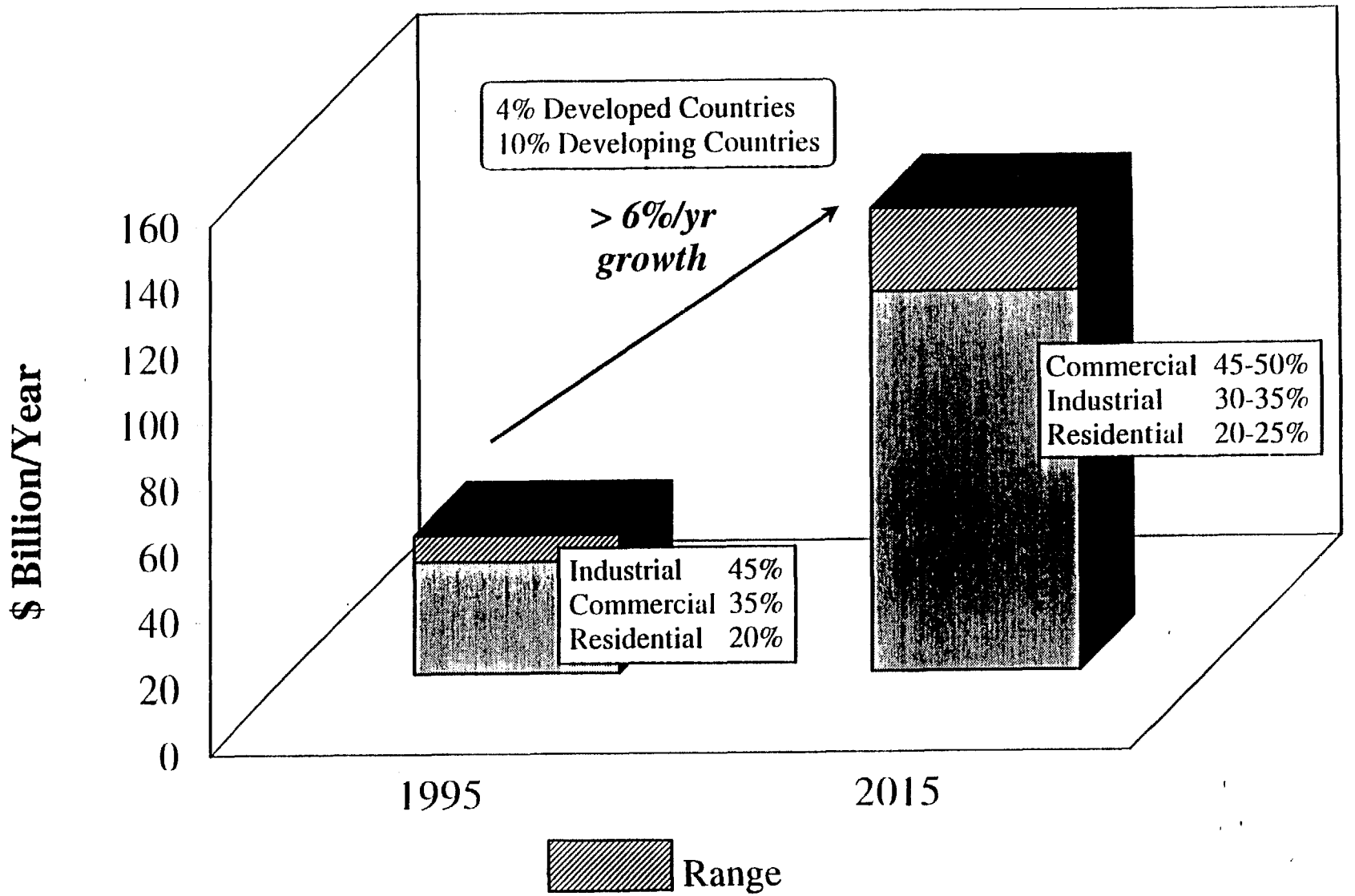
# Market Outlook

- Significant potential remains with individual technologies.

- Energy-efficient designs still less than 10-20% of new product sales:
  - efficient lighting used in less than 1% of potential applications
  - efficient motors and ASDs used in less than 3% of installed applications
  - several GWs of untapped industrial/commercial cogeneration.

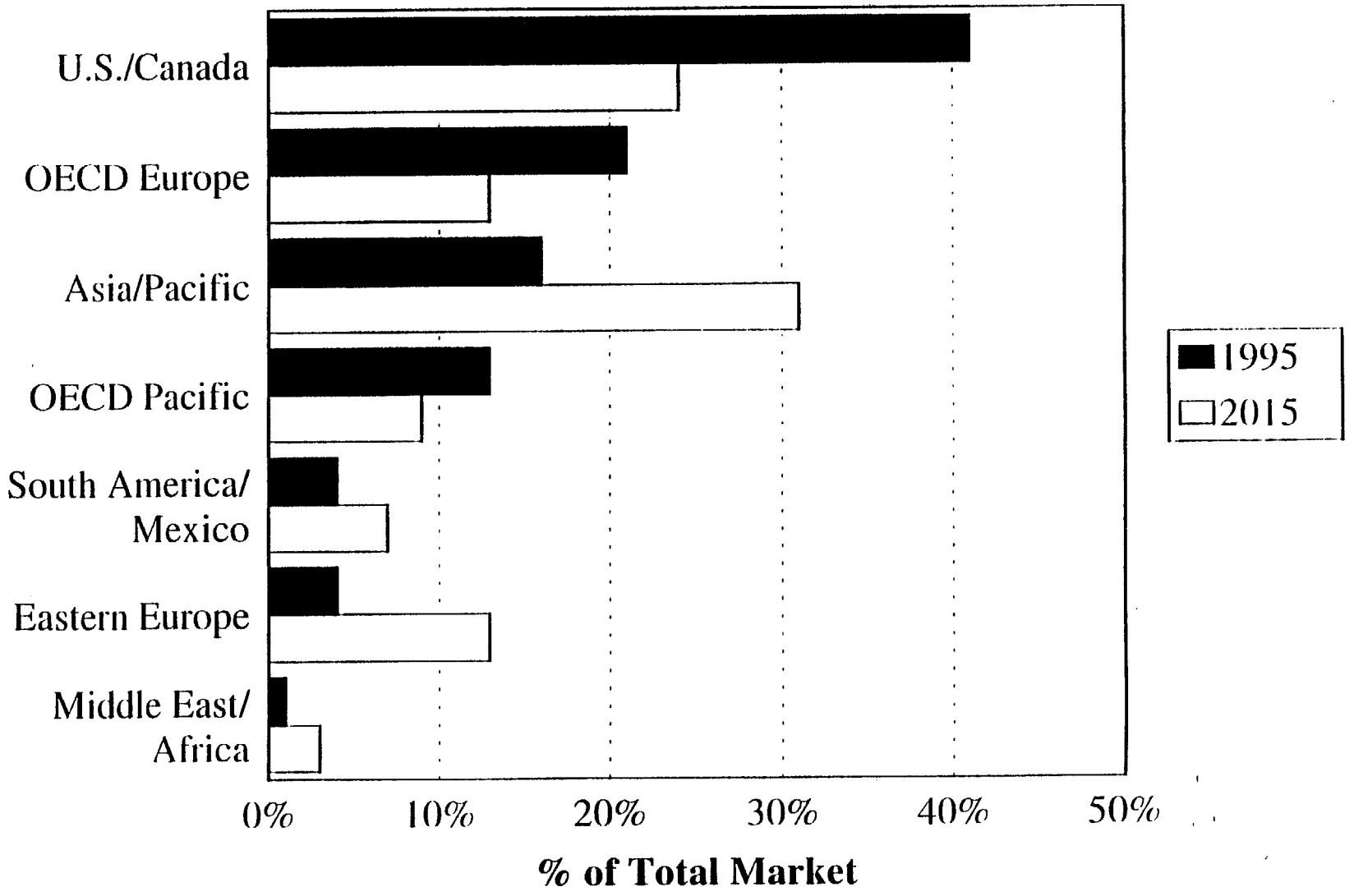
- Our market outlook is well below the realizable potential.

# Market Outlook




Source: Hagler Bailly; March 1995.

# Market Outlook



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# Concluding Message

- Market growing rapidly; could increase under the "right" market conditions -- e.g., energy pricing, taxes, environmental costs, standards.

- Developing the EE market requires:

  - the right set of transactions
  - expanding the use of information technology
  - involving the key buyers/players in the delivery chain.

- The private sector must be pulled by the market, but can be pushed by:

  - information and training
  - financing.

# AN INTEGRATED APPROACH TO INDUSTRIAL ENERGY MANAGEMENT

by
David A. Keith
Hagler Bailly Consulting, Inc.
Arlington, Virginia, USA

presented at
Energy Efficiency:
Expanding the Market in Central and Eastern Europe
Budapest, Hungary

June 13, 1995

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# INDUSTRIAL MANAGEMENT: KEY TO ENERGY EFFICIENCY

**Energy efficiency is simply a result good management**

Energy management is one important technique of cost reduction. First, management must decide that Cost Reduction is an objective.

Improvements to energy efficiency can also be achieved as part of projects designed to improve quality or productivity. Thus, managment can acheive efficiency indirectly.

Industrial energy efficiency can best be achieved when industrial enterprises are market-driven. The competitive market drives management to improve cost, speed, and quality.

In contrast, monopolies are not driven to improve cost, speed, and quality. Their incentives are to maintain the status quo. To maintain an easy life.

Observations on various factories in Eastern Europe:

> Energy efficiency is a function of the installed process technology - the equipment.
>
> Energy efficiency is a function of production rate - the market demand for the product.
>
> At a given production rate, there is significant (10-20%) variability in energy consumption in many factories - degree of management control.
>
> Privatized plants have become more energy efficient - management incentives, survival.



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## EFFICIENCY RATIOS

**Energy efficiency is the ratio of energy cost to production cost**

We can improve efficiency by acting on either side of the ratio:

**Energy-related projects** act mainly on the energy side of the ratio:

- Energy conservation projects which reduce fixed energy consumption, such as operating most efficient equipment in priority, repair of leaks, upgrading of insulation, improved lighting, or load management;

- Energy conservation projects which reduce variable energy consumption, such as installing low-energy process equipment, the use of catalysts, improved metalworking tools, and radiant heat transfer equipment;

- Fuel substitution projects which reduce the cost per Gcal, or which reduce the level of fines for environmental emissions (increasing profits).

## EFFICIENCY RATIOS

Other projects can also assist by acting on the **production side** of the ratio:

- Production enhancement projects;
- Quality improvements;
- Marketing improvements;

Improvements to energy efficiency is not merely a task for "energy efficiency experts". Others are needed:

- industrial process technologists,
- management experts,
- information systems experts,
- quality experts,
- productivity experts.

## FACTORY-LEVEL TECHNIQUES FOR IMPROVING INDUSTRIAL ENERGY EFFICIENCY

Improvements can only be achieved by taking specific, detailed actions in the factory.

These actions involve changes to operations, maintenance, or equipment.

A factory's energy efficiency program typically involves 10-20 actions, each of which improve efficiency by 1-2%.

Achieving and maintaining industrial energy efficiency in an enterprise is a never-ending process, and so must be fully integrated into the normal course of business operations.

The standard of efficiency is always increasing, as dictated by the competition in any given market.



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## INDUSTRIAL ENERGY EFFICIENCY ACTIONS

Categorize into four groups, on the basis of the investment required:

A. Management and organizational improvements, which generally require little or no investment;

B. Low-cost measures to improve operations and maintenance, projects which provide a payback of one year or less;

C. Minor investments to upgrade existing equipment, projects which provide a payback of three years or less, based on energy savings;

D. Major investments to acquire new, modern equipment, which may have multiple benefits in productivity, quality, and energy efficiency.

**In an economic ranking, highest priority is always given to type A and type B projects.**

## INDUSTRIAL ENERGY EFFICIENCY ACTIONS APPROPRIATE FOR CENTRAL & EASTERN EUROPE TODAY

**Examples of "Type A" actions, management and organizational improvements**

- Change ownership so that a new "owner's mentality" is created, with commitment to improve quality, productivity and efficiency.
- Change organizational structure to establish energy department as a profit center, "selling" energy to production department.
- Establish energy accounting systems and management information systems to allow management to monitor efficiency in time to take control actions.
- Create working conditions that motivate all employees to improve efficiency, productivity and quality, including financial incentives and feedback of results.
- Provide information and training appropriate to employees at management and engineering levels in energy efficiency technology and techniques.
- Establish a total quality management program in the plant, based on worker participation in a process of continuous improvement.

## INDUSTRIAL ENERGY EFFICIENCY ACTIONS APPROPRIATE FOR CENTRAL & EASTERN EUROPE TODAY

### More "Type A" actions

- Organize a market-driven decision-making process for difficult, but essential, management decisions which are urgently required, but are being delayed, such as:
  - -- Which markets to be in
  - -- Which products to produce
  - -- Level of quality needed by the market
  - -- Type of packaging needed by the market
  - -- Transportation needed to get to the market in time
  - -- Which parts of the plant to close down
- Establish a marketing department with sufficient staffing and funding to increase sales, so that the plant can operate at higher capacity factor, and thereby spread fixed energy consumption over more units of production.
- Establish a production process R&D department to learn the state-of-the-art in the selected markets/products, and plan the future modernization of the plant.
- Optimize operations, so that production is carried out using the most efficient equipment in the factory in the most efficient way (least-cost production).



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## INDUSTRIAL ENERGY EFFICIENCY ACTIONS APPROPRIATE FOR CENTRAL & EASTERN EUROPE TODAY

**Examples of "Type B" actions, low-cost improvements to operations and maintenance**

- Upgrade the general standard of maintenance throughout the plant, and provide maintenance personnel with tools, training, status, and management reinforcement.

- Establish teams dedicated to specific efficiency-related tasks and provide them with the necessary diagnostic instruments, repair tools, and budgets. These teams will:

  -- identify obvious energy waste, such as steam leaks, and carry out necessary repairs.

  -- identify low-cost improvements to operations and maintenance, and establish new procedures.

  -- identify minor retrofit improvements needed, and develop cost and benefit estimates

  -- develop specifications for future procurement, and thereby upgrade the standard of efficiency over time.

## INDUSTRIAL ENERGY EFFICIENCY ACTIONS APPROPRIATE FOR CENTRAL & EASTERN EUROPE TODAY

**More "Type B" actions:**

- Upgrade the level of instrumentation in the plant, especially for energy flows and efficiency-related parameters, and establish procedures based on instrument readings.

- Establish a preventive maintenance system in the plant, with necessary monitoring instruments, procedures, and staff, to improve equipment reliability and increase efficiency.

- Provide information and training in energy efficiency technology and techniques, appropriate to employees at various production, operations and maintenance levels.



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## INDUSTRIAL ENERGY EFFICIENCY ACTIONS APPROPRIATE FOR CENTRAL & ESTAERN EUROPE

**Examples of "Type C" projects, minor investments in equipment upgrading**

- Improvement of control systems, including automation and regulation, such as boiler air-fuel control.
- Installation of heat exchangers to recover waste heat in production processes.
- Improvement in quality control equipment to reduce scrap generated by production process.
- Install recycling equipment to convert scrap generated at intermediate stages of the process.
- Rehabilitation of boilers, ovens, dryers, kilns, and heat exchangers to clean radiant and convective heat transfer surfaces and repair internal leaks.
- Rehabilitation of process equipment to improve reliability and reduce start/stops and downtime.
- Installation of efficient lighting systems, variable speed drives and other cost-effective retrofits where feasible.

## INDUSTRIAL ENERGY EFFICIENCY ACTIONS MAY BE APPROPRIATE FOR CENTRAL & EASTERN EUROPE

**Examples of "Type D" projects, capital investments in modernization**

- Conversion of a plant to produce a different, but related, product that offers a higher value-added for a given level of energy consumption.
- Installation of new process technology for the same product to improve productivity, increase reliability, improve quality, and reduce specific energy consumption.
- Conversion to alternative fuel that offers benefits in lower cost, improved product quality, or reduced pollution.
- Installation of new boilers, turbines, and prime movers that offer higher efficiency.
- Installation of cogeneration - combined heat and power systems, possibly including sale of power to grid or sale of heat to the neighboring district.



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# DSM
# IN THE CONTEXT OF
# CENTRAL AND EASTERN EUROPE

by
David Wolcott
Hagler Bailly Consulting, Inc.
Arlington, Virginia, USA

presented at

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## INTRODUCTION

### The Role of DSM and IRP

Demand-side management (DSM) is the identification, use, and evaluation of demand-side resources. DSM is achieved through ***energy efficiency***, which is the reduction of kilowatt hours (kWh) of energy consumption or ***load management***, which is the reduction of kilowatts (kW) of power demand or the displacement of demand to off-peak times. It encompasses a broad range of measures to encourage consumers to voluntarily modify their electricity consumption without compromising service quality or customer satisfaction. Tariffs can be designed to stimulate a shift in consumption to off-peak periods. End-use energy efficiency can reduce both energy and peak power demand. Direct load control can likewise limit peak power demand.

Demand-side management is typically accomplished through utility sector programs, as the consequence of utility planning for and acquisition of electric resources. In this context, DSM is distinct from other activities that can achieve end-use energy efficiency throughout society. Such activities include the implementation of building codes and appliance efficiency standards by government bodies and the normal market response of consumers to changes in the price of energy and the availability of new end-use technologies.

Demand-side resources should be developed when they are shown to be less costly, from society's point of view, than adding another unit of capacity or generating another unit of energy. For these DSM measures to succeed, however, both utilities and consumers must have incentives to participate in DSM programs. Put another way, the market model of the power sector must ensure that price signals and other incentives are in place to make the least-cost plan (from society's point of view) the most profitable plan for utilities and consumers alike.

It may seem irrational for a utility to try to sell less of its product. This perception reflects the limitations of traditional power sector regulation rather than the value of DSM. Power sector regulations in many countries have not provided utilities with incentives to consider both supply- and demand-side resources when developing a least-cost resource mix. In fact, load-reducing DSM may be an important strategy for providing electric services at least cost, since it is often cheaper to save energy than to produce it. In instances where regulations encourage market choices and socially optimal investments to coincide, utilities have come to understand that the electric resources that exist on the customer's side of the meter may be more cost-effective in meeting electric power needs than building expensive new power plants. From this experience came the recognition that a "negawatt" of electricity saved through DSM is as good as a megawatt of generation capacity.

For instance, if a utility manages to reduce electricity demand, it can postpone the construction of expensive new power plants or increase reliability. Alternatively, reducing total generation can obviate the installation of costly environmental controls. Capturing these benefits, however, requires utilities to view their roles differently. Whereas utilities that rely solely on conventional supply-side resources such as power plants often view themselves as commodity producers,

utilities that tap the potential of DSM must perceive themselves as service providers, i.e., that they are in the business of meeting consumer needs rather than simply producing kilowatt-hours.

Utilities may invest in DSM in several ways. One way is for the utility to issue requests for proposals (RFPs) for new resources. Generation companies may come forward with contracts for firm supplies, while consumers, especially large customers, may offer energy saving opportunities. Frequently, energy service companies identify potential consumer savings and enter into contracts with one or more consumers to obtain those resources. The energy service company may then package several of these contracts into a single proposal to the utility. Once the utility receives the bids, it orders the resources by cost and contracts with those presenting the least costly proposals (both supply- and demand-side) until the utility's needs are fully met.

An alternative (but not mutually exclusive) approach is for the utility to develop a DSM program on its own, and then to implement the program itself or through contractors. Programs may run a gamut from the passive end of the spectrum, in which utilities may only provide additional information to consumers to increase their awareness of the opportunities and benefits of energy efficiency, to the aggressive end, in which utilities may go to customer premises and install more efficient equipment. Rebate programs are in between these extremes. In rebate programs, the actual installation of the measure is left up to the consumer, but an economic incentive is provided by the utility. Although program participation increases with utility promotion and rebate levels, higher rebates and aggressive promotion typically cost more. Part of the art of program design is to balance these costs and benefits.

Just as utilities recover the cost of supply-side resources in their rates, regulations should allow utilities to recover the costs of DSM programs by including these costs in the ratebase. These costs may include the revenues lost by virtue of DSM program participation. Regulations may also require that resource planning take into account environmental costs. By providing incentives such as these to utilities, regulations can ensure that supply- and demand-side resources are evaluated on an equal basis.

IRP is fully compatible with a market model of the power sector. IRP regulations should not stipulate which utility resources should be used, but rather the rules for resource selection. In fact, IRP broadens the power sector market by defining the market to encompass both supply- and demand-side resources. Regardless of how the power sector market is ultimately structured, entities that purchase power resources can be given a choice of procuring demand-side or supply-side resources. IRP regulations will ensure that the prices they pay and the incentives they are given reflect the GOP's broader economic, social, and environmental considerations.



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**Possible DSM Issues**

Some have raised several issues related to the applicability of DSM in Central and Eastern Europe (CEE). Four of these issues are addressed in this section.

**DSM and Declining Electricity Demand.** The issue most commonly raised was whether DSM was appropriate for CEE in light of the fall in electricity demand over the past few years.

Even if current reserve margins were higher and capacity additions and rehabilitation were expected only in the distant future, several arguments would remain in favor of DSM:

- The fundamental institutional changes to be brought about by energy sector reform in CEE countries present a unique opportunity to develop a lasting framework for optimal power system planning and operation. It is critical to establish a regulatory framework that takes into account all resource options. Conducting this study within this framework will help determine whether DSM has a place among CEE's near-term resource options.

- Load will eventually increase and generation units will be retired to the point that further capacity is needed. Because there is uncertainty about when this will happen, experience with DSM should be developed now so that effective responses will be available when needed.

- If true IRP is implemented, environmental costs will weigh heavily against coal-based generation, which accounts for the majority of electricity generation in most CEE countries. DSM offers immediate environmental benefits in this regard.

- Avoided capacity is only one monetary benefit of DSM. By adopting DSM, both utilities and consumers will forego energy costs that would have been incurred otherwise. Energy intensity in CEE is two to three times higher per unit of GDP than in European OECD countries. Clearly, there is considerable scope and justification for DSM programs, which emphasize energy efficiency.

**DSM and Increased Social Costs.** Another, far more politically important issue also emerged. Much of electricity in CEE is produced from coal- or lignite-fired plants. Coal mining has been hit hard by the economic transformation in CEE, both as a result of the removal of production subsidies and lowered demand. Many mines have been closed, others face closure, and unemployment in mining regions is at record levels.

Why, then, should DSM be considered a resource option when it may only accelerate mine closures and raise the associated social costs? Every resource has its costs. One aim of IRP is to determine which costs and benefits are counted when evaluating options, and to apply these cost



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accounting principles consistently across all potential resources. While formulating power sector regulations, the government may wish to take environmental and other externality costs into account in addition to direct monetary costs.

There is already an extensive body of literature on the environmental costs of various utility resources. One must consider those costs when assessing the benefits and costs of DSM programs, including the social costs of DSM. Some studies have been conducted in the United States on the employment impacts of DSM. They have found that DSM is a net producer of employment.[1] If the same holds for CEE, the attractiveness of DSM would be enhanced. In any case, the social costs associated with a resource should not automatically disqualify that resource from further consideration; rather, the tradeoffs involved should be considered within the broader IRP framework.

**Equity Concerns and DSM Programs.** The costs of DSM programs would be absorbed in rates, just as the costs of supply-side resources are. While program participants would have their bills reduced by virtue of the load reducing measures they adopt, non-participants could face higher bills. Some utility staff have pointed out that one sector or group of consumers could end up paying more so that another sector or group can pay less, resulting in a potentially indefensible cross-subsidy.

DSM programs should be adopted only if they are shown to be economically justified. If they are, then participation should certainly be encouraged. If participants and non-participants were treated equally, there would be little incentive for voluntary DSM program participation. The real issue, then, is not that participants enjoy an advantage over non-participants, but that all consumers have opportunities to participate. Programs should therefore be developed for all customer classes so that the benefits of participation can be distributed equitably. Consequently, we must consider programs directed towards a broad range of consumers, including industry, commercial enterprises, and households. Cost tests, which are described in the following section, can be used to determine the financial impacts of programs on both participants and non-participants, and financial incentives can be adjusted accordingly to ensure that each participant group receives appropriate benefits.

Consumers will voluntarily participate in DSM programs if they feel it is in their best interest to do so. Bill impacts are often a major consideration when consumers decide whether or not to participate. However, the current billing system in CEE, at least for households and small commercial users, does not provide the immediate price signals that can influence consumer behavior. Because meters for small consumers are generally located inside the customer's

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[1] Geller, H. et al., *Energy Efficiency and Job Creation*, American Council for an Energy-Efficient Economy, 1992.



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premise, they cannot be read each month; nor can accounts be settled on a monthly basis. In fact, it is not uncommon for meters to be read only once in two years. This denies the consumer the information necessary to make good energy management decisions, and impedes the functioning of a robust power market.

**DSM and the Current Economic Environment.** Finally, several CEE counterparts pointed out the instability of the current economic environment in CEE. The only thing which is certain is that further change is inevitable; what good then is a DSM assessment when demand patterns are undergoing continuous and rapid change? There are several responses to this observation:

- Uncertainty about the future is not unique to CEE; it is common to all planning efforts. This uncertainty is one reason why planning is called for. Under the circumstances, planning may not be perfect, but it is better than the alternatives. The planning process should help identify those factors which have the greatest influence on outcomes and should develop strategies for minimizing the risk associated within the uncertainty surrounding these factors. Proper analysis includes sensitivity tests and probabilistic simulation to explicitly address this uncertainty.

- DSM program participation and impacts should be modeled to generate insights and not numbers. The results of this analysis should not be interpreted narrowly (e.g., the benefit/cost ratio of a particular program is 3.5). Rather, they should be viewed in terms of whether DSM programs remain attractive under a wide range of conditions that could prevail in the future.

- Low industrial capacity utilization in CEE countries will affect a DSM assessment. Industry likely holds the greatest DSM potential, and as economic activity and capacity utilization increase, the benefits of DSM will likewise increase because more energy will be saved for a given measure. For example, the benefits of replacing a standard motor with a high-efficiency motor are far greater in a two-shift factory than in a one-shift factory.

- Similarly, a DSM assessment should not overestimate participation. All sectors in the economy face enormous pressures just to survive the country's economic transformation, and as pointed out in the Tariff Study, electricity costs are a relatively small share of most entities' total budget. Therefore, consumer preoccupation with other pressing issues will reduce participation from levels that would be expected under more stable circumstances.

Notwithstanding the above, the uncertainty of industrial facility survival is a problem. In the highly unstable economic environment of CEE, a large number of industrial and commercial facilities are being closed, many of them permanently. This situation creates a difficult challenge

to the successful implementation of DSM programs in which special precautions have to be taken to avoid a high rate of loss or non-performance of utility DSM investments.

## THE DSM ASSESSMENT

DSM will find a place in a country's least-cost plan only if it is shown to be ***economically justified*** from a social perspective as well as ***financially viable*** for both utilities and consumers. However, financial viability will depend upon the power sector regulations and revised tariffs, which are still being prepared. Since programs cannot be designed (e.g., with respect to rebate levels) to meet utility and consumer criteria until these regulations and tariffs are in place, early assessments should focus on the economic justification for DSM.

In any case, the economic analysis of DSM is the first step towards developing a DSM program. If DSM cannot be shown to be economically justified, then subsequent financial analysis is not warranted. If DSM programs are shown to be economically justified, then this analysis can serve as the foundation for subsequent financial analysis, program refinement, and the formulation of regulations that will make economically justified programs financially viable.

Moreover, economic analysis is required if DSM is to be considered for multilateral development bank (MDB) financing. While MDBs would also require financial analysis for the appraisal of a full-scale implementation project, it is expected that economic analysis alone will be sufficient for the appraisal of a pilot project. The financial dimensions of the pilot project would be addressed once the new energy sector regulations and tariffs are in place, probably after the loan is appraised.

Exhibit 1 illustrates the scope of this analysis. As noted above, DSM redefines the boundaries of utility planning to include the customer.

It is important to define the load shape objectives for DSM. Just as expected changes in load shapes can guide the selection of new supply options (e.g., whether a peaking or baseload unit is called for), DSM programs can be designed to achieve particular load shape objectives. These objectives are summarized in Exhibit 2.



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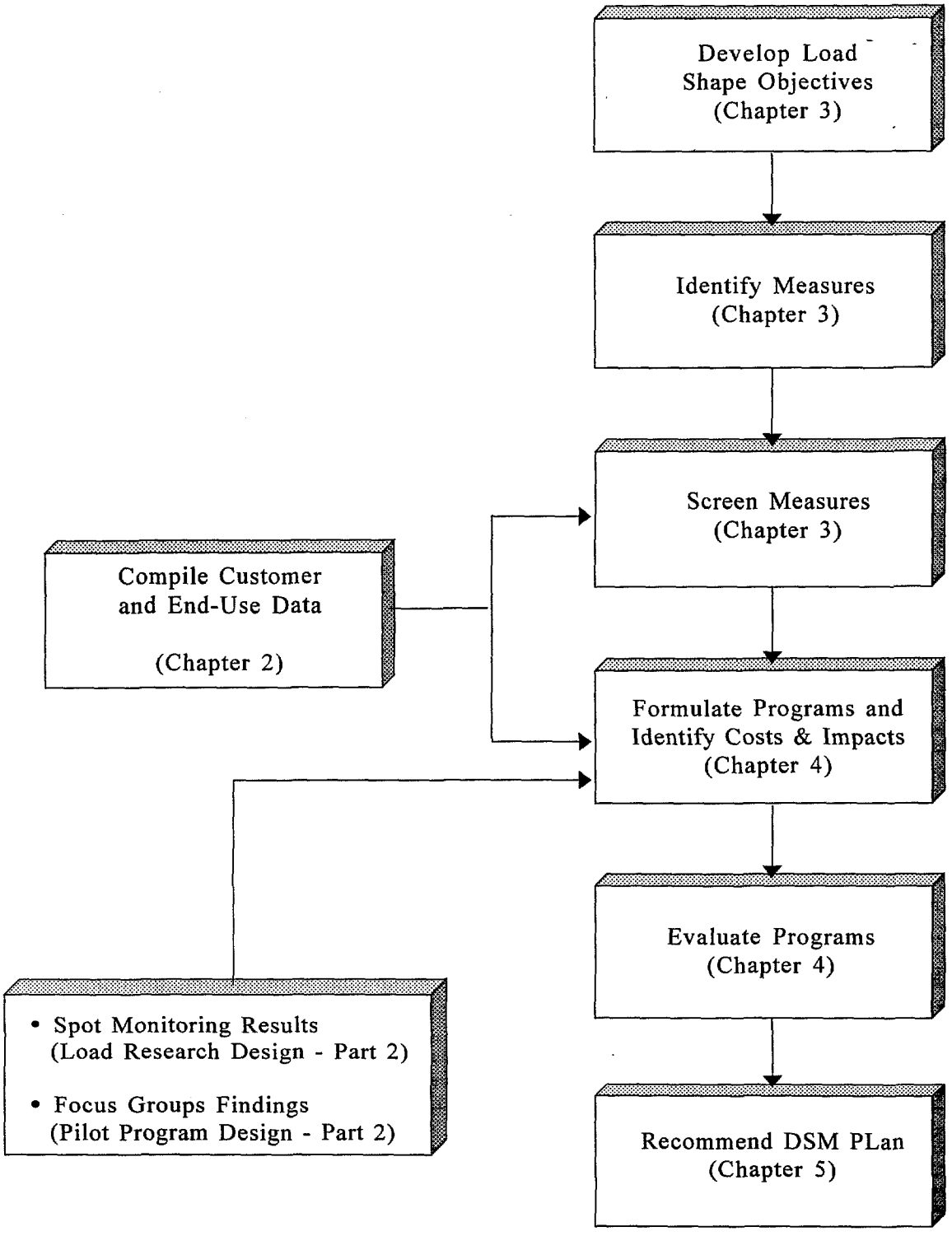
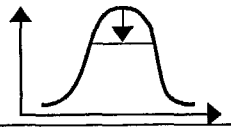
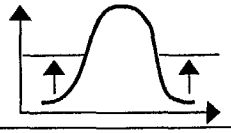
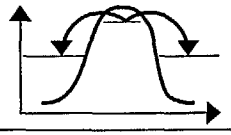
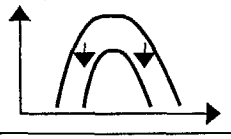
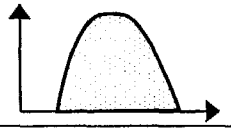
## Exhibit 1. Elements of the DSM Assessment



# Exhibit 2. The Effects of DSM on Load Shape

| Effect on Load Shape | Description | Means of Implementation |
|---|---|---|
| Peak Clipping  | **Peak clipping** refers to the reduction of utility loads during peak demand periods. This can defer the need for additional generation capacity. The net effect is a reduction in both peak demand and total energy consumption. | Direct utility control of consumer appliances or end-use equipment. Time-of-use rates may also accomplish peak clipping. |
| Valley Filling  | **Valley filling** entails building off-peak loads. This may be particularly desirable when the long-run incremental cost is less than the average price of electricity. This is often the case when there is underutilized capacity that can operate on low-cost fuels. The net effect is an increase in total energy consumption, but no increase in peak demand. | Creation of new off-peak electric loads that previously operated on non-electric fuels, such as overnight charging of electric cars and thermal energy storage. |
| Load Shifting  | **Load shifting** involves shifting load from on-peak to off-peak periods. The net effect is a decrease in peak demand, but no change in total energy consumption. | Time-of-use rates and/or the use of storage devices that shift the timing of conventional electric appliance operation. |
| Strategic Conservation  | **Strategic conservation** refers to reduction in end-use consumption. There are net reductions in both peak demand (depending on coincidence factor) and total energy consumption. | End-use efficiency. |
| Strategic Load Growth | **Strategic load growth** consists of an increase in overall sales. The net effect is an increase in both peak demand and total energy consumption. | Increased energy intensity and/or the addition of new customers. |
| Flexible Load Shape  | **Flexible load shape** refers to variations in reliability or quality of service. Instead of influencing load shape on a permanent basis, the utility has the option to interrupt loads when necessary. There may be a net reduction in peak demand and little if any change in total energy consumption. | Interruptible and curtailable rates. |

Numerous measures are available in all sectors to achieve these objectives. In order to screen out less promising measures, the cost of conserved energy is calculated for each measure and compared to the avoided energy cost. This screening is carried out using the technology and end-use data. These measures are ordered by cost to provide an energy efficiency supply curve. Only measures with a cost of conserved energy less than avoided generation cost are retained for further consideration. The total energy savings associated with the cost-effective measures is referred to as the "economic potential" of the measures.

Measures must be packaged with marketing, delivery, and evaluation mechanisms in order to become actual demand-side resources. Without marketing and delivery, measures would never be installed; without evaluation, the contribution of the resource to power sector needs cannot be determined. These packages constitute DSM programs.

A key element of this analysis is the economic benefit/cost assessment.

We evaluate DSM programs from five different standpoints:

(a) The *Participant Test* measures the financial costs and benefits to program participants.

(b) The *Ratepayer Impact Test* measures program impacts on retail tariffs and hence customer bills due to changes in utility revenues and operating costs caused by the program. This test assumes that utility expenses, revenue losses, and avoided cost savings resulting from the programs are passed on to ratepayers; no other costs or benefits are included. The test includes both participants and non-participants as customers.

(c) The *Utility Cost Test* measures the costs and benefits of a DSM program as a resource option based on the costs incurred by the utility, including incentive costs, and excluding net costs incurred by the participant.

(d) The *Total Resource Cost* (TRC) Test measures the costs and benefits of a DSM program as resource option within the extended power system (i.e., including the customer side of the meter) based on the total costs and impacts of the program, including both the participants' and the utility's costs.

(e) The *Societal Cost Test* is a variant of the TRC test in that it includes externalities (e.g., avoided environmental costs) and excludes tax credit benefits. Whereas the TRC examines the costs and benefits of resources as they accrue only within the power system, the Societal Cost Test accounts for the costs and benefits of resources as they accrue to the economy as a whole.



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Exhibit 3 depicts the scope of these tests. For each test, the relevant perspective is shown (i.e, that of participants, non-participants, the utility, and the economy) as well as a simplified representation of the components of benefit and cost that define the tests. Tests (a), (b), and (c) are financial analyses from the perspectives of DSM program participants, all ratepayers, and the utility, respectively. Test (d), the TRC Test, reflects the definition of utility planning which includes the customer's side of the meter. Finally, test (e), the Societal Cost Test, assesses the program costs and benefits at a national level by taking into account environmental and other social costs.

In terms of MDB loan appraisal, tests (a), (b), and (c) represent financial analyses. They can help determine the financial viability of the program to each relevant entity. The TRC Test is typically not of concern to MDB loan appraisal (although if taxes and tax credits are not considered, it can serve as an economic analysis that does not include environmental costs). On the other hand, test (e), the Societal Cost Test, represents an economic analysis that MDBs rely on to determine whether a program or investment is justified from a national perspective. For the purposes of MDB loan appraisal, the costs and prices used in this test should be based on shadow prices rather than market prices.[2] The Societal Test is also useful in that it can take into account environmental and other social costs; MDBs now typically incorporate environmental impact assessment into the loan appraisal process.

[2] For a further discussion of economic analysis including the distinction between market and shadow prices, see Squire and van der Tak, *Economic Analysis of Projects*, the World Bank/John Hopkins University Press, 1984.

**Exhibit 3. Scope of the DSM Cost Tests**

| *Tests* | *Perspectives* | *Benefits* | *Costs* |
|---|---|---|---|
| (b) Ratepayer Impact Test | Non-Participants | | - Rate Impacts of DSM |
| (a) Participant Test | Participants | + Bill Savings | - Participant Net DSM Costs |
| (c) Utility Cost Test | Utility | + Avoided Capital Costs<br>+ Avoided Operating Costs | - DSM Program Costs<br>- Revenue Losses |
| (d) Total Resource Cost Test | | | |
| (e) Societal Cost Test | The Economy | + Avoided Externality Costs | - Tax Benefits |

# FINANCING ENERGY EFFICIENCY IN INTERNATIONAL MARKETS

by
Suzanne G. Smith
Brian Powilatis
Hagler Bailly Consulting, Inc.
Arlington, Virginia, USA

Energy Efficiency:
Expanding the Market in Central and Eastern Europe

Budapest, Hungary
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# Financing Energy Efficiency in International Markets

by

Suzanne G. Smith, Manager, Hagler Bailly Consulting, Inc.
Brian Powilatis, consultant to Hagler Bailly Consulting, Inc.

## I. Introduction

The topic of financing energy efficiency projects in international markets is one of increasing interest. Nearly every study on energy efficiency refers to the lack of financing as a major constraint. However, even in some instances where dedicated funds have been made available, these funds have not been the panacea for the lack of investments in energy efficiency. Some funds have gone unutilized or have required extensive promotion, subsidized interest rates and below market terms before they were fully disbursed (e.g., Pakistan's ENERCON program). Other funds have existed for years and have been successful to varying degrees (e.g., the TTEM program in the Philippines). The mixed results of these funds emphasizes that the solution to financing energy efficiency is more complicated than simply directing that capital be made available.

Part of the solution lies in improving the business fundamentals--in building a more thorough understanding of the commercial markets and business opportunities for energy efficiency products and services, in developing sound business plans with experienced project sponsors, in conducting an increased amount of careful project identification, and in putting together packages that meet the credit criteria of financial institutions. Accessing traditional sources of private capital requires that energy efficiency investments be molded to meet the requirements of existing financial institutions. This is the untapped potential of traditional methods of financing. Traditional financing includes commercial lines of credit and term loans, trade finance, consumer credit, mortgage financing, and project financing. Traditional methods may be applicable for new investments as well as energy efficient retrofits.

Much is also heard about innovative methods of financing, and many different definitions of innovation exist. For the purposes of this paper, innovation in energy efficiency financing may be defined as: (1) applying financing structures such as performance contracting in new markets, (2) designing and implementing market interventions in instances where market forces are not working, (3) encouraging new entrants (e.g., venture capitalists, utilities, investment fund managers, multilateral financial institutions) to finance energy efficiency, or (4) devising ways in

which increased concern for global environmental issues will cause energy efficiency investments to be financed through Joint Implementation or emissions trading credits. Not surprisingly, it is difficult to estimate the amount of innovative financing that will occur over the next several years or the portion of total financing that it might represent. Experience and judgement, however, indicates that innovative financing is well worth pursuing.

This paper sets forth some ideas on how energy efficiency may be financed through both traditional and innovative methods of financing.

## II. Traditional Sources of Financing

### A. Financing for New Investments

Many energy efficiency investments are imbedded in the goods and services that constitute new projects and investments. As such, the energy efficiency component can account for a relatively small portion of the total investment. This occurs in new commercial and residential building construction where the latest energy management systems, windows, lighting and HVAC systems are installed, in newly constructed industrial facilities that procure energy efficient process controls, or the simple consumer purchase of a new, more efficient, electrical appliance. In countries with rapid economic growth, such as Indonesia, Thailand and China, new investments can be in excess of half of the energy efficiency market. In these instances, the costs of energy efficiency are included in the total financing package such as the mortgage,[1] commercial bank loan, construction loan, municipal revenue bond, or project loan from a multilateral financial institution such as the World Bank or a financial intermediary that borrows for on-lending. In many cases the internal financial resources of the energy user or consumer will suffice, requiring no external financing.

Generally speaking, when included as part of a new investment, financing for energy efficiency can be accomplished through the range of traditional sources of financing already mentioned. However, studies indicate that only a small portion (less than 10-20%) of new productive investments adopt energy efficiency technologies in project designs and procurement. For example, on a global basis, energy efficient lighting is used in less than 1% of potential

[1] In the United States, residential mortgage financing has also been used in innovative ways to encourage energy efficiency financing. Programs exist where the total mortgage can be increased to cover the costs of an energy conservation component and the borrower's qualifying ratios are lowered to accommodate the increase in total monthly payments.

applications in new product sales.[2] In these cases, the availability of capital is not an impediment. Rather, the decision to invest in energy efficiency at all becomes the overriding market driver. The solution, therefore, lies in providing better investment incentives (e.g, fiscal incentives, market-based incentives such as unsubsidized energy prices, or buyer incentives such as shared savings that shifts risk from one investing party to another). Programs that increase the market penetration of energy efficient goods and services may have a more significant impact than increasing the amount of financing which may already be available.

Some countries offer attractive fiscal incentives such as tax credits for investment in energy efficient products or accelerated depreciation benefits which provide immediate tax benefits (e.g., Japan). Others offer direct grants or capital subsidies for a portion of the energy efficiency equipment (e.g., Pakistan, Morocco, Bulgaria, Romania). These programs have met with varying degrees of success in increasing the market for energy efficiency investments.

### B. Trade Finance

Wherever the discussion of financing includes international markets, the subject of trade finance must be introduced. Many countries do not manufacture the necessary equipment and must import all or some of their energy efficient equipment (e.g., heat exchanger, high efficiency boilers, heat distribution controls, steam optimization technologies, air conditioner and chiller equipment, low-energy lamps and reflectors, advanced motors and drives). Trade in services (e.g., design engineering, management or technical) may also be desired.

Whereas imports of equipment and services can be financed through a trade finance component included in an initial financial plan, or a through a competitive bidding process tied to a multilateral development bank loan, excluded are the large number of retrofit projects or purchases of singles pieces of equipment. These retrofit and individual procurements require access to trade financing mechanisms such as letters of credit confirmed through the commercial banking sector, medium and long-term buyer's credits, trade insurance policies and relationships with financial intermediaries that work alongside commercial banks and export credit agencies. For large, capital-intensive items, it may make business sense for manufacturers to work directly with export finance divisions of commercial banks or directly with export credit agencies. For multiple sales of lower-priced items, however, companies must work through intermediaries. In addition to commercial banks with trade divisions, equipment distributors and agents, as well as

[2] Henri-Claude Bailly. *The Global Market for Energy Efficiency.* Presented to the World Energy Efficiency Association, Istanbul Finance Seminar, April 11-12, 1995. Arlington, VA: RCG/Hagler, Bailly, Inc., 1995.



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energy service companies, can take on this important role as intermediary. While intermediaries can be located in the importer's or exporter's country, local intermediaries have the advantage of being much closer to their markets.

Equipment distributors, either through their manufacturers or through commercial banks, may explore ways in which they can provide their customers with credit (e.g., short or medium term loans, credit enhancement guarantees, or equipment leases). This type of credit could be structured similar to the commercial credit business of the Ford Motor Credit Company (for cars, trucks, tractors , and unrelated lines of equipment) or the Singer Co. which provides loans throughout the world for the purchase of its sewing machines.

Vendor financing is not new, not in a trade finance context, and maybe not in the context of energy efficiency either. In Mexico, for example, in connection with a pilot industrial motors project implemented by the Fideicomiso de Apoyo al Programa de Ahorro de Energia del Sector Electrico (FIDE), General Electric is providing a portion of the financing for the purchase and installation of the motors it manufactures.

In addition to financing direct from manufacturers, vendor financing may require that groups of equipment distributors join together to obtain economies of scale in the development and application of trade finance expertise or in providing a large enough amount of business to interest a commercial bank already active in trade finance. It is also possible that access to trade financing could be improved by special lines of credit for imported equipment at commercial banks if end-users demonstrated that sufficient demand for the product exists.

Typical trade credits range from short term (i.e., 30 days to one year) and medium-term (i.e., approximately three years). Some long-term trade credits of up to ten years are also available, depending upon the life of the equipment and the country risk. Credits of shorter maturities will not be suitable for all types of equipment, especially for certain large-ticket items (e.g., waste heat recovery systems) that may have payback periods that exceed three years. However, many low-cost/no cost energy improvements that repeatedly show up in energy audits have rapid payback periods, given in numbers of months, not years. These projects (e.g., installation of steam traps, acquisition of energy auditing and measuring devices) lend themselves well to the traditional short-term trade finance system.

In many countries, a shortage of foreign exchange, credit and also trading traditions means that trade finance may be conducted through barter and counter trade. The countries of Eastern and Central Europe and the former Soviet Union fall into this category. The potential market for energy efficiency in these countries is large. As countries transition to market economies, increases in energy prices provide a strong incentive to conserve energy. Also, as former state-

owned industries struggle to survive, competitiveness becomes an important issue and one where energy efficiency can be an integral part of the solution to becoming competitive.

Energy intensity in many former Soviet Republics is about three times higher than in the United States and Western Europe, thus making the market potential quite high. However, difficult economic and business conditions are a barrier to conducting business and obtaining financing. Where interest rates and inflation are in excess of 100% , traditional trade credits are available only for very short periods of time and must be associated with hard currency repayments. Counter trade and barter transactions represent one viable way to obtain better trade terms and the hard currency component of the transaction. Those pursuing energy efficiency business in transitional economies may be well advised to invest in the special expertise of barter specialists and counter trade experts.

### C. Local Financial Institutions

Local financial institutions are important players in financing energy efficiency. Local financial institutions have the potential to take on a wide variety of important roles: (1) as financial intermediaries with international institutions, (2) as direct lenders and guarantors, (3) as lessors, (4) as mortgage and construction lenders, (5) as fund administrators and agents, and (6) not to be overlooked, as experts in the business conditions, companies, and economies of particular countries.

It is difficult to generalize about the current level of involvement of local financial institutions in financing for energy efficiency, since levels of activity vary dramatically from country to country. However, one generalization that can be made is that there are an insufficient number of local financial institutions engaged in energy efficiency lending, creating a major barrier to implementing projects. One exception is in Hungary where the Energy Saving Office of the Magyar Hitel Bank has been making energy efficiency loans since 1987 with funding from the German "coal aid"fund and the World Bank, or in India where the Industrial Credit and Investment Corporation of India, Ltd. (ICICI) has been working with the Asian Development Bank and the US Agency for International Development for over five years to strengthen its management's ability to support energy efficiency projects and act as an agent bank in the development and commercialization of energy technologies.

Local financial institutions can also play an important role in financing the construction and start-up of local manufacturing capability and upgrading the energy efficiency standards of existing products, such as residential and commercial appliances and lighting. Both of these options may require significant financing from local financial institutions. This is already occurring in Thailand, Mexico, Brazil and elsewhere.

The energy efficiency financing capability of local financial institutions can be developed through training programs for bankers on energy efficiency loan evaluation, by developing manuals for widespread distribution, by providing financial institutions with the latest information on technologies and projects, and through working with local financial institutions that act as fund administrators and intermediaries for international financial institutions. Financial institutions must be selected carefully, with the size of the energy efficiency market and the level of interest of the financial institution as important criteria.

### D. Project Identification and Business Development

Working with local financial institutions alone will not address many of the barriers that exist in energy efficiency financing. As mentioned earlier, many barriers relate to business and economic fundamentals as well as the absence of financing. Energy prices may be too low to justify an investment in energy efficiency. Imperfect market information may cause business opportunities to go unnoticed. Energy-end users may be uncreditworthy or be concerned with technological risks. Import tariffs may be prohibitive and render a project uneconomic. Local partners may not have the level or mix of skills required to participate .

Removing barriers to financing also requires that project sponsors, investors, energy users and developers know how to identify, develop, and package bankable projects. One significant problem, however, is the high cost of business development and project identification. Until equipment vendors, energy service companies, venture capital firms, public sector agencies, industry associations, or a combination of the above are willing and able (both managerially, technically, and financially) to provide the funding for these activities, the pipeline of project opportunities will languish.

Involving the public sector in business development and project identification activities may help overcome these barriers. In an era of declining public sector resources, this may sound counter-intuitive, but it is consistent with the public sector's desire for sustainable development, environmental improvements, and resolution of global environmental problems. Business development and project identification activities are a necessary adjunct to support for policy and market reforms. The interest of the public sector in efficiency will not abate, and wherever possible, the public sector will want to provide "market-push" interventions. Business development and project identification are good uses of public sector resources, provided they are properly designed, evaluated and proven effective.

In addition, energy efficiency project developers, equipment vendors and others private sector parties are taking a closer look at the current market situation where recent worldwide trends are making the market for energy efficiency products and services more attractive. In the seventies,

rising oil prices greatly improved the project economics for energy efficiency. In the eighties, in the United States, utility involvement in demand side management created new markets for energy efficiency products and services. In this decade and into the next, global and regional economic and political trends are changing the way in which energy efficiency will be implemented. Again, the project economics for energy efficiency investments are improving.

The movement towards increased international competitiveness and liberalized global trade, power sector restructuring, rationalization of energy prices (still at an estimated $100 billion/year subsidy) and improved technologies are good reasons for the private sector to take a closer look at energy efficiency projects. Another good reason is market size and growth. Hagler Bailly recently estimated the world private sector market for energy efficiency products and services at over $80 billion per year.[3] Estimates of market growth range from 4%-10% per year, with the highest growth expected in developing countries and emerging market economies. As such, now is an opportune time to commit new resources to energy efficiency project development.

Packaging or pooling project identification and business development activities may foster the development of larger pieces of business. One example of this approach, currently being developed in Slovakia, is the development of an energy efficiency retrofit program for all the hospitals in a municipality or region, under one contractual and financing umbrella. From a developer's viewpoint, this approach may be preferable to developing a single hospital retrofit and then attempting to replicate it.

### E. Project Finance (Non-Recourse and Limited Recourse)

In connection with energy efficiency, project financing can be considered to be both a traditional and non-traditional source of financing. (Repayments under project financing are made solely from the cash generated by the specific project.) It may be considered a traditional source of financing because it has been used for decades to finance capital intensive projects. It may be considered non-traditional because its applications to energy efficiency, especially outside of the United States, have been limited.

Project financing is now a popular financing mechanism for structuring privatized infrastructure investments, such as private power, water and wastewater treatment facilities, and privately owned and operated toll roads. However, project financing is not experiencing similar popularity for energy efficiency financing, except for cogeneration projects. This may largely be due to the fact that the transaction costs for project financing are high and that this is not a model easily

[3] *ibid.*



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replicated for projects of a smaller size. Financial institutions engaged in project financing are generally involved in projects with total costs not less than $5-$10 million and that range upwards to several billion dollars. Project development costs for even small projects can reach $1 million. Feasibility studies, which generally are a prerequisite to project financing, may cost at least $300,000.

For projects above a minimum threshold, however, project financing can be an excellent tool for obtaining financing in markets where significant barriers remain. Project financing can be used to mitigate poor credit and certain country risks. Performance contracting and shared savings are variants of project financing in that they rely upon cash flows from a project for repayment and are effective tools for dealing with credit and country risks. Performance contracting is discussed separately under the section on innovative financing, below.

### F. Public Sector Support

For policy reasons, public sector agencies have long been involved in the financing of energy efficiency. In addition to grants, low-interest loans, guarantees, tax credits, technical assistance, and legislative mandates, the public sector pulls the market by being a large market buyer and market participant. Hagler Bailly recently estimated that energy efficiency procurement of the national governments of OECD member nations is greater than $2 billion annually, or 3 to 4% of the OECD energy efficiency market.[4] The public sector in OECD nations offers additional support in the form of over $600 million of government sponsored energy conservation research and development annually.[5]

In the United States, energy efficiency has been supported by federal energy management programs, fiscal incentives, PURPA, and state-supported grants and loan programs. Elsewhere specifics vary but most European countries have supported energy efficiency programs in a similar manner. Japan has been an active supporter of energy efficiency since its experience with the oil supply shock of 1973.

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[4] *ibid.* This $2 billion figure excludes a great proportion of total national government energy budgets which may encompass additional energy efficiency components, and may exclude expenditures below the national level for some countries. Also excluded are demand reduction programs of electric and gas utilities, on which spending totaled $2 billion in the U.S. alone in 1992 (IEA, 1994).

[5] International Energy Agency. *Energy Policies of IEA Countries: 1993 Review.* Paris: OECD, 1994.

Developing country governments have also been involved, either on their own or in cooperation with international foreign assistance agencies such as USAID. In Morocco, Mexico, Egypt, Jamaica, Thailand, Philippines, and Russia and the Baltics (just to name a few), governments have set up energy conservations programs, implemented demonstration projects, conducted industrial energy audits, and provided grants or loans for imports of equipment. When designed and implemented well, most of this support has been very successful.

In this era of reduced public sector budgets and encouragement of increased private sector activities, what role can governments play in energy efficiency financing? The simplistic answer is that they should continue to design and implement the types of programs that have proved successful, but do so with fewer resources. It means that new programs will need to be considered in terms of their sustainability, their leveraging capabilities and the impact that they have on encouraging increased private sector involvement. This could mean more tax incentives or investments in project development, it could mean developing new partnerships with project sponsors and local financial institutions, it could mean providing seed capital for special purpose revolving funds. This paper does not attempt to list or describe the wide range of public sector options available to support energy efficiency.

## III. Innovative Financing

The different skills necessary to conduct business internationally, combined with the peculiarities of the energy efficiency business, require that innovative approaches to doing business be developed. Innovative financing for energy efficiency entails the development of new financing mechanisms tailored to the specific needs of energy efficiency. It recognizes that with energy efficiency, there are a large number of small projects and a small number of large projects, requiring the packaging or pooling of investments. Innovative financing for energy efficiency also recognizes that the market for energy efficiency financing is driven by policy and economic conditions--most obviously by energy prices, but also by the pace of commercialization and reform in the energy sector, the level of government concern for environmental issues, and commitments to solving global environmental problems. The players in innovative financing for energy efficiency thus include all types of institutions, some of which are not typically associated with financing: energy service companies, utilities, governments, venture funds, energy users, local financial institutions, and industry associations. The field continues to be open to new ideas, market entrants, and models of innovation. Three types of innovation are discussed below.



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### A. Performance Contracting and ESCO's

Recent efforts to apply known financing structures for energy efficiency in different countries have focused on support for energy service companies (ESCO's) and transfer of performance contracting and shared shavings. ESCO's take on the multiple roles of energy services contractor, risk mitigator, and arranger of financing. In the United States, the business of performance contracting and shared shavings has proven successful and been replicated numerous times. Utility involvement in demand side management programs has helped sustain growth in the market for ESCO's. However, even in the United States, performance contracting is not a billion dollar market; most of the market participants are small businesses (although several market participants are subsidiaries of electric utilities). In Europe, where performance contracting is generally referred to as "third party financing", examples of successful ESCO businesses also exist.

Efforts to apply the ESCO model of performance contracting in developing countries are still relatively new, and perhaps it is too soon to predict its long-term applicability and replicability. Over the short-term, results have been mixed. Several companies have committed to investments only to pull out of them at a later date. Other ESCO's have conducted initial business development and concluded that the development costs were too high, the financing unavailable, or the risks unmanageable. Some companies have been successful and have executed performance contracts--EPS in the Czech Republic is one example, Intesco in India, another.

One hypothesis for why the success stories are few is the difference in skill mix and resources between ESCO's in the United States and the requirements of doing business internationally in developing countries and emerging economies. Few of the ESCO's in the United States have in-depth experience in international business, including knowledge of how to obtain international financing and find the best local partners. While international business skills can be built or acquired, as small businesses, many ESCO's don't have the financial resources to sustain high market entry costs. Another hypothesis is that the market is currently not large enough to justify investing in business development and project identification.

However, performance contracting and ESCO development represents one of the better ways to address several of the most frequently mentioned barriers to investment. Performance contracting transfers the technology and management risks away from the end-user to the ESCO. For energy users reluctant to invest in energy efficiency, a performance contract could be a powerful incentive to implement a project. As energy management contractors, ESCO's possess the technical and managerial skills needed to perform on specific contracts. More importantly ESCO's possess the experience needed by local partners in building viable businesses able to respond to multiple opportunities and assistance in promoting energy efficiency projects.



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One way to support ESCO's is general support for sustained growth in energy efficiency markets. While this may not lower the market entry costs, improving the business fundamentals will enhance the ESCO's ability to develop new partnerships and alliances with a variety of participants, allowing them to access many of the skills they currently lack.

### B. New Market Entrants--Utilities, Environmental Groups, Venture Capitalists

The entry of new market participants is an important area of innovation because it serves to fill gaps in the skills and resources of existing market participants.

The example discussed above with ESCO's deserves greater elaboration. ESCO's, as small businesses, lack the financial resources to invest heavily in business development and project identification. One suggestion is for an ESCO to assemble a business plan demonstrating the potential for profits and present it to the venture capital community for financing. While the venture capital community is not known for its expertise in international financing, this is changing quickly. Several funds have been started that have stated interests in environmental investing, including energy efficiency. Funds established to invest in renewable energy will also consider energy efficiency investments. Venture capital funds won't provide 100% of the financing required, but based upon the successful track record of an ESCO in the United States or elsewhere, and its demonstrated commitment to the business plan, venture capitalists may be willing to provide a significant portion of the required financing in return for a share of the profits.

Other entities could make good financial partners. Private power developers are learning quickly how to develop international projects; some of them have considerable financial resources. Local private sector companies are also good partners for development in that they understand the markets much better than foreign companies, and they frequently have access to capital from local financial institutions.

One other category of market participant needs to be mentioned. Certain market participants can create market demand and "pull" the market. These participants are important to identify. In the United States, through demand side management programs, utilities have created market demand. There is no reason why they can't do the same outside the United States. Involvement by energy efficiency suppliers with utility demand side management programs is an important approach to creating more business overseas.

Governments also create market demand: through legislative mandates, sector reforms, institutional reforms and investment incentives. Support and participation in the wide range of government efforts will certainly help create markets for energy efficiency suppliers.

Environmental interest groups, concerned about local and global environmental problems, can also help pull the market. Some of these groups have significant financial resources but are not knowledgeable about how to translate their policy objectives into viable business opportunities. Efforts to channel their resources to specific projects or towards creating a framework that supports market growth will have a positive effect on energy efficiency financing. Energy efficiency suppliers may attempt to play an active role in helping environmental groups decide how best to allocate their resources.

### C. Global Environmental Issues as a Source of Financing

In the future, environmental issues will drive energy efficiency markets in new ways. While today, concern about global warming causes a great deal of discussion about level of damage and methodologies for treating it, in the future, global warming concerns may mandate that investments be made to alleviate the problem. This will cause energy efficiency markets to continue their sustained growth, again requiring new methods of financing.

One of these methods is known as Joint Implementation. Joint Implementation refers to programs of international cooperation on climate change in which industrialized countries seek to "balance" their emission of greenhouse gases in conjunction with developing countries by using emissions reduction efforts and the enhancement of greenhouse gas sinks. Specific mechanisms for using Joint Implementation as a source of financing for energy efficiency have not yet been developed, although discussions have begun.

A major market driver for the implementation of greenhouse gas mitigation strategies, and energy efficiency measures to the extent that they contribute to this goal, is the potential for an emissions trading program. The goal of such an approach is to harness market forces to achieve environmental targets at the lowest cost to society. While traditional environmental regulation prescribes a fixed emission limit for each regulated facility, allowance trading programs set emission reduction goals for the regulated community as a whole. The regulatory authority then allocates allowances to the various facilities. Those facilities that have invested in efficient technologies and can reduce their emissions more cost-effectively have an incentive to over control their emissions and sell their unused allowances to entities that face greater emission reduction costs. As such, the private sector decides how to most efficiently reduce overall emissions to the mandated level.

In the U.S., an allowance trading program has been used to reduce the emissions that cause acid rain. The prospect of wider application of allowance trading programs around the world for a variety of emissions still remains subject to future developments. However, allowance trading permits regulated entities to capture the value of emission abatement and may provide a powerful

incentive for private enterprises to invest in energy efficiency and other emissions abating technology.

## IV. Conclusions

There is no single solution for addressing the financing constraint for energy efficiency investments. Approaches that combine traditional sources of financing and business development with innovative approaches are required. Combining traditional sources of financing with investment incentives is likely to be a good approach for financing to increase market penetration of new projects. This requires more expertise in trade financing and possibly counter trade. Vendor financing programs which provide commercial credits may be suitable for individual product programs, such as industrial motors, steam traps, measurement equipment. More active participation from the local financial community is critical since they are in the best position to serve multiple roles. Where local financial institutions are undeveloped, project financing and continued government interventions can fill the gap in the short term.

One of the most important causes of the unavailability of financing for energy efficiency is not the lack of capital, but imperfections in the market. By supporting market developments, many of the financing constraints may be solved without intervention. The energy efficiency market is already heading in this direction, spurred on by the reform of energy pricing, privatization and restructuring, and in some countries, serious energy shortages.

Innovation requires new entrants, an eye towards tracking future trends, and support for performance contracting and ESCO's. It requires new and unusual pairings--ESCO's teaming with local financial institutions who understand industrial lending, or governments getting into the business of project identification and business development.

There are many issues for further research in energy efficiency financing; some of which are ongoing. Widespread gains in energy efficiency and profits for energy efficiency suppliers will be the yardstick by which energy efficiency financing strategies will be measured.



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# INDUSTRIAL ENERGY EFFICIENCY IMPROVEMENT IN CENTRAL & EASTERN EUROPE: Policy Options and Institutional Roles

by
David A. Keith
Hagler Bailly Consulting, Inc.
Arlington, Virginia, USA

presented at
Energy Efficiency:
Expanding the Market in Central and Eastern Europe
Budapest, Hungary

June 12, 1995

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## BACKGROUND - U.S. EXPERIENCE

Industrial energy efficiency in the United States and other OECD countries has improved by about 30%, on average, because:

- Market energy prices reflected the cost of supply, without subsidies, administered prices or price controls;
- Structural adjustment in the industrial sector, away from energy-intensive industry and toward services and high value-added manufacturing;
- Increased awareness of energy efficiency techniques in industry to improve operations and maintenance;
- Investment in improvements to modernize industrial processes.



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## ENERGY PRICING AND ENERGY EFFICIENCY

Experience in many countries has shown that the rationalization of energy prices is necessary to achieve energy efficiency.

Establishment of competitive energy markets, with pricing based on production costs, is a crucial first step to energy efficiency.

Energy pricing policy is necessary, but usually not sufficient, in itself, to realize the needed improvements, especially in a reasonable period of time.

Various market distortions prevent the energy pricing signals from being taken quickly into account.

Many of these distortions are related to information and decision-making, and can be overcome by establishing energy efficiency policy and by developing institutions that can carry out actions to effect this policy.

## POLICY OPTIONS TO PROMOTE IMPROVEMENTS IN INDUSTRIAL ENERGY EFFICIENCY

Before instituting any policy or designing any program, it is important to first establish the **objective** of the effort.

A suggested first step:

> It is the Government's objective to establish a policy framework that removes disincentives for energy efficiency, to the extent appropriate to a modern market economy.

A suggested second step:

> In recognition of the period of transition to a market economy, it is the Government's objective to:
>
> - set energy prices according to market principles:
>  - market forces will establish retail energy prices, wherever a competitive market exists,
>  - where a competitive market does not exist, energy prices will be regulated by a competent agency, with the cost of providing the energy service to the customer being the guiding pricing principle, indpendent from the political process,
>  - Government will set energy taxes at levels competitive with other countries with market economies.
> - use limited resources to institute programs to overcome market distortions which inhibit improvements to energy efficiency.



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## POSSIBLE POLICY OPTIONS

### Consider the Tradeoffs

Quality - reliability of energy supply: promotes industrial investment, increases costs

Pricing - establish energy pricing policy based on costs and taxes

- Level of prices - base on market levels, or subsidize to stimulate demand
- Structure of prices - base on cost of service to consumer groups, or subsidize groups
- Taxes - to limit demand (thereby encourage conservation, reduce pollution), and to raise Government revenue

Industrial investment policy - stimulate new investment or create barriers to competion

Imports - encourage new technology entants, or create barriers, effect on competition

Ownership - maintain state control, privatization, or rationalization of industry in a competitive environment

Investment planning - consider demand-side opportunities as an integral part of expansion planning

District heating services - continue to expand, maintain as is, or phase out

Standards - institute equipment efficiency standards, or open market

## POSSIBLE PROGRAM OPTIONS

Program initiatives generally require government expenditure, or access to precious donor financing.

Program initiatives should be designed to overcome market distortions:

- Incomplete information or education, which impedes rational decision-making leading to action;
- Lack of available technology for implementation due to regulated markets or monopolistic position of suppliers;
- Lack of services available for implementation;
- Lack of available financing for necessary investment.

Example programs:

Information and education programs

Demonstration activities in individual plants

Service development programs

Financing programs

Convert district heating to a market commodity (metering)

## INSTITUTIONAL ROLES

Government - set up the energy policy framework;

Energy supply companies - provide energy carriers reliably, and at least economic cost;

Industrial enterprises - supply industrial products that are competitive in quality and price;

Financial institutions - attract savings and make sound investments;

Non-profit, non-government organizations (NGOs) - energy efficiency awareness-building, networking, and policy advocacy;

Academic institutions - energy efficiency training, information, and research;

Private sector energy efficiency industry firms - provide products and commercial services that are competitive in quality and price.

## ROLE OF GOVERNMENT

In a market economy, Government has a stimulative role in industrial energy efficiency, but should not be involved in implementation.

Government has the responsibility to establish policy conducive to improved industrial energy efficiency.

The first step is to establish the right energy pricing policy.

The next steps are investment policy, industrial development and restructuring policy.

## ROLE OF ENERGY SUPPLY COMPANIES

Energy supply companies have the responsibility to supply energy carriers reliably and at least economic cost.

Reliability is important because outages or shortages result in economic losses, and a waste of energy in starts/stops of industrial equipment.

Least economic cost development requires consideration of not only traditional supply-side investments but also possible investments in demand-side efficiency improvements at the same time.

Good customer relations develop consumer confidence and lasting relationships that help build market share.

Energy supply companies have an obligation to maintain high standards of energy efficiency in their own operations (power generation heat rate, distribution losses, refinery conversion efficiency, pipeline losses, etc.).

To promote energy efficiency, energy supply companies can serve as implementors, by aggregating projects, by arranging financing, or by using the billing process as a method of loan repayment.

## ROLE OF INDUSTRIAL ENTERPRISES

The primary functions of an industrial enterprise are to supply industrial products (chemicals, metals, food products, etc.) to meet market requirements for quality, speed and price, and to deliver a return on the investment of capital employed. This is a matter of survival for every industrial concern.

Energy efficiency improvement is one way to increase the probability of survival, and in some industries it may be the key to survival.

Energy efficiency improvement can also increase profitability, if energy efficiency investments achieve a greater return than investments in the core business.

The first step to energy efficiency improvement (and productivity and quality as well) is management commitment.

The next step is to establish a team dedicated to the task of energy efficiency.

The efficiency team must develop a tailor-made energy management program. An energy audit is a good first step in such a program.

The industrial firm must arrange financing to implement their program.

The industrial firm must maintain the commitment thoughout the implementation phase.

Continued good management of plant operations and maintenance is required for actual improvements in energy efficiency to be achieved.



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## ROLE OF FINANCIAL INSTITUTIONS

Banks and other financial institutions must attract investment capital, provide security of that capital, and provide a return on that capital.

Banks provide a return by making loans to creditworthy industrial enterprises for working capital or attractive investments.

Energy efficiency is one investment alternative, one of many.

Financial institutions must be made aware of the need for financing of energy efficiency investments, so that they may receive proper consideration in the loan approval process.

## ROLE OF NON-PROFIT, NON-GOVERNMENTAL ORGANIZATIONS

Non-profit, non-government organizations (NGOs) are usually created for a single purpose, and have a responsibility to their constituents to carry out activities related to that purpose.

Examples of NGOs include industry associations, professional associations, and advocacy groups.

Most NGOs are formed by people who feel a moral obligation to do good. There are important roles for altruistic, hard-working individuals in stimulating energy efficiency:

Public relations

Information dissemination

Policy advocacy

Commercial trade associations (clearinghouse)

Industry associations

Professional associations

## ROLE OF ACADEMIC INSTITUTIONS

Academic institutions include universities and other training institutions, research institutes, engineering design institutes, and the various laboratories of the academy of science. Their role is the acquisition of knowledge through research, and the transfer of knowledge, through education.

As with NGOs, most members of the technical staff of these institutions are well-motivated.

Potential roles to promote energy efficiency:

Information dissemination

Training and education

Research and development

## ROLE OF PRIVATE SECTOR ENERGY EFFICIENCY INDUSTRY

Private individuals take risks and go into business for two reasons: because they have an idea or are interested in providing a specific product or service, and/or to make money.

There are many business opportunities that exist, that can contribute to improved energy efficiency:

- consulting firms to offer energy audits, management consulting, and feasibility studies
- manufacturing of equipment which can improve efficiency
- sales centers to distribute high efficiency equipment, or to represent manufacturers from other countries
- maintenance service firms to upgrade the standards of maintenance and carry out repairs
- financial service firms to lease equipment or provide loan funding for project implementation
- construction and installation contractors to carry out projects to put energy efficiency equipment into operation
- energy efficiency service companies ("ESCOs") to offer implementation services, including performance contracting or shared savings contracts

## CONFLICTS BETWEEN INSTITUTIONAL ROLES

The general roles listed above sometimes blur, and this can lead to conflicts.

Such conflicts are very undesirable, as they can lead to a reduced rate of implementation of energy efficiency improvements.

Sometimes energy efficiency projects fail simply because the wrong organization took responsibility for project execution.

Too often, many institutions seem to be vying for the same role.

One common source of conflicts arises when Government extends its role beyond energy policy, and into energy efficiency training, research, energy audits, or implementation. In such instances, the rate of implementation of energy efficiency is slowed considerably.

The private sector is most expedient way to implement projects, or carry out other potentially profitable activities, such as energy audits, energy management consulting, and implementation. The incentives of the marketplace will work best in these areas, so that implementation will spread as quickly as possible. Market competition will serve to improve the quality of service.

# Energy Efficiency: Expanding the Market in Central and Eastern

Exhibitors Briefing Book

June 12–16, 1996

The Association of Energy Engineers
Hagler Bailly Consulting, Inc.

# ENERGY EFFICIENCY:
# EXPANDING THE MARKET
# IN CENTRAL AND EASTERN EUROPE

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# Energy Efficiency: Expanding the Market in Central and Eastern Europe

## Seminars
## Monday, June 12, 1995

*Location:* Ramada Grand Hotel / Thermal Hotel, Margaret Island, Budapest

*Attendees:* Invited members of AEE, CEMs, participants in USAID industrial energy efficiency projects, energy efficiency professionals.

*Objective:* To provide seminars on market-oriented approaches to energy efficiency, such as development of national energy efficiency policy, innovative financing, and demand-side management.

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0800-0900 Registration

**1. Topic #1 - Project Finance for Energy Efficiency - Innovative Approaches** *Shirley Hansen*

0900-1030
1030-1100 Coffee Break
1100-1230
1230-1400 Lunch Break
1400-1700

**2. Topic #2 - Demand-Side Management - Utility-driven Implementation** *Donald Bradshaw*

0900-1030
1030-1100 Coffee Break
1100-1230
1230-1400 Lunch Break
1400-1700

**3. Topic #3 - National Energy Efficiency Policy - Options and Strategies** *Mary Ellen Hopkins*

0900-1030
1030-1100 Coffee Break
1100-1230
1230-1400 Lunch Break
1400-1700

1400-on Set-up of Exhibit Hall Exhibitors

1900-2200 Dinner at the Gundel restaurant Sponsored by Hagler Bailly

# Energy Efficiency: Expanding the Market in Central and Eastern Europe

## Regional Conference & Exhibition
## Tuesday, June 13, 1995

***Location:*** Ramada Grand Hotel / Thermal Hotel, Margaret Island, Budapest

***Participants:*** Invitations will be extended to selected members of AEE, CEMs, participants in USAID industrial energy efficiency projects, energy efficiency professionals, and energy managers. Invitations by Hagler Bailly.

***Objective:*** To review USAID experience in promoting energy efficiency in the Central and Eastern Europe region using market-oriented approaches, including: (1) development of local energy service companies; (2) establishment of utility DSM as a financing and implementation mechanism; (3) performance contracting and other innovative financing techniques; (4) establishment of local energy efficiency NGOs and AEE chapters; and (5) support for policies that encourage NGO and private sector participation in energy efficiency.

**Opening Ceremonies**

| | | |
|---|---|---|
| 0830-0840 | Welcome | *Karoly Attila Soos,* Secretary of the MoIT |
| 0840-0850 | Role of USAID in Central & Eastern Europe | *Nance Kyloh*, USAID-Hungary |
| 0850-0920 | USAID Assistance in Energy Efficiency | *Robert Archer*, USAID |
| 0920-0950 | Mission of the Association of Energy Engineers | *Al Thumann*, AEE |

**1. First Steps in Market Development: Audits, Low-cost Measures & Energy Management** — **Moderator:** ***Al Thumann***

| | | |
|---|---|---|
| 0950-1010 | Experience in Hungary in Industrial Energy Audits | *Zoltan Lontay*, EGI |
| 1010-1030 | Results of the USAID Emergency Energy Project | *Greg Butera*, USAID |
| 1030-1050 | Coffee Break | |
| 1050-1110 | Experience in Bulgaria with Low-cost Energy Efficiency Equipment | *Raina Zlatareva*, Ecotechproduct |
| 1110-1130 | An Integrated Approach to Energy Management | *David Keith*, Hagler Bailly |
| 1130-1200 | Discussion | |
| 1200-1230 | Innovative Financing & Regional Applications | *Shirley Hansen*, Kiona International |
| 1230-1400 | Luncheon with Keynote Speaker<br>Prospects for Using Project Finance for Energy Efficiency | *Charles Kovacs,* Barclays Bank |

**2. Financing Energy Efficiency** — **Moderator:** ***Shirley Hansen***

| | | |
|---|---|---|
| 1400-1430 | Criteria for Lending and Equity Investment in Energy Efficiency | *Bernard Jamet*, EBRD |
| 1430-1450 | Energy Performance Contracting - Issues & Activities in Czech Republic | *Ivo Slavotinek*, EPS |
| 1450-1510 | Energy Efficiency Projects - Partnership & Commitment | *Frank Andres*, Landis & Gyr |
| 1510-1530 | Energy Performance Contracting - Issues & Activities in Bulgaria | *Boris Petkov*, IVEL |
| 1530 -1550 | Coffee Break | |
| 1550-1620 | A Policy Framework for Energy Efficiency Initiatives | *Robin Bates*, World Bank |
| 1620-1640 | Energy Efficiency Lending Experience | *Eva Weores*, Magyar Hitel Bank |
| 1640-1730 | Panel Discussion - Energy Performance Contracting and Financing of Energy Efficiency Projects | *Pat Cronin*, Johnson Controls; *Bernard Jamet*; *Robin Bates*; *Eva Weores* |
| 1730-1930 | Exhibition of U.S. Energy Efficiency Equipment | |
| Reception | Sponsored by U.S. Exhibitors | |

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# Energy Efficiency: Expanding the Market in Central and Eastern Europe

## Regional Conference & Exhibition
## Wednesday, June 14, 1995

**3. Demand-Side Management - Making a Market for Energy Efficiency** — **Moderator:** ***Donald Bradshaw***

| | | |
|---|---|---|
| 0830-0850 | DSM in a Competitive Power Sector | *David Wolcott*, Hagler Bailly |
| 0850-0910 | DSM in Slovakia | *Eugenia Maderova*, Slovakia Electric Co. |
| 0910-0930 | DSM Activities in Poland | *Maciej Lenczewski*, Polish Power Grid Co. |
| 0930-0950 | Industrial DSM in the United States | *Mary Ellen Hopkins*, ICF |
| 0950-1030 | Discussion | |
| 1030-1050 | Coffee Break | |

**4. Development of Local Private Energy Service Companies** — **Moderator:** ***Mark Oven***

| | | |
|---|---|---|
| 1050-1100 | USAID's Program to Develop Local Energy Service Companies | *Mark Oven*, Hagler Bailly |
| 1100-1120 | Bulgaria: Activities & Experiences of Rampov & Sons | *Georgi Rampov*, Rampov & Sons |
| 1120-1140 | Romania: Activities & Experiences of ECO-ERG | *Georgeta Padureanu*, ECO ERG |
| 1140-1200 | Hungary: Activities & Experiences of Gellert Innovation | *Miklos Gellert*, Gellert Innovation |
| 1200-1210 | Gellert Innovation: Client's Perspective | *Deszo Szanto*, MOFA |
| 1210-1240 | Discussion | |
| 1240-1400 | Luncheon | |

**5. Introduction of U.S. Exhibitors of Energy Efficiency Equipment and Services**

**Company Presentations:** — **Moderator:** ***Barbara Stroup*, AEE**

| | | |
|---|---|---|
| 1400-1410 | Ametek-Cheminst | *Jolanda houben-Cortlever* |
| 1410-1420 | Alstrom Pyropower | *Markku Kostamo* |
| 1420-1430 | APV | *Gyula Hidegkuti* |
| 1430-1440 | Armstrong International - DMS | *Mark Heffernan* |
| 1440-1450 | Bacharach, Inc. | *Jorgen Schack* |
| 1450-1500 | Chesterton/TPI | *Jozsef Flieg* |
| 1500-1530 | Discussion | |
| 1530-1600 | Coffee Break | |

**Company Presentations:** — **Moderator:** ***Laurent Pommier*, Hagler Bailly**

| | | |
|---|---|---|
| 1600-1610 | Electric Power Software | *Mark Germer* |
| 1610-1620 | GE Lighting - Tungstram | *Erika Farkas* |
| 1620-1630 | Johnson Controls International | *Patrick Cronin* |
| 1630-1640 | Landis & Gyr | *Larry Kamberg* |
| 1640-1650 | Magnetek | *Miklos Juhasz* |
| 1650-1700 | Rosemont Analytical | *Gary Mohr* |
| 1700-1710 | UE Systems | |
| 1710-1740 | Discussion | |
| 1740-1900 | Exhibition of U.S energy efficiency equipment | |
| 2000-2200 | Dinner at the Fortuna restaurant | Sponsored by U.S. Exhibitors |

# Energy Efficiency: Expanding the Market in Central and Eastern Europe

## Regional Conference & Exhibition
## Thursday Morning, June 15, 1995

### 6. Role of Non-Government Organizations (NGOs) in Energy Efficiency Market Development

| | | |
|---|---|---|
| 0830-0850 | NGO Capacity Building and Energy Legislation | *Peter Hobson*, IIEC Europe |
| 0850-0940 | Panel Discussion: Role of NGOs | Moderator: *Mark Hopkins*, Alliance to Save Energy |
| | IIEC - Europe | *Peter Hobson* |
| | FEWE, Poland | *Adam Gula* |
| | SEVEn, Czech Republic | *Martina Diduskova* |
| | EnEffect, Bulgaria | *Zdravco Genchev* |
| 0940-1030 | Panel Discussion: Role of Industry and Professional Associations | Moderator: *Al Thumann* |
| | AEE Hungary | *Tamas Jaszay* |
| | AEE Bulgaria | *Georgi Rampov* |
| | AEE Romania | *Mihail Zdravcu* |
| | MESZ Hungary | *Lajos Nemeth* |
| 1030-1050 | Coffee Break | |

### 7. Conference Conclusions and Recommendations

| | | |
|---|---|---|
| 1050-1200 | Final Group Discussion: Next Steps to Expand the Market | Moderator: *Robert Archer* |
| 1200 | | Regional Conference Concludes |

# Energy Efficiency: Expanding the Market in Central and Eastern Europe

## Forum on Energy Efficiency in Hungary
## Thursday Afternoon, June 15, 1995

***Location:*** Ramada Grand Hotel / Thermal Hotel, Margaret Island, Budapest

***Attendees:*** Invitations will be extended to participants in the regional conference.
Invitations will also be extended to 200 large Hungarian energy consumers by Hungarian AEE Chapter and MESZ.

***Objective:*** To enable the Hungarian Chapter of the AEE to hold a forum on energy efficiency, in conjunction with the Regional Conference. To enable U.S. manufacturers of energy efficiency equipment to expand their Hungarian contacts.

| | | |
|---|---|---|
| 1130-1200 | Registration, by Hungarian AEE Chapter | |
| 1200-1400 | **Luncheon with Keynote Speakers** | |
| | Entrepreneurship in Energy Efficiency | *Tamas JASZAY*, President, Hungarian Chapter AEE |
| | Approaches to Energy Efficiency | *Robert ARCHER*, USAID |
| | Introduction to AEE | *Albert THUMANN*, AEE |
| | **Forum on Energy Efficiency** | **Moderator:** ***Tamas JASZAY*** |
| 1400-1430 | Energy Efficiency Policy in Hungary | *Imre SZABO*, President, Hungarian Energy Office |
| 1430-1500 | Feasibility of Performance Contracting in Hungary | *Shirley HANSEN*, Kiona International |
| 1500-1530 | USAID Energy Efficiency Market Development Project in Hungary | *David KEITH*, Hagler Bailly |
| 1530-1550 | Coffee Break | |
| 1550-1610 | Energy Efficiency Possibilities in the Hungarian Market | *Miklos GELLERT*, Gellert Innovation |
| 1610-1700 | Activities and Experiences of Local Energy Service Companies | *Albin ZSEBIK*, Jomuti<br>*Gyorgy VIRAGH*, Kontravill<br>*Mihaly SZANISZLO*, Rendszertechnika Fejleszto<br>*Tibor NAGY*, Controll |
| 1700-1730 | Panel Discussion | *Tamas JASZAY*<br>*Miklos GELLERT*<br>*Shirley HANSEN*<br>*David KEITH* |
| 1730-1745 | **Opening of Exhibition** | ***Dr. Gabor LANYI,*** **Ministry of Environment** |
| 1745-1800 | Donation of Equipment | U.S. Exhibitors |
| 1800-1930 | Exhibition of U.S. Energy Efficiency Equipment | |
| | Press Conference in Exhibition Hall | |
| | Reception | Sponsored by U.S. Exhibitors |

# Energy Efficiency: Expanding the Market in Central and Eastern Europe

## Association of Energy Engineers
## Regional Meeting
## Central and Eastern Europe
## Friday, June 16, 1995

***Location:*** Ramada Grand Hotel, Margaret Island, Budapest

***Attendees:*** Invited members of AEE, CEMs, USAID, Hagler Bailly.

***Objective:*** To develop resolutions for the development of the market for energy efficiency in Central and Eastern Europe, goals and operation of AEE Chapters in the Region, and to provide guidance to USAID.

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Chairpersons - Al Thumann and Barbara Stroup

0800-1000 AEE Meeting - Topics:
- Reaction to seminars, conference, and exhibition
- Role of AEE chapters in promoting energy efficiency policy reform
- Role of AEE chapters in professional development and certification
- Role of AEE chapters in commercial business development
- Role of AEE chapters in financing
- Support from AEE headquarters
- How to expand AEE membership
- CEM certification programs
- Libraries and equipment for AEE chapters
- Marketing support for AEE chapters
- Guidance to USAID

1000-1030 Drafting of a Resolution Urging an Approach to Energy Efficiency

1030-1200 AEE Members - Open Forum
- Exchanges between AEE members
- Presentations of capabilities by individual AEE members
- Discussion

1200-1400 Luncheon

ENERGIAHATÉKONYSÁGI FÓRUM MAGYARORSZÁGON

# PROGRAM

RAMADA GRAND HOTEL / THERMÁL HOTEL
BUDADAPEST , MARGITSZIGET
1995. JÚNIUS 15., CSÜTÖRTÖK

11.30 - 12.00
**REGISZTRÁCIÓ**

12.00 - 14.00
**MUNKAEBÉD**
közben

*VÁLLALKOZÁSOK AZ ENERGIAHATÉKONYSÁGBAN*
Prof. Dr. JÁSZAY TAMÁS
az AEE Magyar Tagozatának elnöke

*ENERGIAHATÉKONYSÁG MAGYARORSZÁGON*
SOÓS Károly Attila államtitkár
Ipari és Kereskedelmi Minisztérium

*AZ ENERGIAHATÉKONYSÁG MEGKÖZELITÉSEI*
Robert ARCHER
USAID

*AZ ENERGETIKAI MÉRNÖKÖK EGYESÜLETÉRÖL*
Albert THUMANN PE. C.E.M
AEE / Atlanta GA ügyvezető igazgatója

14.00
**FÓRUM**
Elnököl: Prof. Dr. JÁSZAY Tamás

14.00 - 14.30
*ENERGIAHATÉKONYSÁGI POLITIKA MAGYARORSZÁGON*
Prof. dr SZABÓ Imre főigazgató
Magyar Energia Hivatal

14.30 - 15.00
*A TELJESITMÉNY SZERZÖDÉSEK MEGVALÓSITHATÓSÁGA MAGYARORSZÁGON*
*ALKALMAK AZ ENERGIAHATÉKONYSÉG JAVITÁSÁRA*
Shirley HANSEN
Kiona International Inc.

15.00.-15.30
*ENERGIAHATÉKONYSÁGI PROJEKTEK MAGYARORSZÁGON*
David KEITH
Hagler Bailly Inc.

15.30 - 15.50
**KÁVÉSZÜNET**

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# ENERGIAHATÉKONYSÁGI FÓRUM MAGYARORSZÁGON
## PROGRAM

15.50 - 16.10
*ENERGIAHATÉKONYSÁGI LEHETŐSÉGEK A MAGYAR PIACON*
GELLÉRT Miklós CEM
Gellért Innovációs Mérnöki Iroda

16.10 - 17.00
*A MAGYARORSZÁGI "ESCO" ENERGETIKAI VÁLLALKOZÁSOK TEVÉKENYSÉGE ÉS TAPASZTALATAI*
Dr. ZSEBIK Albin C.E.M., JOMUTI KFT
VIRÁGH György C.E.M., KONTRAVILL Műszaki Iroda
Dr. SZANISZLÓ Mihály CEM. RENDSZERTECHNIKA FEJLESZTŐ KFT
NAGY Tibor C.E.M. CONTROLL Minőségfejlesztési Tanácsadó Iroda

17.00-17.30
**VITAFÓRUM**
Prof. Dr. JÁSZAY Tamás
Shirley HANSEN
David KEITH
GELLÉRT Miklós C.E.M.

17.30
**KIÁLLITÁS MEGNYITÁSA**
Dr. LÁNYI Gábor Stratégiai Iroda vezetője
Környezetvédelmi és Területfejlesztési Minisztérium

17.30
**USA-BAN GYÁRTOTT, ENERGIAHATÉKONYSÁGOT SZOLGÁLÓ BERENDEZÉSEK KIÁLLITÁSA**

**SAJTÓKONFERENCIA A KIÁLLITÓTEREMBEN**

**FOGADÁS**
Szponzorálják az Amerikai Kiállitók

**A szervezés segítése érdekében kérjük, hogy részvételi szándékát előzetesen jelezze vissza 06-72-319661 faxra 1995 junius 9. péntek 16 óráig.**

A magyar résztvevők száma 200 főben korlátozott.
Azon személyeket akiket a helyhiány miatt fogadni már nem tudunk, faxon visszaértesitjük.

További információval állunk szives rendelkezésükre


| | | | |
|---|---|---|---|
| Prof. Dr. Jászay Tamás | BME Energetika Tanszék | Telefon:463-2559 | Fax:463-3273 |
| Gellért Miklós | Gellért Innovációs Mérnöki Iroda. 7635, Barackos út 24. | Telefon:06-72-319661 | Fax:06-72319661 |
| Dr. Zsebik Albin | BME Rendszer és Irányitástechnika Tanszék | Telefon:(1) 463-2981 | T/F:257-7369 |
| Dr. Morenth András | | Telefon:155-27-84 | Fax: 116-2691 |


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# Regional Energy Efficiency Conference
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# June 12-16, 1995

**Bulgaria**

Dipl.El.Eng. Dobrin Oreshkov
Manager, Energy Efficiency Department
Ministry of Industry
8 Slavyanska str.
1046 Sofia, Bulgaria
Phone: 359 2 87 32 25 or 867 26 95
Fax: 359 9 80 17 14

Ina Bojadgieva
Ministry of Industry
8 Slavyanska str.
1046 Sofia, Bulgaria
Phone: 359 2 87 32 25 or 867 26 95
Fax: 359 9 80 17 14

Zdravco Genchev
Executive Director
Bulgarian Foundation for Energy Efficency
(EnEFFECT)
1-B Strumitza Str., IV fl.,
1000 Sofia Bulgaria
Phone: 359-2-87-41-64
Fax: 359-2-80-51-40

Mr. Deian Iordanov
Engineer
Argus 91
P.O. Box 440
V. Drumev Str., entr. 61, app. 39
9000 Varna, Bulgaria
Phone: 359-52-88-46-13
Fax: 359-52-88-46-13

Mr. Yordan Katzarov
Senior Project Manager
Risk Engineering Ltd.
34 Totleben Blvd.
Sofia 1606, Bulgaria
Phone: 359 2 52 12 17,52 12 1787
Fax: 359 2 52 25 46

Mr. Boris Petkov
IVEL Ltd.
4002 Plovdiv
56 Svoboda Str., Bulgaria
Phone: 359 32 44 75 63
Fax: 359 32 45 55 05

Georgi Rampov
Rampov & Sons
Manager
3 Smoljanska Street
bl. 56. vh. V. app. 49
1612 Sofia, Bulgaria
Phone: 359 2 545895
Fax: 359 2 545895

Dr. Nikola G. Kaloyanov
Associate Professor
ALPHA-Pro
BG, 1680 Sofia
P.O. Box 138, Bulgaria
Phone: 359 2 742 609
Fax: 359 2 52 67 40



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Stefan Hristov
Energo Eco Iconomiaa, Ltd.
42 Lazar Stanev St.
1113 Sofia Bulgaria
Phone: 359 2 727 131
Fax: 359 2 727 650

Nikola Zikatanov
President
Energy Efficient Systems
Mladost - 3
bl.341/2/52
Sofia 1712, Bulgaria
Phone: 359 2 447 495
Fax: 359 2 447 495

Ms. Raina Zlatareva
Senior Engineer
Ecotech Products
66 Dimitar Manov Street
Sofia 1408, Bulgaria
Phone: 359 2 541 267
Fax: 359 2 547 206

Dr. Dimitar Baev
President
Design & Business Consulting
j.k. "Mladost"
bl. 50 vh. 1 ap. 3
Sofia 1784, Bulgaria
Phone: 359 2 74 1880
Fax: 359 2 74 1880

Mr. Nikola Stankov
STIF
75 Cherkovna St.
Sofia 1505, Bulgaria
Phone: 359 2 884 351
Fax:

Dimiter Shivkov
Associate Professor
Sofia Technical University
Department of Automation
1756 Sofia, Bulgaria
Phone: 359 2 63 62 298
Fax: 359 2 63 63 648

Stefan Kanchovski
Chief Specialists, Development & Research
Natsionalna Elektricheska Kompania AD
8 Triaditsa Str.
1040 Sofia, Bulgaria
Phone: 3592-7-86-101
Fax: 3592-875-826, 872550

Ivan Yuroukov
Bulgarian Committee on Energy
8 Triadista Street
1040 Sofia, Bulgaria
Phone: c/o Nikola Zikatanov
359-2-447-495
Fax: 359-2-447-495

Konstantin Khrahtov
Director
District Heating Company
PO Box 85, 1606 Sofia
Bulgaria
Phone: 359-2-59-80-75
Fax: 359-2-59-80-57



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**Czech Republic**

Ivo Slavotinek
General Manager
EPS
Rubesova 10
120 00 Prague 2
Czech Republic
Phone: 42-2-242-31876
Fax: 42-2-242-31204

Martina Diduskova
SEVEN - Center for Energy Efficiency
Sleska 7, P.O. Box 146
120 29 Praha 2
Phone: 42 2 24 24 7552
Fax: 42 2 24 24 7597

**Estonia**

Heinar Nurste
Managing Director
ENPRO Engineers Bureau Ltd.
Mustamae tee 33
Tallinn EE0006, Estonia
Phone: 372-2-52-86-06
Fax: 372-2-52-84-07

**Hungary**

Dr. Gyorgy Toth
CEM
H-1013 Budapest, Pauler u. 5
Hungary
Phone: 361-175-9897
Fax:

Ferenc Martok
MIESZ
H-7634 Pecs Lillom cet 27
Hungary
Fax: 36-72-311-272
Phone:36-72-447-353

Szigeti Tibor
East Hungarian Electricity Supply Company
4028 Debrecen
Kossuth u. 41. Titasz Rt.
Hungary
Phone: 52/410-011, 11-44
Fax: 52/414-031

Gyorgy Foldvary
Senior Technical & Economic Advisor
Department of Energy Strategy
Hungarian Ministry of Industry and Trade
Margit Korut 85
H-1024 Budapest II, Hungary
Phone: 361-175-7128
Fax: 361-175-4593

Ed Corcoran
Managing Director
CENTECH
1024 Budapest, Margit Krt. 39.
Hungary
Phone: 361-135-6190
Fax: 361-135-6190

Andras Morenth
M. Sc. Mechanical Engineer
Budapest, XII.,
Tóth Lorinc u. 4.
H-1122, Hungary
Phone: 361-155-2784
Fax: 361-116-2691



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Tamas Jaszay
AEE President
President, Jaszay & Jaszay
Müegyetem rkp. 9.
Budapest H-1111
Hungary
Phone: 361-463-2559
Fax: 361-463-3273

Mr. Gyorgy Viragh
Manager
Kontravill, Inc.
1154 Budapest
Domahaza u.28, Hungary
Phone: 36 1 271 9553
Fax: 36 1 271 9553

Mr. Miklos Gellert
AEE Vice President
Managing Director
Gellert Innovative Bureau of Engineering
Barackos ut 24
H 7635 PECS, Hungary
Phone: 36 72 319 661
Fax: 36 72 319 661

Dr. Janos Zhelev
Mechanical Engineer
CENTECH Hungary
1024 Budapest, Margit Krt. 39.
Hungary
Phone:/Fax: 361 135 6190

Dr. Szaniszlo Mihaly
Managing Director
Rendzertechnika Fejleszto
H 1088 Budapest
Vas u. 15/b. III/40
Hungary
Phone: 36 1 117 2295
Fax: 36 1 117 3370

Tamas Csoknyai
Jomuti, Kft.
H 1172 Budapest
Almashaza u. 55
Phone: 36-257-73-69
Fax: 36-1-257-7369

Mr. Laszlo Soos
Chief Engineer, Development Department
EPOS-PVI, Inc.
Kesmark u. 10
Budapest 1158, Hungary
Phone: 36 1 252 5222
Fax: 361-183-1928/251-2261

Mr. Peter Macskassy
Managing Director
Comptech Ltd.
Jobbagy u. 5
Budapest 1221, Hungary
Phone: 361-226 1585
Mobile Phone: 361-20-419-439
Fax: 361-226-1586




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Mr. Nagy Tibor
Control Quality Consulting Ltd.
1118 Budapest
Radveny u.34/b
1476 Bp.Pf. 183, Hungary
Phone: 36 1 267 1101/267 1102/166 1902
Fax: 36 1 611 2040

Lajos Nemeth
President
MESZ - Association of Hungarian Energy Consumers
Kossuth ter 6-8
H-1055 Budapest
Hungary
Phone: 361 153-3333
Fax: 361 153-4069

Dezso Porpaczy
Director
MESZ
Kossuth ter 6-8
H-1055 Budapest
Hungary
Phone: 361 153-3333
Fax: 361 153-4069

Pal Langfy
Energy Adviser
MESZ - Hungarian Energy Consumers
Kossuth ter 6-8
H-1055 Budapest
Hungary
Phone: 361 153-3333
Fax: 361 153-4069

Tibor Bertok
Energy Adviser
MESZ - Hungarian Energy Consumers
Kossuth ter 6-8
H-1055 Budapest
Hungary
Phone: 361 153-3333
Fax: 361 153-4069

Zoltán Lontay
Head of Department
Energy Conservation, Environment Technology
EGI Contracting Engineering Co. Ltd.
H-1027 Budapest, Bem rkp. 33-34.
Phone: 361-201-8652
Fax: 361-201-9216

Mr. Geza Homonnay
President
Gamax
1122 Budapest, Csabu u. 24/A
Hungary
Phone: 361-155-3016
Fax: 361-175-3134

Ms. Eva Weores
General Manager
Magyar Hitel Bank RT
H-1853 Budapest
Josef Attila Str. 8, Hungary
Phone: 361-266-8787
Fax: 361-266-9113



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Geza Szeremi
Head of Section
Ministry of Industry and Trade
Republic of Hungary
Department of Energy
Martirok utja 85.
H 1024 Budapest
Phone: 361-1557-819
Fax: 361-175-0219

Ms. Katalin Békés
Head of Department
Budapest Electricity Supply Company Ltd.
H-1132 Budapest, Váci út 72-74
Hungary
Phone: 361-120-8254
Fax: 361-149-6329

Mr. Geza Szabo
Buszesz Rt. - Budafoki Eleszto es Szeszgyar
H-1222 Budapest
Gyar utca 5-9, Hungary
Phone: 36 1 226 6311
Fax: 36 1 226 5011

Mr. Gyorgy Nikleszi
Buszesz Rt. - Budafoki Eleszto es Szeszgyar
H-1222 Budapest
Gyar utca 5-9, Hungary
Phone: 36 1 226 6311
Fax: 36 1 226 5011

Mr. Gyula Eifert
Deputy General Manager - Technical Affairs
Budapesti Vegymuvek
Ken utca 5
H-1097 Budapest, Hungary
Phone: 36 1 280 6547
Fax: 36 1 282 6773

Mr. Peter Sandor
Dunaferr Energiaszolgaltato Kft
H-2401 Dunaujvaros
Vasmu ter 1-3, Hungary
Phone: 36 25 381 186, 25 382 501
Fax: 36 25 312 658

Mr. Csaba Pomazi
Dunaqua-Therm
2400 Dunaujvaros
Dozsa Gy. utca 25/A
Hungary
Phone: 36 25 311 925
Fax: 36 25 311 925

Mr. Attila Kecskes
Mohacsi Farostlemezgyar Rt. (MOFA)
H-7701 Mohacs
P.O. Box 129, Hungary
Phone: 36 69 311 922
Fax: 36 69 322 742

Mr. Bela Kiss
Nitrokemia Rt.
8184 Fuzfogyartelep Pf. 45, Hungary
Phone: 36 88 352 011
Fax: 36 88 351 240

Mr. Lenart Laszlo
North Hungarian Waterworks Corp.
3701 Kazincbarcika
Tardonay ut 1, Hungary
Phone: 36 48 310 811
Fax: 36 48 310 015



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Ms. Gyorgyne Baranovszky
North Hungarian Waterworks Corp.
3701 Kazincbarcika
Tardonay ut 1, Hungary

Mr. Laszlo Varga
Energy Manager
Dunapack
H-1215 Budapest
Duna u. 42, Hungary
Phone: 36 1 277 1133
Fax: 36 1 276 9062

Mr. Jozsef Vincze
Komloi Futoeromu Kft.
7300 Komlo
Bem u. 24, Hungary
Phone: 36 72 481 266
Fax: 36 72 436 972

Miklos Poos
Director General, Department of Energy
Ministry of Industry
1051 Budapest
Vigado str. 6, Hungary
Phone: 361-118-4655/0257
Fax; 361-118-0257

Szala Pal
Eszakmagyarorszagi Regionalis Vizmuvek
Reszvenytarsasag
3701 Kazincbarcika
Tardonal ut. 1
Phone: 48-310-811
Fax:

Balazs Benko
Head, Public Relations
Magyar Villamos Muvek Rt.
H-1022 Budapest Vam u. 5-7
Hungary
Phone: 361-201-9964, 0164
Fax: 361-202-1164

Arpad Vajdovich
Hungarian Energy Office
Budpest, Hungary
H-1081 Budapest
Koztarsasag ter 7
Phone: 361-117-4222, 7092 04 210-0361
Fax: 361-210-0351

Dr. Karoly Attila Soos
Secretary of State
Ministry of Industry and Trade Hungary
H-1051 Budapest
Vigado u. 6
Hungary
Phone: 361-118-50-44 x. 388
Fax: 361-118-02-57

Lajos Bokros
Minister of Finance
Ministry of Finance
Government of Hungary
Phone:
Fax: 361-118-2570



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Dr. Ferenc Baja
Minister of Environment & Regional Policy
Ministry for Environment & Regional Policy
Government of Hungary
Phone:
Fax: 361-201-3852

Dr. Albin Zsebik
Jomuti, Kft.
H-1111 Budapest
Goldmann Gy.ter 3.
Hungary
Phone:
Fax: 361-257-7369

Dezso Szanto
General Director
Mohacsi Farostlemezgyar Rt.
Fibreboard Factory Inc. Mohacs
H-7701 Mohacs
P.O. Box 129
Hungary
Phone: 36-69-311-922
Fax: 36-69-322-742

**Lithuania**

Mr. Vidmanatas Jankauskas
Lithuanian Energy Institute
Aukstadvario 3, 3035 Kaunas
Lithuania
Phone: 7-0127-75-35-50
Fax: 7-0127-75-12-71

Mr. Algimantas Spelis
Deputy Technical Director
Lithuanian State Power System
(Kaunas Electrical Network)
Kestucio 36, Kaunas 3000
Lithuania
Phone: 7-0127-206933
Fax: 7-0127-224461

Vytautas Vasiliauskas
Chief Engineer, Energy Saving Directorate,
Energy Agency
Zveju 14 2600 Vilnius
Lithuania
Phone: 3702-35-38-12
Fax: 3702-62-67-48

**Latvia**

Dr. Dagnija Blumberga
President
B.V. Ekodoma, Ltd.
12-49 Zentenes Str.
LV 1069 Riga, Latvia
Phone: 371-2-419853
Fax: 371-2-212206

Leonids Kvaskovs
Director
Latvian Energy Agency
Riga
Latvia
Phone: 371-2-290675
Fax/Phone: 371-9-34-1587



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Dr. Ivars Viedenbergs
Professor
Riga Technical University
Dept. of Thermal Engineering
1 Kalku str., RTU
226355 Riga, Latvia
Phone: 371-320668
Fax: 371-0132/212206

Mr. Valdis Ginters
Director
Latvenergo Energocontrol
12, 1st. Ganibu dambis, Riga
LV 1230, Latvia
Phone: 371 2 328 500
Fax:

Mr. Girts Stelbovics
Vice President
Latvijas Gaze
Blieku G, LV-1139
Riga, Latvija
Phone: 371-2-882-1405
Fax: 371 2-882-1406

**Poland**

Maciej Lenczewski
Polish Power Grid
Mysia 2, 00-486
Warsaw, Poland
Phone: 48-2-693-2470
Fax: 48-2-628-0426

Adam Gula
Director, FEWE
ul. Poselska 20/15
31-002 Cracow, Poland
Phone: 48-12-213070/2138-89/213781
Fax: 48-12-213070

Manfred Wawrzynosek
DSM Specialist
Silesian Power Distribution Company
ul. Barlkickiego 2
44-100 Gliwice
Poland
Phone: 48-32-37-53-52
Fax: 48-32-37-53-71

Zbigniew Lewandoski
Silesian Power Distribution Company
ul. Barlkickiego 2
44-100 Gliwice
Poland
Phone: 48-37-53-49
Fax: 48-37-53-71

Wojciech Tabis
Managing Engineer
Zielonogorskie Zaklady Energetyczne S.A.
W Zialonsi Gorze
ul. Zacisze 15
66-775 Zielona Gora
Phone: 48-68-271230
Fax: 48-68-272030



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Maryla Jakubowicz
Project Specialist
USAID Poland
U.S. Embassy, Warsaw
Al. Jerozolimskie 56 C
Phone: 48-2-630-24-80
Fax: 48-2-628-74-86

**Romania**

Sarchis Arachelian
Chief, Marketing Department
General Direction for Electricity& Distribution
RENEL
1A Stefan Cel mare Street
Sector, 1 Cod 71216
Bucharest, Romania
Phone: 40-1-211-42-10
Fax: 401-210-23-00

Dr. Aureliu Leca
Chairholder
University "Politehnica" Bucharest
SPLAIUL INDEPENDENTEI 313
Sector 6 - 77206 - Bucharest
Romania
Phone: 401 312 17 20
Fax: 401 312 17 69

Mr. Vasile Grasin
S.C. ECO-ERG Technologie Service S.R.L.
Str. Anton Pann, Nr. 26
3400 CLUJ NAPOCA
Romania
Phone: 40 64 194 208
Fax:

Dr. Gleb Dragan
President, Romanian Energetics Society
Romanaian Academy
Calea Victoriei 125
Bucharest, Romania
Phone: 401 01 659 48 66
Fax: 401 01 312 02 90

Ms. Georgeta Padureanu
S.C. ECO-ERG Technologie Service S.R.L.
Str. Anton Pann, Nr. 26
3400 CLUJ NAPOCA, Romania
Phone: 40 64 194 208
Fax:

Mr. Paul Zara
B.I.T.
31 Cimpineanu Street
et. 5, Ap. 36
Bucharest 1, Romania
Phone: 40 1 312 1098 or 610 2010
Fax:

Mr. Florin Mihailescu
CAMIGO Ltd.
Str. Dr. Anibal Teohari, Nr. 21
76228 BUCHAREST Sector 5
Romania
Phone: 40 1 781 3353
Fax:



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Mr. Mihail Zdravcu
AEE President
ARCON S.R.L.
Str. Intr. Odobesti, Nr. 1
Bl. Z2, Sc. 5, Et. 1, Ap 59
BUCHAREST Sector 3
Romania
Phone: 40 1 673 60 81
Fax: 40 1 673 60 81

Mr. Haralambie Pavel
S.C. INVEST PROIECT S.R.L.
Str. D. Cantemir, Nr.4,
Bl. I 4, Sc. A, Et. III, Ap. 14.
5800 SUCEAVA, Romania
Phone: 40 30 71 72 08
Fax:

Ms. Simona Parvu
AUTOMATIZARI ORION S.R.L.
Str. Malu Rosu 99A
Bl. 120C, Ap. 25
PLOIESTI, Romania
Phone: 40 44 155 799
Fax:

Mr. Constantin Manolescu
EC-ENERG SR
Intr. Patriahiei No.
Bucharest , Romania
Phone: 40 1 623 9934
Fax: 40 1 769 2138

Mihai Maracineanu
Marpos New Trade Ltd
13 Cimpia Turzii Street
Sec I Bucharest Romania
Phone: 401-618-3521
Fax: 401-210-1788

Gianina Moncea
Program Management Assistant
USAID Romania
Balcscu 26, 5th Floor
Bucharest, Romania
Phone: 401-312-05-07
Fax: 401-312-05-08

**Slovakia**

Martin Brunovsky
Energy Advisor
USAID Slovakia
Bratislava
Fax: 42-7-334-711

Mr. Marian Rutsek
General Manager
EMES
PO Box 135
974 01 Banska Bystrica, Slovakia
Phone: 42 88 43456
Fax: 42 88 745183

Ms. Eugenia Maderova
Energy Advisor
Slovenske Elektrarne
Konvenina 9
811 03 Bratislava, Slovakia
Phone: 42 7 314 475
Fax: 42 7 313 482



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**World Bank**

Robin Bates
World Bank
1818 H Street, NW
Washington, DC 20433
Phone: 202-477-1234
Fax: 202-477-0542

Tamas Markus
Deputy Resident Representative
World Bank
Budapest 1065
Nagymezo 44, 4th Floor
Hungary
Phone: 361-269-0389
Fax: 361-269-0396

**Association for Energy Engineers**

Al Thumann
Executive Director
Association of Energy Engineers
4025 Pleasantdale Rd., Suite 420
Atlanta, GA 30340-4278
Phone: (404) 447-5083, x. 212
Fax: (404) 446-3969

Barbara Stroup
Association of Energy Engineers
4025 Pleasantdale Rd. Suite 420
Atlanta, GA 30340-4278
Phone: (404) 447-5083
Fax: (404) 446-3969

**Kiona International**

Shirley Hansen
President
Kiona International
226 Chatham Lane
Annapolis, MD 21403
Phone: 410-858-5241
Fax: 410-268-3621

**United States Agency for International Development**

Robert Archer
Deputy Chief
AID/ENI/EUR/DR/EI
320 21st Street, Room 4440
Washington, D.C. 20523
Phone: 202-647-8274
Fax: 202-647-5194

Greg Butera
Energy Program Analyst
Hungary Country Coordinator
AID/ENI/EUR/DR/EI
320 21st Street, Room 4440
Washington, D.C. 20523
Phone: 202-736-4480
Fax: 202-647-5194

Patrick Egan
Project Specialist
USAID Hungary
Koraly korut 11
1075 Budapest
Hungary
Phone: 36 269 7860
Fax: 36 1 251 1981



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# Regional Energy Efficiency Conference
# Budapest, Hungary
# June 12-16, 1995

Nance Kyloh
Project Unit
USAID Hungary
Koraly korut 11
1075 Budapest
Hungary
Phone: 36 269 7860
Fax: 36 1 251 1981

**Hagler Bailly Consulting, Inc.**

David Keith
Director
Hagler Bailly Consulting, Inc.
1530 Wilson Boulevard, Suite 900
Arlington, VA 22209
Phone: 703-312-0335
Fax: 703-351-0342

Mark Oven
Principal
Hagler Bailly Consulting, Inc.
1530 Wilson Boulevard, Suite 900
Arlington, VA 22209
Phone: 703-312-9862
Fax: 703-351-0342

David Wolcott
Manager
Hagler Bailly Consulting, Inc.
1530 Wilson Boulevard, Suite 900
Arlington, VA 22209
Phone: 703-312-9819
Fax: 703-351-0342

Laurent Pommier
Senior Associate
Hagler Bailly Consulting, Inc.
1530 Wilson Boulevard, Suite 900
Arlington, VA 22209
Phone: 703-312-9816
Fax: 703-351-0342

Theresa Preslik
Associate
Hagler Bailly Consulting, Inc.
c/o Energy Efficient Systems
Mladost - 3
bl. 341/2/52
Sofia 1712
Bulgaria
Phone: 359 2 447 495
Fax: 359 2 447 495

Michael Maier
Associate
Hagler Bailly Consulting, Inc.
c/o Gamax
1122 Budapest, Csabu u. 24/A
Hungary
Phone: 361 155 3016
Fax: 361 175 3134

Pedro Herrera
Associate
Hagler Bailly Consulting, Inc.
c/o Marpos New Trade Ltd.
13 Cimpia Turzii Street
Sec I Bucharest
Romania
Phone: 401 618 3521
Fax: 401 210 1788



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# Regional Energy Efficiency Conference
# Budapest, Hungary
# June 12-16, 1995

**Alliance to Save Energy**

Mr. Mark Hopkins
Director of Corporate Relations
The Alliance to Save Energy
1725 K Street, N.W., Suite 509
Washington, D.C. 20006-1401
Phone: 202-857-0666
Fax: 202-331-9588

**ICF Incorporated**

Mary Ellen Hopkins
Project Manager
ICF Incorporated
1850 K Street, NW, Suite 1000
Washington, D.C. 20006
Phone: 202-862-1200
Fax: 202-574-2329

Theodore R. Breton
ICF Resources
Vice President
9300 Lee Highway
Fairfax, VA 220310-1207
Phone: 703-934-3351
Fax: 703-691-3349

Kathy Ackley
ICF Incorporated
9300 Lee Highway
Fairfax, VA 220310-1207
Phone: 703-934-3293
Fax: 703-218-2669

**Arthur D. Little, Inc.**

Donald Bradshaw
Senior Consultant
Arthur D. Little, Inc
Acorn Park
Cambridge, MA 02140
Phone: 617-498-6127
Fax: 617-498-5000

**Johnson Controls**

Patrick Cronin
Manager, Marketing Services
Johnson Controls
507 East Michigan Street
PO Box 755
Milwaukee, WI 53201
Phone: 414-274-4148
Fax: 414-274-4388

**International Institute for Energy Conservation**

Peter Hobson
International Institute for Energy Conservation
1-2 Purley Place
London N1 1QA
United Kingdom
Phone: 44-171-704-6737
Fax: 44-171-704-8757



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**Resource Management Associates**

Jennifer Fagan
Resource Management Associates
202 State Street suite 303
Madison, WI 53703
Phone: (608) 283 2880
Fax: (608) 283 2881

**European Bank for Reconstruction & Development**

Bernard Jamet
European Bank for Reconstruction
& Development
122 Leadenhall St.
London EC3V 4EB
United Kingdom
Fax: 44171 338 6106

**Exhibitors**

Frank Andres
Vice President, Commercial
Building Services - Europe
Landis & Gyr Management Corp.
Grafenauweg 10
CH-6301 Zug
Switzerland
Phone: 41-42-245660
Fax: 41-42-245618

R. Stephen Soley
Director, Business Development Central &
Eastern Europe
Owens Corning World Headquarters
Fiberglas Tower
Toledo, OH 43659
Phone: 419-248-6180
Fax: 419-248-6302

Gary Mohre
UE Systems, Inc.
12C West Main St.
Elmsford, NY 10523
Phone: (914) 592-1220
Fax: (914) 347-2181

Kelly Paffel
UE Systems, Inc.
12C West Main St.
Elmsford, NY 10523
Phone: 914-592-1220
Fax: 914-347-2181

Jorgen Schack
Bacharach
European Sales Manager
58 Kongensgade
DK 6070 Christiansfield
Denmark
Phone: 40 74 56 3171
Fax: 45 745 63 178

Mark Heffernan
President
DMS
2917 Woodstock Avenue
Silver Spring, MD
Phone: 301-588-7532
Fax: 301-585-7158



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Mark Germer
Electric Power Software
Vice President
1 Carlson Way
Minneapolis, MN 55731
Phone: 612-473-1303
Fax: 612-473-1466

I. Dombovari
Johnson Controls
Manager, Hungary
61381 Friedrichsdorf
Germany
Phone: 49-6172-735-0
Fax: 49-6172-735-159

Erika Farkas
GE Lighting - Tungstram
Advertising Manager
1340 Budapest
Vaci ut. 77
Hungary
Phone: 36 1 169 11 78
Fax: 36 1 169 11 78

Eso Tepponen
Ahlstrom CNIM
Marketing and Sales Manager
58 Avenue d'Iena
75016 Paris
France
Phone: 33 1 536 78 090
Fax: 33 -1 536-78-091

Markku Kostamo
Ahlstrom CNIM
Sales Manager
58 Avenue d'Iena
75016 Paris
France
Phone: 33 1 536 78 090
Fax: 33 -1 536-78-091

Larry Kamberg
Magnetek
Director, Corporate Accounts
1145 Corporate Lake Dr.
St. Louis, MO 63132-1716
Phone: 800-960-6877
Fax: 314-436-2076

Andras Salga
Magnetek, Inc.
Director of Marketing, Hungary
1145 Corporate Lake Dr.
St. Louis, MO 63103
Phone:800-960-6877
Fax: 314-436-2076

Jolando Houben - Cortlever
Ametek
Industrieregler GMBH
Voslauerstrabe 65
A-2500 Baden, Austria
Phone: 43-1-406-59080
Fax: 43-1-406-4483



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Tom Laurenz
Delmhorst Instrument Co.
Manager
51 Indian Lane East
Tuaco, NJ 07082
Phone: 800-222-0638
Fax: 201-334-2657

Theo F.J. van Erning
Fluke Europe B.V.
Area Sales Manager
5602 BD Eindhoven
Science Park Bindhoven 5110
5692 EC Son
The Netherlands
Phone: 31 40 644257
Fax: 31 40 644260

Jozsef Kozbenheyer
Panametrics Messtechnik Gesellschaft
Waldgasse 39
A-1100 Wien
Germany
Phone: 0043 1 6022534
Fax: 0043 1 6022534

Miklos Juhasi
Fisher- Rosemount
Branch Manager
1146 Budapest
Erzsehet Kirdlyne utja 11c
Hungary
Phone: 36-1 153 1190
Fax: 36-1 343 0173

Maria Korodi
Fisher Rosemount
Sales Engineer
1146 Budapest
Erzsehet Kirdlyne utja 11c
Hungary
Phone: 36-1 153 1190
Fax: 36-1 343 0173

Jozsef Flieg
Chesterton/TPI
Manager, Hungary
Carl Zeiss Ring 9
D-85737 Ismaning
Germany
Phone: 49 89 9965460
Fax: 49 89 99654660

Dr. Gyula Hidegknti
APV Hungary
Technical Director
H-1222 Budapest
Haros u. 7
Phone: 36-1 227 4496
Fax: 36-1 227 4497



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# FINANCING ENERGY EFFICIENCY IN INTERNATIONAL MARKETS

by
Suzanne G. Smith
Brian Powilatis
Hagler Bailly Consulting, Inc.
Arlington, Virginia, USA

Energy Efficiency:
Expanding the Market in Central and Eastern Europe

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# Financing Energy Efficiency in International Markets

by

Suzanne G. Smith, Manager, Hagler Bailly Consulting, Inc.
Brian Powilatis, consultant to Hagler Bailly Consulting, Inc.

## I. Introduction

The topic of financing energy efficiency projects in international markets is one of increasing interest. Nearly every study on energy efficiency refers to the lack of financing as a major constraint. However, even in some instances where dedicated funds have been made available, these funds have not been the panacea for the lack of investments in energy efficiency. Some funds have gone unutilized or have required extensive promotion, subsidized interest rates and below market terms before they were fully disbursed (e.g., Pakistan's ENERCON program). Other funds have existed for years and have been successful to varying degrees (e.g., the TTEM program in the Philippines). The mixed results of these funds emphasizes that the solution to financing energy efficiency is more complicated than simply directing that capital be made available.

Part of the solution lies in improving the business fundamentals--in building a more thorough understanding of the commercial markets and business opportunities for energy efficiency products and services, in developing sound business plans with experienced project sponsors, in conducting an increased amount of careful project identification, and in putting together packages that meet the credit criteria of financial institutions. Accessing traditional sources of private capital requires that energy efficiency investments be molded to meet the requirements of existing financial institutions. This is the untapped potential of traditional methods of financing. Traditional financing includes commercial lines of credit and term loans, trade finance, consumer credit, mortgage financing, and project financing. Traditional methods may be applicable for new investments as well as energy efficient retrofits.

Much is also heard about innovative methods of financing, and many different definitions of innovation exist. For the purposes of this paper, innovation in energy efficiency financing may be defined as: (1) applying financing structures such as performance contracting in new markets, (2) designing and implementing market interventions in instances where market forces are not working, (3) encouraging new entrants (e.g., venture capitalists, utilities, investment fund managers, multilateral financial institutions) to finance energy efficiency, or (4) devising ways in

which increased concern for global environmental issues will cause energy efficiency investments to be financed through Joint Implementation or emissions trading credits. Not surprisingly, it is difficult to estimate the amount of innovative financing that will occur over the next several years or the portion of total financing that it might represent. Experience and judgement, however, indicates that innovative financing is well worth pursuing.

This paper sets forth some ideas on how energy efficiency may be financed through both traditional and innovative methods of financing.

## II. Traditional Sources of Financing

### A. Financing for New Investments

Many energy efficiency investments are imbedded in the goods and services that constitute new projects and investments. As such, the energy efficiency component can account for a relatively small portion of the total investment. This occurs in new commercial and residential building construction where the latest energy management systems, windows, lighting and HVAC systems are installed, in newly constructed industrial facilities that procure energy efficient process controls, or the simple consumer purchase of a new, more efficient, electrical appliance. In countries with rapid economic growth, such as Indonesia, Thailand and China, new investments can be in excess of half of the energy efficiency market. In these instances, the costs of energy efficiency are included in the total financing package such as the mortgage,[1] commercial bank loan, construction loan, municipal revenue bond, or project loan from a multilateral financial institution such as the World Bank or a financial intermediary that borrows for on-lending. In many cases the internal financial resources of the energy user or consumer will suffice, requiring no external financing.

Generally speaking, when included as part of a new investment, financing for energy efficiency can be accomplished through the range of traditional sources of financing already mentioned. However, studies indicate that only a small portion (less than 10-20%) of new productive investments adopt energy efficiency technologies in project designs and procurement. For example, on a global basis, energy efficient lighting is used in less than 1% of potential

[1] In the United States, residential mortgage financing has also been used in innovative ways to encourage energy efficiency financing. Programs exist where the total mortgage can be increased to cover the costs of an energy conservation component and the borrower's qualifying ratios are lowered to accommodate the increase in total monthly payments.

applications in new product sales.[2] In these cases, the availability of capital is not an impediment. Rather, the decision to invest in energy efficiency at all becomes the overriding market driver. The solution, therefore, lies in providing better investment incentives (e.g, fiscal incentives, market-based incentives such as unsubsidized energy prices, or buyer incentives such as shared savings that shifts risk from one investing party to another). Programs that increase the market penetration of energy efficient goods and services may have a more significant impact than increasing the amount of financing which may already be available.

Some countries offer attractive fiscal incentives such as tax credits for investment in energy efficient products or accelerated depreciation benefits which provide immediate tax benefits (e.g., Japan). Others offer direct grants or capital subsidies for a portion of the energy efficiency equipment (e.g., Pakistan, Morocco, Bulgaria, Romania). These programs have met with varying degrees of success in increasing the market for energy efficiency investments.

### B. Trade Finance

Wherever the discussion of financing includes international markets, the subject of trade finance must be introduced. Many countries do not manufacture the necessary equipment and must import all or some of their energy efficient equipment (e.g., heat exchanger, high efficiency boilers, heat distribution controls, steam optimization technologies, air conditioner and chiller equipment, low-energy lamps and reflectors, advanced motors and drives). Trade in services (e.g., design engineering, management or technical) may also be desired.

Whereas imports of equipment and services can be financed through a trade finance component included in an initial financial plan, or a through a competitive bidding process tied to a multilateral development bank loan, excluded are the large number of retrofit projects or purchases of singles pieces of equipment. These retrofit and individual procurements require access to trade financing mechanisms such as letters of credit confirmed through the commercial banking sector, medium and long-term buyer's credits, trade insurance policies and relationships with financial intermediaries that work alongside commercial banks and export credit agencies. For large, capital-intensive items, it may make business sense for manufacturers to work directly with export finance divisions of commercial banks or directly with export credit agencies. For multiple sales of lower-priced items, however, companies must work through intermediaries. In addition to commercial banks with trade divisions, equipment distributors and agents, as well as

[2] Henri-Claude Bailly. *The Global Market for Energy Efficiency.* Presented to the World Energy Efficiency Association, Istanbul Finance Seminar, April 11-12, 1995. Arlington, VA: RCG/Hagler, Bailly, Inc., 1995.

energy service companies, can take on this important role as intermediary. While intermediaries can be located in the importer's or exporter's country, local intermediaries have the advantage of being much closer to their markets.

Equipment distributors, either through their manufacturers or through commercial banks, may explore ways in which they can provide their customers with credit (e.g., short or medium term loans, credit enhancement guarantees, or equipment leases). This type of credit could be structured similar to the commercial credit business of the Ford Motor Credit Company (for cars, trucks, tractors , and unrelated lines of equipment) or the Singer Co. which provides loans throughout the world for the purchase of its sewing machines.

Vendor financing is not new, not in a trade finance context, and maybe not in the context of energy efficiency either. In Mexico, for example, in connection with a pilot industrial motors project implemented by the Fideicomiso de Apoyo al Programa de Ahorro de Energia del Sector Electrico (FIDE), General Electric is providing a portion of the financing for the purchase and installation of the motors it manufactures.

In addition to financing direct from manufacturers, vendor financing may require that groups of equipment distributors join together to obtain economies of scale in the development and application of trade finance expertise or in providing a large enough amount of business to interest a commercial bank already active in trade finance. It is also possible that access to trade financing could be improved by special lines of credit for imported equipment at commercial banks if end-users demonstrated that sufficient demand for the product exists.

Typical trade credits range from short term (i.e., 30 days to one year) and medium-term (i.e., approximately three years). Some long-term trade credits of up to ten years are also available, depending upon the life of the equipment and the country risk. Credits of shorter maturities will not be suitable for all types of equipment, especially for certain large-ticket items (e.g., waste heat recovery systems) that may have payback periods that exceed three years. However, many low-cost/no cost energy improvements that repeatedly show up in energy audits have rapid payback periods, given in numbers of months, not years. These projects (e.g., installation of steam traps, acquisition of energy auditing and measuring devices) lend themselves well to the traditional short-term trade finance system.

In many countries, a shortage of foreign exchange, credit and also trading traditions means that trade finance may be conducted through barter and counter trade. The countries of Eastern and Central Europe and the former Soviet Union fall into this category. The potential market for energy efficiency in these countries is large. As countries transition to market economies, increases in energy prices provide a strong incentive to conserve energy. Also, as former state-

owned industries struggle to survive, competitiveness becomes an important issue and one where energy efficiency can be an integral part of the solution to becoming competitive.

Energy intensity in many former Soviet Republics is about three times higher than in the United States and Western Europe, thus making the market potential quite high. However, difficult economic and business conditions are a barrier to conducting business and obtaining financing. Where interest rates and inflation are in excess of 100% , traditional trade credits are available only for very short periods of time and must be associated with hard currency repayments. Counter trade and barter transactions represent one viable way to obtain better trade terms and the hard currency component of the transaction. Those pursuing energy efficiency business in transitional economies may be well advised to invest in the special expertise of barter specialists and counter trade experts.

### C. Local Financial Institutions

Local financial institutions are important players in financing energy efficiency. Local financial institutions have the potential to take on a wide variety of important roles: (1) as financial intermediaries with international institutions, (2) as direct lenders and guarantors, (3) as lessors, (4) as mortgage and construction lenders, (5) as fund administrators and agents, and (6) not to be overlooked, as experts in the business conditions, companies, and economies of particular countries.

It is difficult to generalize about the current level of involvement of local financial institutions in financing for energy efficiency, since levels of activity vary dramatically from country to country. However, one generalization that can be made is that there are an insufficient number of local financial institutions engaged in energy efficiency lending, creating a major barrier to implementing projects. One exception is in Hungary where the Energy Saving Office of the Magyar Hitel Bank has been making energy efficiency loans since 1987 with funding from the German "coal aid"fund and the World Bank, or in India where the Industrial Credit and Investment Corporation of India, Ltd. (ICICI) has been working with the Asian Development Bank and the US Agency for International Development for over five years to strengthen its management's ability to support energy efficiency projects and act as an agent bank in the development and commercialization of energy technologies.

Local financial institutions can also play an important role in financing the construction and start-up of local manufacturing capability and upgrading the energy efficiency standards of existing products, such as residential and commercial appliances and lighting. Both of these options may require significant financing from local financial institutions. This is already occurring in Thailand, Mexico, Brazil and elsewhere.

The energy efficiency financing capability of local financial institutions can be developed through training programs for bankers on energy efficiency loan evaluation, by developing manuals for widespread distribution, by providing financial institutions with the latest information on technologies and projects, and through working with local financial institutions that act as fund administrators and intermediaries for international financial institutions. Financial institutions must be selected carefully, with the size of the energy efficiency market and the level of interest of the financial institution as important criteria.

### D. Project Identification and Business Development

Working with local financial institutions alone will not address many of the barriers that exist in energy efficiency financing. As mentioned earlier, many barriers relate to business and economic fundamentals as well as the absence of financing. Energy prices may be too low to justify an investment in energy efficiency. Imperfect market information may cause business opportunities to go unnoticed. Energy-end users may be uncreditworthy or be concerned with technological risks. Import tariffs may be prohibitive and render a project uneconomic. Local partners may not have the level or mix of skills required to participate .

Removing barriers to financing also requires that project sponsors, investors, energy users and developers know how to identify, develop, and package bankable projects. One significant problem, however, is the high cost of business development and project identification. Until equipment vendors, energy service companies, venture capital firms, public sector agencies, industry associations, or a combination of the above are willing and able (both managerially, technically, and financially) to provide the funding for these activities, the pipeline of project opportunities will languish.

Involving the public sector in business development and project identification activities may help overcome these barriers. In an era of declining public sector resources, this may sound counter-intuitive, but it is consistent with the public sector's desire for sustainable development, environmental improvements, and resolution of global environmental problems. Business development and project identification activities are a necessary adjunct to support for policy and market reforms. The interest of the public sector in efficiency will not abate, and wherever possible, the public sector will want to provide "market-push" interventions. Business development and project identification are good uses of public sector resources, provided they are properly designed, evaluated and proven effective.

In addition, energy efficiency project developers, equipment vendors and others private sector parties are taking a closer look at the current market situation where recent worldwide trends are making the market for energy efficiency products and services more attractive. In the seventies,

rising oil prices greatly improved the project economics for energy efficiency. In the eighties, in the United States, utility involvement in demand side management created new markets for energy efficiency products and services. In this decade and into the next, global and regional economic and political trends are changing the way in which energy efficiency will be implemented. Again, the project economics for energy efficiency investments are improving.

The movement towards increased international competitiveness and liberalized global trade, power sector restructuring, rationalization of energy prices (still at an estimated $100 billion/year subsidy) and improved technologies are good reasons for the private sector to take a closer look at energy efficiency projects. Another good reason is market size and growth. Hagler Bailly recently estimated the world private sector market for energy efficiency products and services at over $80 billion per year.[3] Estimates of market growth range from 4%-10% per year, with the highest growth expected in developing countries and emerging market economies. As such, now is an opportune time to commit new resources to energy efficiency project development.

Packaging or pooling project identification and business development activities may foster the development of larger pieces of business. One example of this approach, currently being developed in Slovakia, is the development of an energy efficiency retrofit program for all the hospitals in a municipality or region, under one contractual and financing umbrella. From a developer's viewpoint, this approach may be preferable to developing a single hospital retrofit and then attempting to replicate it.

### E. Project Finance (Non-Recourse and Limited Recourse)

In connection with energy efficiency, project financing can be considered to be both a traditional and non-traditional source of financing. (Repayments under project financing are made solely from the cash generated by the specific project.) It may be considered a traditional source of financing because it has been used for decades to finance capital intensive projects. It may be considered non-traditional because its applications to energy efficiency, especially outside of the United States, have been limited.

Project financing is now a popular financing mechanism for structuring privatized infrastructure investments, such as private power, water and wastewater treatment facilities, and privately owned and operated toll roads. However, project financing is not experiencing similar popularity for energy efficiency financing, except for cogeneration projects. This may largely be due to the fact that the transaction costs for project financing are high and that this is not a model easily

[3] *ibid.*



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replicated for projects of a smaller size. Financial institutions engaged in project financing are generally involved in projects with total costs not less than $5-$10 million and that range upwards to several billion dollars. Project development costs for even small projects can reach $1 million. Feasibility studies, which generally are a prerequisite to project financing, may cost at least $300,000.

For projects above a minimum threshold, however, project financing can be an excellent tool for obtaining financing in markets where significant barriers remain. Project financing can be used to mitigate poor credit and certain country risks. Performance contracting and shared savings are variants of project financing in that they rely upon cash flows from a project for repayment and are effective tools for dealing with credit and country risks. Performance contracting is discussed separately under the section on innovative financing, below.

### F. Public Sector Support

For policy reasons, public sector agencies have long been involved in the financing of energy efficiency. In addition to grants, low-interest loans, guarantees, tax credits, technical assistance, and legislative mandates, the public sector pulls the market by being a large market buyer and market participant. Hagler Bailly recently estimated that energy efficiency procurement of the national governments of OECD member nations is greater than $2 billion annually, or 3 to 4% of the OECD energy efficiency market.[4] The public sector in OECD nations offers additional support in the form of over $600 million of government sponsored energy conservation research and development annually.[5]

In the United States, energy efficiency has been supported by federal energy management programs, fiscal incentives, PURPA, and state-supported grants and loan programs. Elsewhere specifics vary but most European countries have supported energy efficiency programs in a similar manner. Japan has been an active supporter of energy efficiency since its experience with the oil supply shock of 1973.

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[4] *ibid.* This $2 billion figure excludes a great proportion of total national government energy budgets which may encompass additional energy efficiency components, and may exclude expenditures below the national level for some countries. Also excluded are demand reduction programs of electric and gas utilities, on which spending totaled $2 billion in the U.S. alone in 1992 (IEA, 1994).

[5] International Energy Agency. *Energy Policies of IEA Countries: 1993 Review.* Paris: OECD, 1994.



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Developing country governments have also been involved, either on their own or in cooperation with international foreign assistance agencies such as USAID. In Morocco, Mexico, Egypt, Jamaica, Thailand, Philippines, and Russia and the Baltics (just to name a few), governments have set up energy conservations programs, implemented demonstration projects, conducted industrial energy audits, and provided grants or loans for imports of equipment. When designed and implemented well, most of this support has been very successful.

In this era of reduced public sector budgets and encouragement of increased private sector activities, what role can governments play in energy efficiency financing? The simplistic answer is that they should continue to design and implement the types of programs that have proved successful, but do so with fewer resources. It means that new programs will need to be considered in terms of their sustainability, their leveraging capabilities and the impact that they have on encouraging increased private sector involvement. This could mean more tax incentives or investments in project development, it could mean developing new partnerships with project sponsors and local financial institutions, it could mean providing seed capital for special purpose revolving funds. This paper does not attempt to list or describe the wide range of public sector options available to support energy efficiency.

## III. Innovative Financing

The different skills necessary to conduct business internationally, combined with the peculiarities of the energy efficiency business, require that innovative approaches to doing business be developed. Innovative financing for energy efficiency entails the development of new financing mechanisms tailored to the specific needs of energy efficiency. It recognizes that with energy efficiency, there are a large number of small projects and a small number of large projects, requiring the packaging or pooling of investments. Innovative financing for energy efficiency also recognizes that the market for energy efficiency financing is driven by policy and economic conditions--most obviously by energy prices, but also by the pace of commercialization and reform in the energy sector, the level of government concern for environmental issues, and commitments to solving global environmental problems. The players in innovative financing for energy efficiency thus include all types of institutions, some of which are not typically associated with financing: energy service companies, utilities, governments, venture funds, energy users, local financial institutions, and industry associations. The field continues to be open to new ideas, market entrants, and models of innovation. Three types of innovation are discussed below.

### A. Performance Contracting and ESCO's

Recent efforts to apply known financing structures for energy efficiency in different countries have focused on support for energy service companies (ESCO's) and transfer of performance contracting and shared shavings. ESCO's take on the multiple roles of energy services contractor, risk mitigator, and arranger of financing. In the United States, the business of performance contracting and shared shavings has proven successful and been replicated numerous times. Utility involvement in demand side management programs has helped sustain growth in the market for ESCO's. However, even in the United States, performance contracting is not a billion dollar market; most of the market participants are small businesses (although several market participants are subsidiaries of electric utilities). In Europe, where performance contracting is generally referred to as "third party financing", examples of successful ESCO businesses also exist.

Efforts to apply the ESCO model of performance contracting in developing countries are still relatively new, and perhaps it is too soon to predict its long-term applicability and replicability. Over the short-term, results have been mixed. Several companies have committed to investments only to pull out of them at a later date. Other ESCO's have conducted initial business development and concluded that the development costs were too high, the financing unavailable, or the risks unmanageable. Some companies have been successful and have executed performance contracts--EMS in the Czech Republic is one example, Intesco in India, another.

One hypothesis for why the success stories are few is the difference in skill mix and resources between ESCO's in the United States and the requirements of doing business internationally in developing countries and emerging economies. Few of the ESCO's in the United States have in-depth experience in international business, including knowledge of how to obtain international financing and find the best local partners. While international business skills can be built or acquired, as small businesses, many ESCO's don't have the financial resources to sustain high market entry costs. Another hypothesis is that the market is currently not large enough to justify investing in business development and project identification.

However, performance contracting and ESCO development represents one of the better ways to address several of the most frequently mentioned barriers to investment. Performance contracting transfers the technology and management risks away from the end-user to the ESCO. For energy users reluctant to invest in energy efficiency, a performance contract could be a powerful incentive to implement a project. As energy management contractors, ESCO's possess the technical and managerial skills needed to perform on specific contracts. More importantly ESCO's possess the experience needed by local partners in building viable businesses able to respond to multiple opportunities and assistance in promoting energy efficiency projects.



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One way to support ESCO's is general support for sustained growth in energy efficiency markets. While this may not lower the market entry costs, improving the business fundamentals will enhance the ESCO's ability to develop new partnerships and alliances with a variety of participants, allowing them to access many of the skills they currently lack.

### B. New Market Entrants--Utilities, Environmental Groups, Venture Capitalists

The entry of new market participants is an important area of innovation because it serves to fill gaps in the skills and resources of existing market participants.

The example discussed above with ESCO's deserves greater elaboration. ESCO's, as small businesses, lack the financial resources to invest heavily in business development and project identification. One suggestion is for an ESCO to assemble a business plan demonstrating the potential for profits and present it to the venture capital community for financing. While the venture capital community is not known for its expertise in international financing, this is changing quickly. Several funds have been started that have stated interests in environmental investing, including energy efficiency. Funds established to invest in renewable energy will also consider energy efficiency investments. Venture capital funds won't provide 100% of the financing required, but based upon the successful track record of an ESCO in the United States or elsewhere, and its demonstrated commitment to the business plan, venture capitalists may be willing to provide a significant portion of the required financing in return for a share of the profits.

Other entities could make good financial partners. Private power developers are learning quickly how to develop international projects; some of them have considerable financial resources. Local private sector companies are also good partners for development in that they understand the markets much better than foreign companies, and they frequently have access to capital from local financial institutions.

One other category of market participant needs to be mentioned. Certain market participants can create market demand and "pull" the market. These participants are important to identify. In the United States, through demand side management programs, utilities have created market demand. There is no reason why they can't do the same outside the United States. Involvement by energy efficiency suppliers with utility demand side management programs is an important approach to creating more business overseas.

Governments also create market demand: through legislative mandates, sector reforms, institutional reforms and investment incentives. Support and participation in the wide range of government efforts will certainly help create markets for energy efficiency suppliers.

Environmental interest groups, concerned about local and global environmental problems, can also help pull the market. Some of these groups have significant financial resources but are not knowledgeable about how to translate their policy objectives into viable business opportunities. Efforts to channel their resources to specific projects or towards creating a framework that supports market growth will have a positive effect on energy efficiency financing. Energy efficiency suppliers may attempt to play an active role in helping environmental groups decide how best to allocate their resources.

### C. Global Environmental Issues as a Source of Financing

In the future, environmental issues will drive energy efficiency markets in new ways. While today, concern about global warming causes a great deal of discussion about level of damage and methodologies for treating it, in the future, global warming concerns may mandate that investments be made to alleviate the problem. This will cause energy efficiency markets to continue their sustained growth, again requiring new methods of financing.

One of these methods is known as Joint Implementation. Joint Implementation refers to programs of international cooperation on climate change in which industrialized countries seek to "balance" their emission of greenhouse gases in conjunction with developing countries by using emissions reduction efforts and the enhancement of greenhouse gas sinks. Specific mechanisms for using Joint Implementation as a source of financing for energy efficiency have not yet been developed, although discussions have begun.

A major market driver for the implementation of greenhouse gas mitigation strategies, and energy efficiency measures to the extent that they contribute to this goal, is the potential for an emissions trading program. The goal of such an approach is to harness market forces to achieve environmental targets at the lowest cost to society. While traditional environmental regulation prescribes a fixed emission limit for each regulated facility, allowance trading programs set emission reduction goals for the regulated community as a whole. The regulatory authority then allocates allowances to the various facilities. Those facilities that have invested in efficient technologies and can reduce their emissions more cost-effectively have an incentive to over control their emissions and sell their unused allowances to entities that face greater emission reduction costs. As such, the private sector decides how to most efficiently reduce overall emissions to the mandated level.

In the U.S., an allowance trading program has been used to reduce the emissions that cause acid rain. The prospect of wider application of allowance trading programs around the world for a variety of emissions still remains subject to future developments. However, allowance trading permits regulated entities to capture the value of emission abatement and may provide a powerful

incentive for private enterprises to invest in energy efficiency and other emissions abating technology.

## IV. Conclusions

There is no single solution for addressing the financing constraint for energy efficiency investments. Approaches that combine traditional sources of financing and business development with innovative approaches are required. Combining traditional sources of financing with investment incentives is likely to be a good approach for financing to increase market penetration of new projects. This requires more expertise in trade financing and possibly counter trade. Vendor financing programs which provide commercial credits may be suitable for individual product programs, such as industrial motors, steam traps, measurement equipment. More active participation from the local financial community is critical since they are in the best position to serve multiple roles. Where local financial institutions are undeveloped, project financing and continued government interventions can fill the gap in the short term.

One of the most important causes of the unavailability of financing for energy efficiency is not the lack of capital, but imperfections in the market. By supporting market developments, many of the financing constraints may be solved without intervention. The energy efficiency market is already heading in this direction, spurred on by the reform of energy pricing, privatization and restructuring, and in some countries, serious energy shortages.

Innovation requires new entrants, an eye towards tracking future trends, and support for performance contracting and ESCO's. It requires new and unusual pairings--ESCO's teaming with local financial institutions who understand industrial lending, or governments getting into the business of project identification and business development.

There are many issues for further research in energy efficiency financing; some of which are ongoing. Widespread gains in energy efficiency and profits for energy efficiency suppliers will be the yardstick by which energy efficiency financing strategies will be measured.



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# THE GLOBAL MARKET FOR ENERGY EFFICIENCY

by
Henri-Claude Bailly
Managing Director
Hagler Bailly Consulting, Inc.
Arlington, Virginia, USA

Energy Efficiency:
Expanding the Market in Central and Eastern Europe

Budapest, Hungary
June 15, 1995

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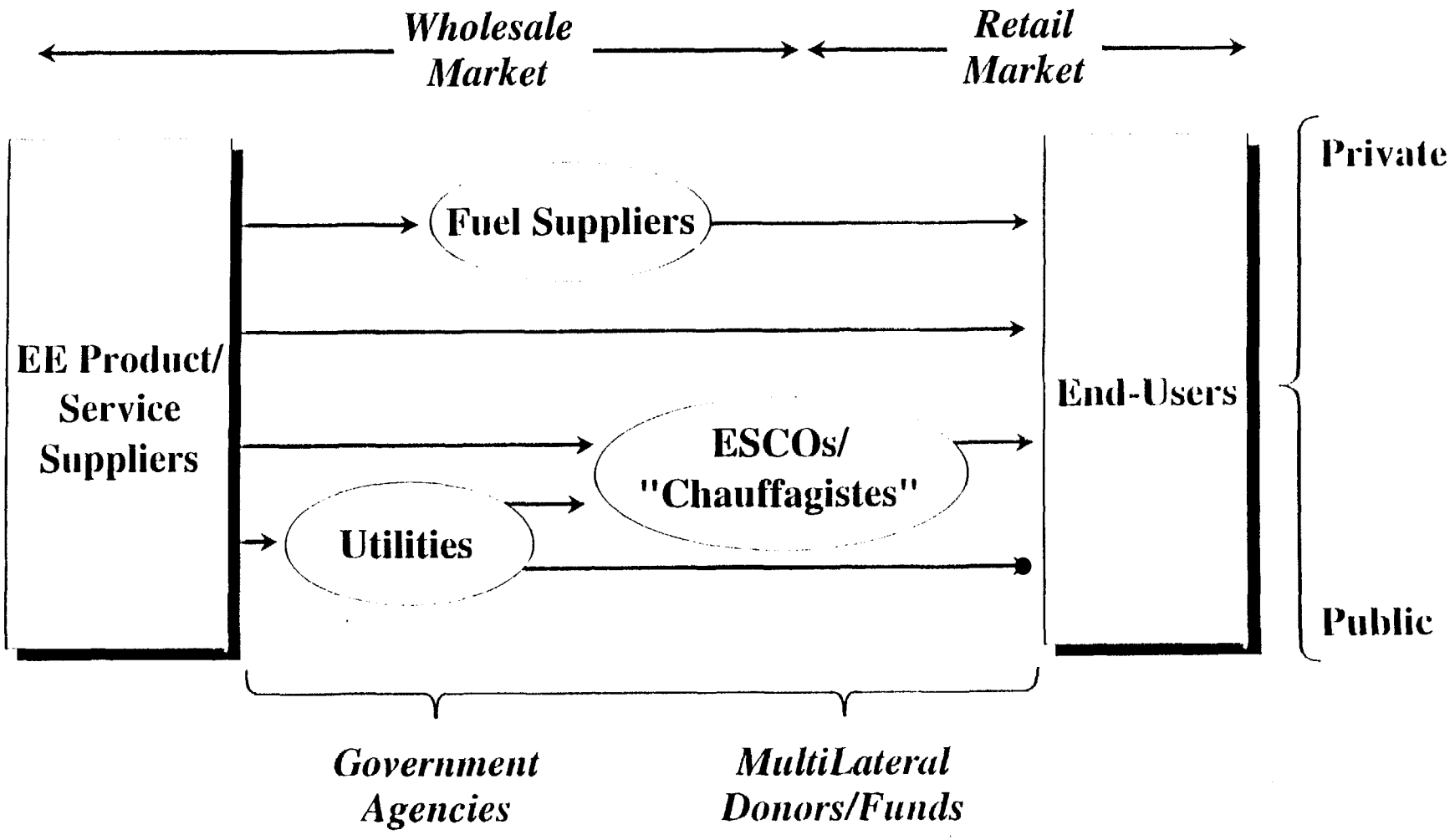
# Outline

- The "Buyers"
- Representative Technologies and Services
- Potential Benefits
- Current Market Size
- Market Outlook
- Concluding Message

# The "Buyers" of Energy Efficiency




Source: Hagler Bailly; March 1995.

# Representative Technologies and Services

(Excludes Transport/Power Sectors)

**Industrial Technologies**

- High-Efficiency Boilers
- Cogeneration
- Conservation Controls
- High-Efficiency Motors
- Adjustable Speed Drives
- Process Controls
- Waste Heat Recovery
- Insulation
- Lighting
- Integrated EMS

**Commercial/Residential Technologies**

- High-Efficiency HVAC
- High-Efficiency Appliances
- Lighting
- EMS/Controls
- Building Envelope Systems

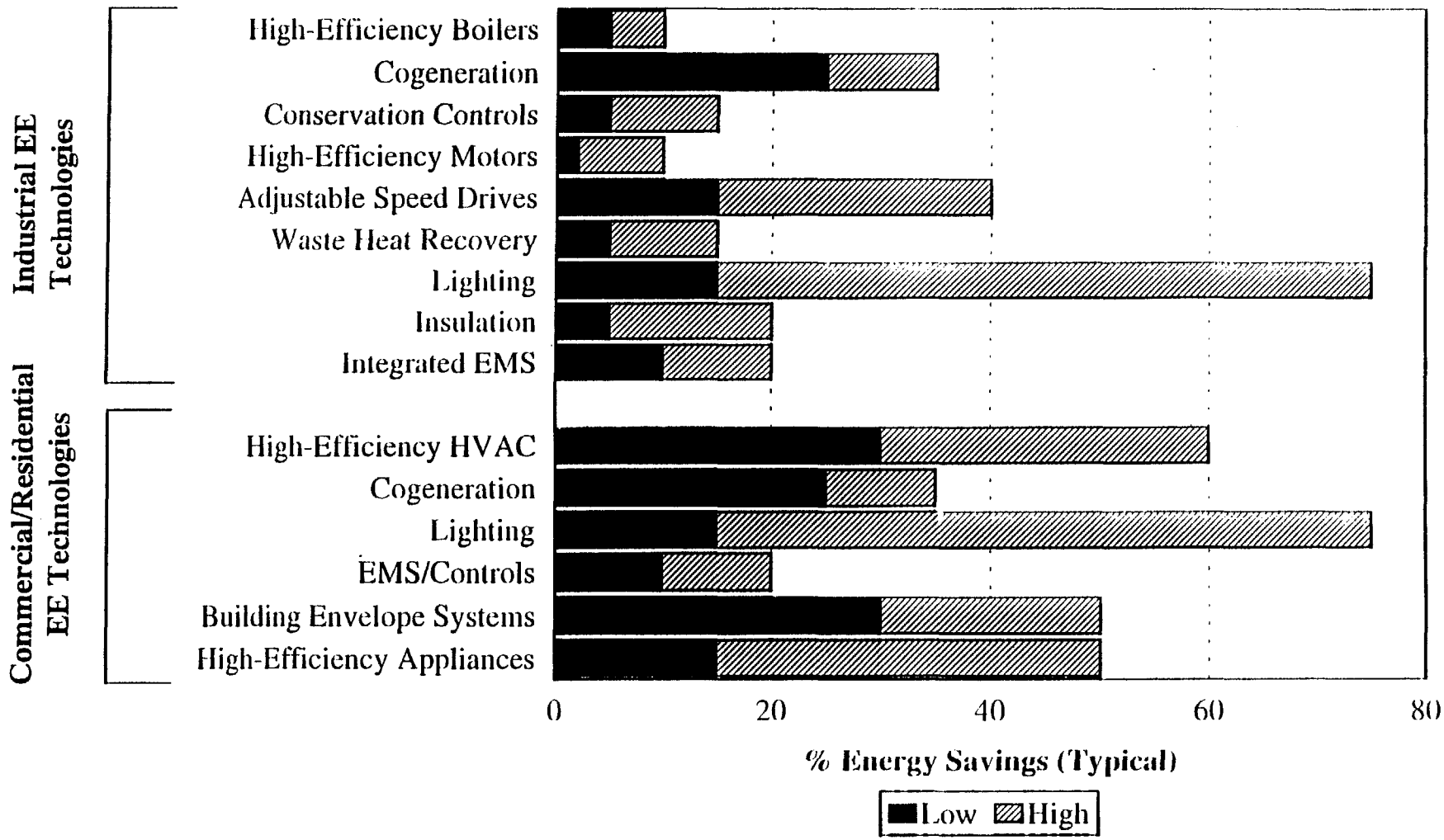
**Services**

- Energy Audits
- Feasibility Studies
- DSM Program Design
- Installation/Operation

Source: Hagler Bailly; March 1995.

# Potential Benefits

## – Typical Energy Savings to End-Users –




Source: Hagler Bailly; March 1995.



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# Current Market Size

**In the Private Sector**

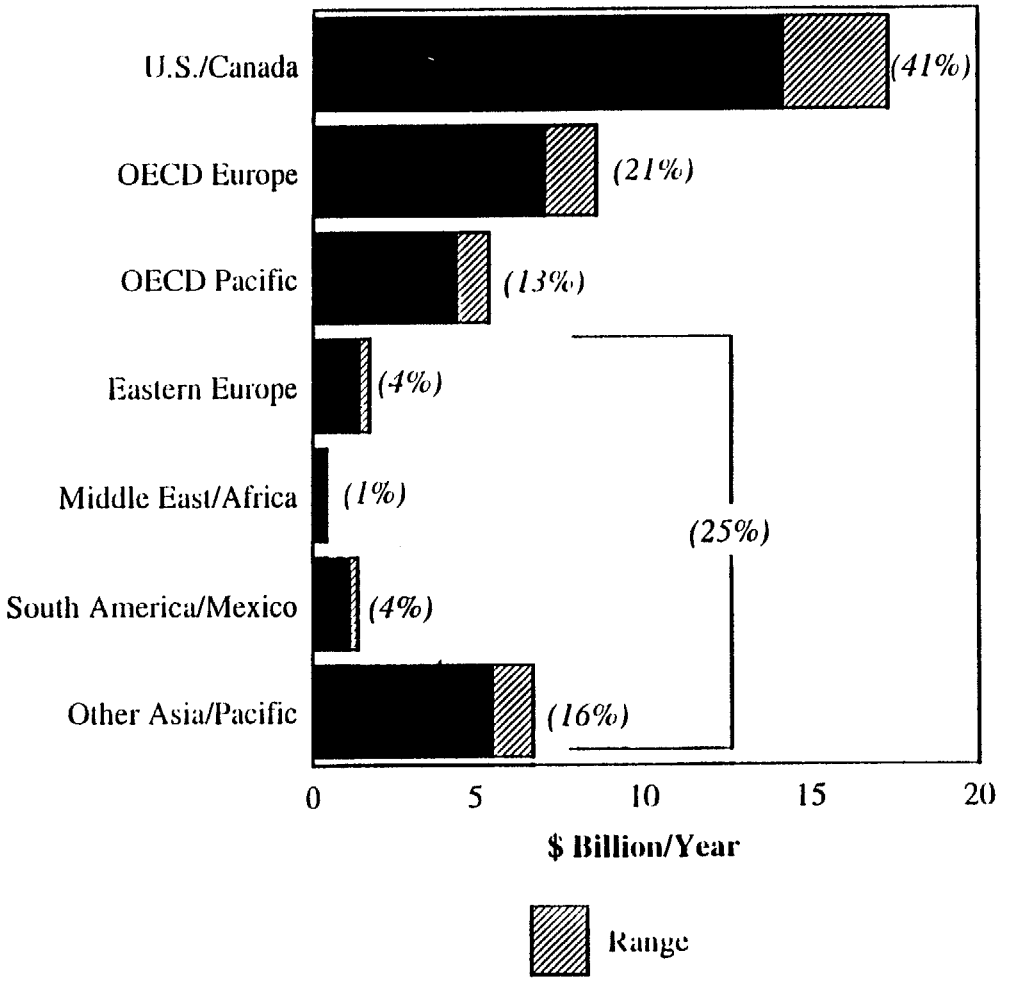
- Estimates vary widely across sectors/technologies
- Probably over $80 billion/year
- Growing rapidly, particularly for services
- Many services/technologies can be provided locally

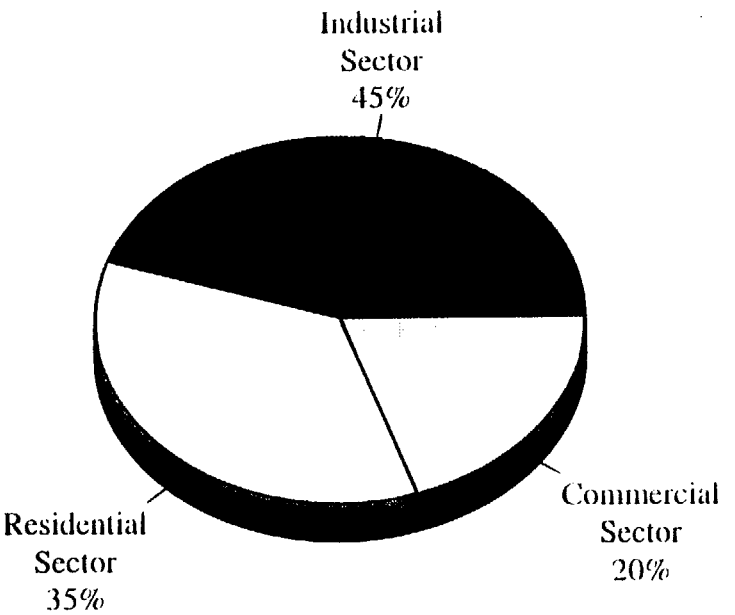
**In the Public Sector (OECD)**

- Nearly $2 billion/year in government spending
- More than $600 million/year for government-sponsored R&D
- Focus is on technology demonstration/"market-pull" initiatives

# Current Market Size

## -- For Selected Industrial and C/R Technologies --



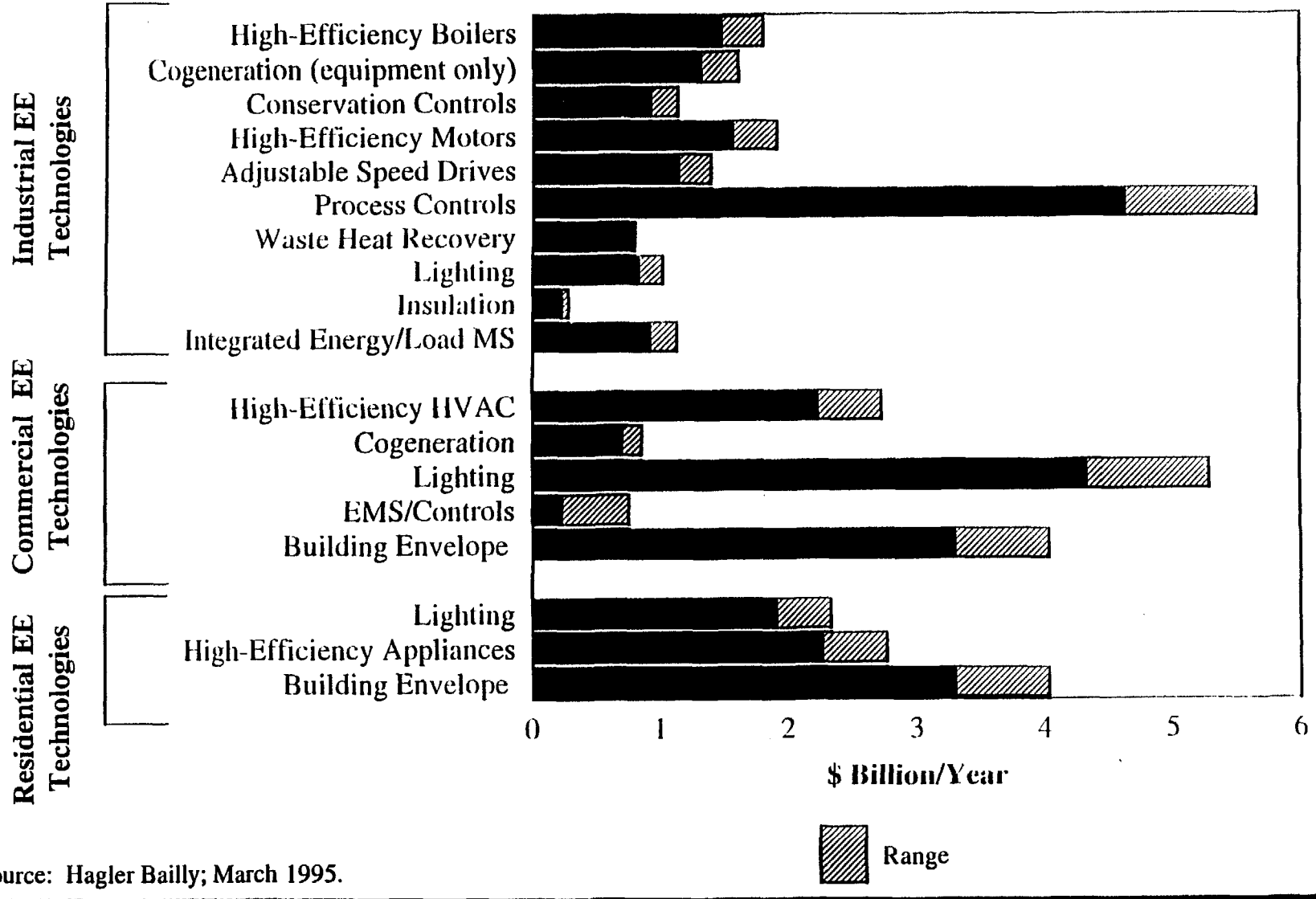




**Total Market**
**$34 - 42 Billion/Year**

Source: Hagler Bailly; March 1995.

# Current Market Size

## -- For Selected Industrial and C/R Technologies --




Source: Hagler Bailly; March 1995.

# Market Outlook

- European Union estimates 40% energy savings achievable with "best available technologies"; 8% electricity savings with 4 technologies alone.
- Japan targeting another 35% improvement in energy intensity.
- U.S. has the potential to reduce consumption over 20%.
- Many Asian countries targeting energy improvements of 15-30%.
- Markets expected to shift to non-OECD countries.



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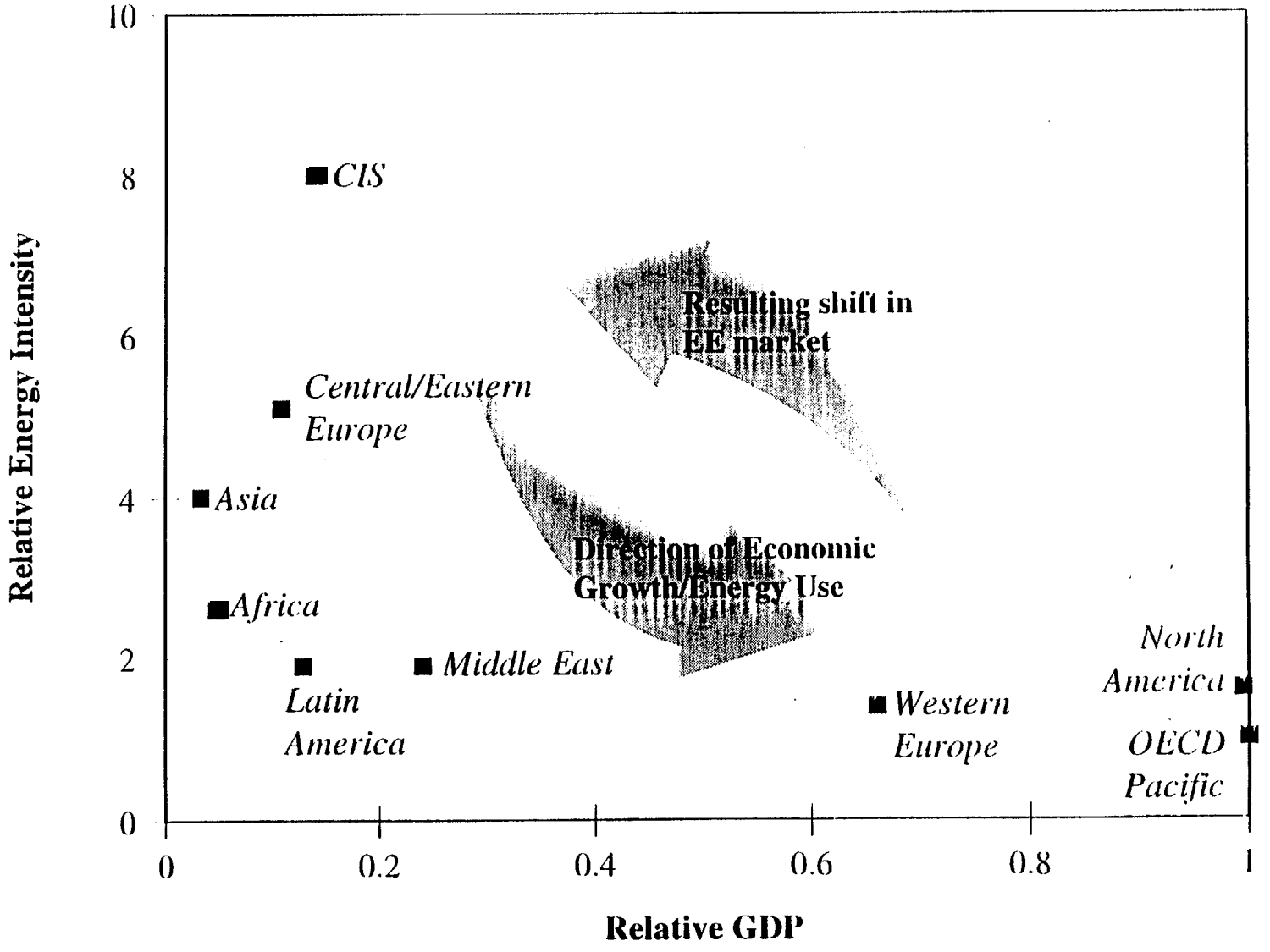
# Market Outlook




Source: Hagler Bailly based on IEA data; March 1995.



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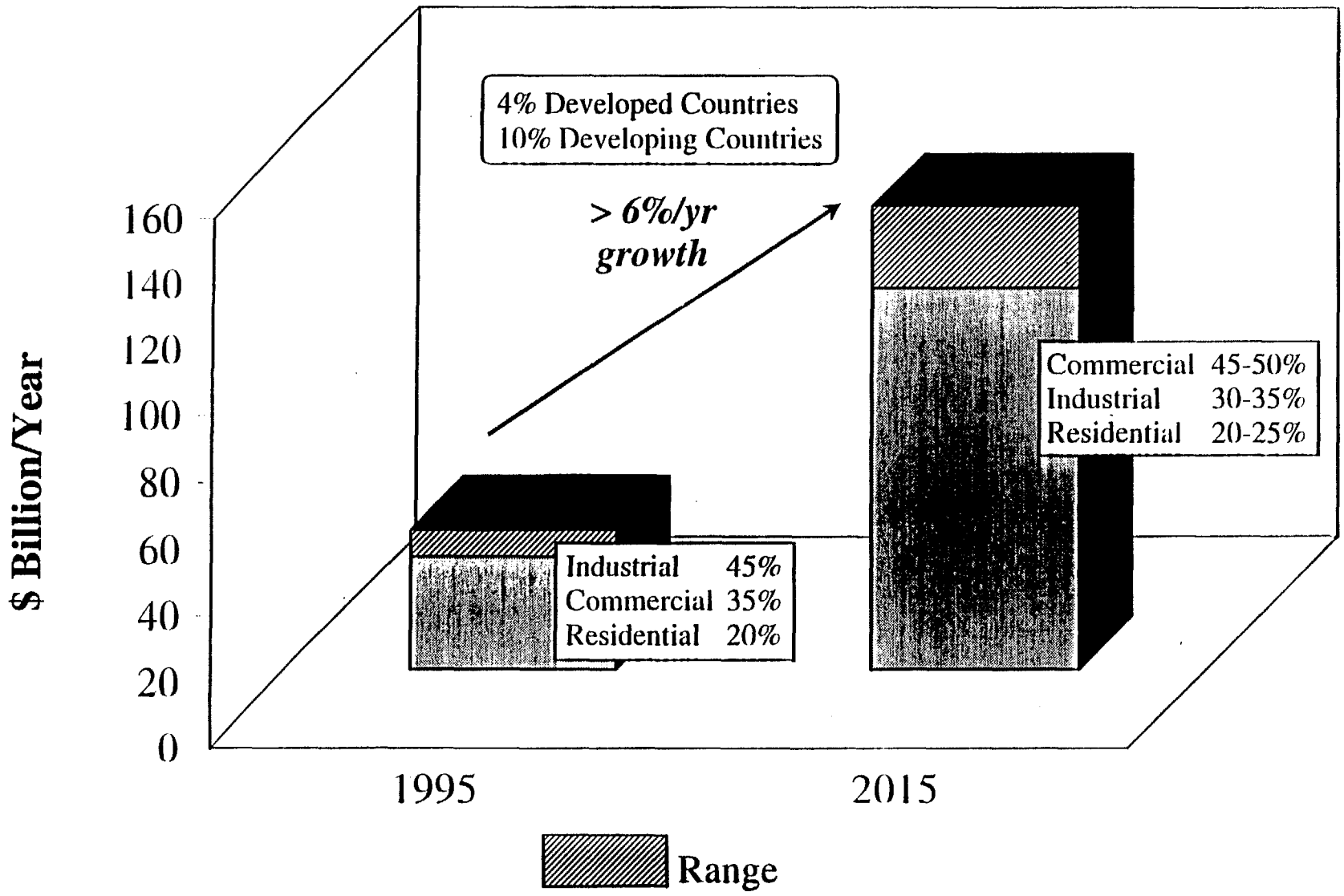
# Market Outlook

- Significant potential remains with individual technologies.

- Energy-efficient designs still less than 10-20% of new product sales:
  - efficient lighting used in less than 1% of potential applications
  - efficient motors and ASDs used in less than 3% of installed applications
  - several GWs of untapped industrial/commercial cogeneration.

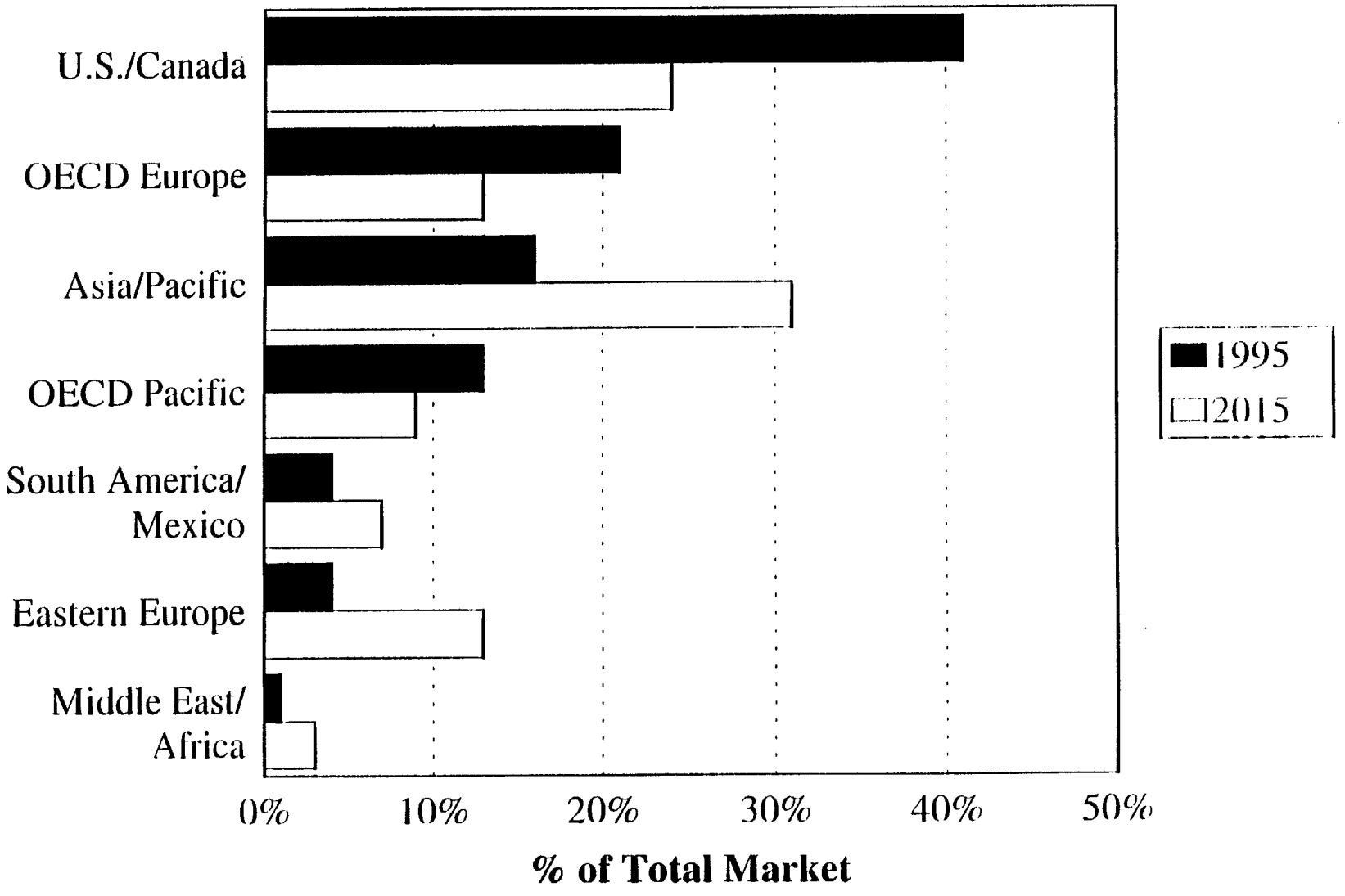
- Our market outlook is well below the realizable potential.

# Market Outlook




Source: Hagler Bailly; March 1995.

# Market Outlook



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# Concluding Message

- Market growing rapidly; could increase under the "right" market conditions -- e.g., energy pricing, taxes, environmental costs, standards.

- Developing the EE market requires:

  - the right set of transactions
  - expanding the use of information technology
  - involving the key buyers/players in the delivery chain.

- The private sector must be pulled by the market, but can be pushed by:

  - information and training
  - financing.

# Eastern Europe Looks for Partners

**Made Available by the Eastern Europe Business Information Center • U.S. Department of Commerce • International Trade Administration**
**In cooperation with the Agency for International Development**

Under the U.S. Government's American Business Initiative, the Eastern Europe Business Information Center (EEBIC) has created the "Eastern Europe Looks for Partners" information service, designed to help U.S. businesses locate partnership opportunities in the expanding East European and Baltic markets.

This issue focuses on **energy, environment, and manufacturing** opportunities compiled from East European and U.S. public and private sources. As their shelf life is limited, we recommend following up promptly.

The opportunities are provided solely as an informational service and do not represent an endorsement by the Department of Commerce. Verification of these leads is the responsibility of the reader.

If your company should decide to pursue one or more of these opportunities and would like our advice and assistance in doing so, **please feel free to write or call EEBIC, Room 7412, U.S. Department of Commerce, Washington, DC 20230, or (202) 482-2645.**

## ENERGY/ENVIRONMENT

### ESTONIA

*Company:* Sviktem Ltd.
Sviktem is a private company established in April 1994. The company has obtained a license from the National Standards Board to carry out quantitative and qualitative **measurements of oil shipments loaded in Estonian ports.** Sviktem is the only company currently providing this type of service in the Estonian market. In order to meet growing market demand, Sviktem plans to provide tank-cleaning services. The company is looking for a U.S. investor to obtain the necessary equipment.
*Contact:* Mr. Aivar Saidla, Director
Sviktem, Ltd.
Lootuse 62-5
EE0090 Tallinn, Estonia
*Tel:* (372-6) 395-246
*Fax:* (372-6) 395-246
*Source:* H. Kundla/U.S. Embassy Tallinn
*Date Received:* March 1995

***

*Company:* Tallinna Masinatehas Ltd.
Tallinna Masinatehas Ltd., founded in 1865 and privatized in 1991, produces air coolers for petrochemical plants, oil shale industry equipment, reservoirs, welded constructions, and steel castings. In 1993, the company had annual sales of $8 million, and it presently employs 800 people. It owns a building with total production space of 72,000 sq. meters. Tallinna Masinatehas is looking for contacts with U.S. companies engaged in manufacturing equipment for the **petrochemical, oil, and gas industries.**
*Contact:* Mr. Sergei Denisenko, Director
Tallinna Masinatehas Ltd.
Kopli 68
EE0110 Tallinn, Estonia
*Tel:* (372-2) 491-009
*Fax:* (372-2) 441-176
*Source:* H. Kundla/U.S. Embassy Tallinn
*Date Received:* March 1995

### HUNGARY

*Company:* Nitrokemia plc.
This **large chemical plant is situated near Lake Balaton.** Nitrokemia produces pesticides, organic and inorganic intermediate compounds, ion-exchange resins, unsaturated polyester resins, cellulose nitrates and gun-powders. The plant employs 2,450 people and annual revenue was $90 million in 1994, with 70 percent of its production exported. The firm is owned by the Hungarian state asset-holding company and is planned to be privatized this year. An ISO-9002 certificate is being obtained. It seeks strategic U.S. partners for several privatization and environmental projects. The privatization projects concern privatizing natural gas energy supplies and chemical production plants with values ranging from $1 million to $30 million. After these plants are privatized separately, the rest of Nitrokemia will be offered for sale to financial investors. Registered capital is $40 million. The environmental project costs are estimated at $20 million, partially financed by a Japanese government loan, and include: sludge treatment (hazardous chemical waste); hazardous solid chemical waste incineration (existing incinerator is to be reconstructed); and waste-water treatment (daily waste-water outlet is 18 thousand tons.)
*Contact:* Mr. Laszlo Mihalkovics, General Manager
Nitrokemia rt.

P.O. Box 45
H-8154 Fuzfogyartelep, Hungary
*Tel:* (36-88) 352-111
*Fax:* (36-88) 351-705 or 351-423
*Source:* A. Romvari/U.S. Embassy Budapest
*Date Received:* March 1995

***

*Company:* Ordog and Partner Ltd.
This company was recently established to utilize an existing eleven acre area owned by the firm, located by the Danube River, about an hour outside of Budapest. The property has full facilities. The firm is seeking U.S. joint-venture partners to provide U.S. technology for a **scrapped tire reprocessing plant and for an environmentally-sound scrapped car processing facility.** It is also interested in constructing a red mud processing plant. A closed aluminum plant is located nearby with large amounts of mud in waste deposit. After processing the red mud, the site would become a hazardous waste deposit.
*Contact:* Mr. Eordegh Szabolcs, Managing Director
Ordog Es Tarsa kft.
Baji ut. 35/ii
H-2890 Tata, Hungary
Tel: (36-34) 323-616
Fax: (36-34) 323-616
*Source:* A. Romvari/U.S. Embassy Budapest
*Date Received:* March 1995

***

*Company:* Product Control Ltd.
This firm is a research and technical development company which develops thermal **desorption technologies and other environmental projects.** The owner has patents registered worldwide for advanced solid hazardous waste treatment with flash pyrolysis indirect thermal treatment technology (a non-incineration process.) A pilot plant has been operating for the past 3 years. The process is safe, technically advanced, and cost and energy efficient, providing a complete solution for full scale design capacities between 1,240 to 60,000 tons. Product Control seeks a U.S. partner to set up a field demonstration plant (with 0.5 M3 hourly input capacity) for the treatment of hospital waste and PCB-contaminated soils in Hungary with a parallel manufacturing base in the U.S. The company would also like to work with U.S. firms on other projects including the treatment of solid hazardous waste, PCB-contaminated soil, mercury luminescent light, municipal solid waste, manufacturing activated carbon, and waste minimization. Individual project costs vary from $1.5 million to $10 million. The project has already been reviewed by the U.S. Environmental Protection Agency and the Department of Energy.
*Contact:* Mr. G. Edward Someus, Director
Product Control Ltd.
Mikszath k.U.81
H-1046 Budapest, Hungary
*Tel:* (36-1) 160-3777
*Fax:* (36-1) 169-1939
*Source:* A. Romvari/U.S. Embassy Budapest
*Date Received:* March 1995

## POLAND

*Company:* Fabryka Urzadzen Okretowych "Rumia"
This state-owned enterprise, established in 1949, is slated for privatization. It produces **heat exchangers for the shipbuilding industry as well as water heaters and steam boilers.** The company has the right to indefinite use of 5.8 hectares of land, factory and office buildings (an area of 16,000 square meters). It employs 205 people. In 1993, sales totalled $3.3 million, including $600,000 in exports to Germany, Sweden, Greece and Switzerland. Rumia is located close to the Gdynia and Gdansk harbors. The company would like to modernize its machinery and equipment, and introduce new technologies, know-how and marketing management. It is looking for a strategic investor interested in purchasing the firm or at least 51 percent of its shares.
*Contact:* Krzysztof Rabiega, Managing Director
Fabryka Urzadzen Okretowych "Rumia"
ul. Sobieskiego 42
84-230 Rumia, Poland
*Tel:* (48-58) 71-07-01
*Fax:* (48-58) 71-24-74
*Source:* E. Gajowska/EEBIC Gdansk

## ROMANIA

*Company:* Hormet S.A.
This private company with 20 employees was established in 1992 in Blaj. Hormet **collects and recycles ferrous and non-ferrous metal waste.** Recently, the company expanded by establishing a new production unit in Cluj-Napoca, the major city in Transylvania. This new unit will produce 180 tons of foundry products annually. The company's equipment is outdated, and the management intends to modernize it by purchasing new cutting machines, presses and magnetic separators. They also intend to modernize their foundry by purchasing an induction furnace with 250 kg capacity and a carousel-type vacuum casting machine. Hormet is looking for a U.S. investor and/or joint-venture partner for these projects. The estimated cost of this investment is $20,000 with a pay-back period of one year.
*Contact:* Mr. Alexandru Horneanu, President
Hormet S.A.
63-65, Fantanele St., Bl. B9, ap. 25
3400 Cluj-Napoca, Romania
*Tel:* (40-64) 181-171
*Source:* P. Stetiu/U.S. Information Center Cluj
*Date Received:* March 1995

***

*Company:* Eugeea S.R.L. - Cluj-Napoca
This small private company is involved with **wastewater treatment systems** for houses, workshops and small factories in rural areas without sewage networks and wastewater treatment facilities. It is interested in cooperating with a U.S. company ready to offer this type of equipment and to distribute and install it around the country. Eugeea is also considering the construction of a pilot project as a key element in their marketing campaign. The company's management is open to any kind of cooperation proposal.
*Contact:* Mr. Eugen Sorin Dan, Manager
Eugeea S.R.L.



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Str. Andrei Saguna nr. 34-36, ap.30
3400 Cluj-Napoca, Romania
*Tel:* (40-64) 138-553 or 182-248
*Fax:* (40-64) 193-038
*Source:* F. Gheorghisor/U.S. Embassy Bucharest
*Date Received:* March 1995

***

*Company:* Ampellum S.A.
This company is involved in **pollution abatement projects** in highly polluted industrial areas. After their completion, these works will lead to a cleaner environment in heavily populated areas. In addition, soil pollution in the area will be avoided. As of December 1994, $2.43 million are required for completion of the project, of which $1.1 million will be allocated from the 1995 state budget. The company's management is seeking U.S. investment partners.
*Contact:* Mr. Felix Adrian Treger
Ampellum S.A.
Str. Garii nr.10
2500 Zlatna, Jud. Alba, Romania
*Tel:* (40-58) 856-354
*Fax:* (40-58) 856-359
*Source:* F. Gheorghisor/U.S. Embassy Bucharest
*Date Received:* March 1995

***

*Company:* Sometra S.A.
Sometra deals with **pollution abatement projects** in highly polluted industrial areas. The project will avoid soil pollution in the area and will improve the environment in populated areas. Financing is sought for $4.15 million of the $5 million project. The state budget allocates $1.6 million for the project. The company seeks U.S. investors.
*Contact:* Mr. Marin Andrei Obadau
SOMETRA S.A.
Str. Fabricilor nr.1
2400 Copsa Mica, Jud. Sibiu, Romania
*Tel:* (40-69) 840325
*Fax:* (40-69) 840325
*Source:* F. Gheorghisor/U.S. Embassy Bucharest
*Date Received:* March 1995

## MANUFACTURING

### CZECH REPUBLIC

*Company:* Znojemske Strojirny Ltd. This **private metal company** was established in 1992 from Motorpal Znojmo, a well-known manufacturer of cylinder injection pumps for oil engines. Its new product line includes components for hunting weapons, oil lubrication pumps for small tractors, and parts for food-processing machines. Modern shaping machines (including numeric control lathes for grinding, drilling, and lapping machines), enable the company to effectively produce various components on a smaller scale. The company has 130 employees and had an annual turnover of $800,000 in 1993. Znojemske Strojirny Ltd. seeks a U.S. joint-venture partner to cooperate in new production areas.
*Contact:* Mr. Antonin Straka, Director of Trade
Znojemske Strojirny Ltd.
Tovarni 11
670 11 Znojmo, Czech Republic
*Tel:* (42-624) 4841
*Fax:* (42-624) 4610
*Source:* V. Zemanova/U.S. Embassy Prague
*Date Received:* March 1995

***

*Company:* Alico Ltd.
During privatization in 1992, Alico purchased the state company Rekord and has become a successful producer in the field of **abrasive papers, abrasive cloths, grinding and cutting wheels.** Its products are known under the trademarks Globus, Rekord and Flex. Alico exports to Europe, Asia and the U.S. It has 178 employees and an annual turnover is about $5 million. Currently, the company cannot meet the high demand for its products. It plans an expansion of its production capacity, and seeks a 50 percent increase in turnover. Alico seeks a U.S. joint-venture partner for this expanded production.
*Contact:* Mr. Vlastimil Kobera
Alico Ltd.
Orebitska
280 56 Kolin IV, Czech Republic
*Tel:* (42-321) 24 440 ext. 354
*Fax:* (42-321) 24 320
*Source:* V. Zemanova/U.S. Embassy Prague
*Date Received:* March 1995

### ESTONIA

*Company:* Mistra Met Ltd.
Mistra Met is a small private company which produces **various metal constructions, non-standard devices, punches, and molds.** The private company Mistra Met was founded in 1992, although the company started its operations in 1965 as the large state-owned company Mistra. Currently, Mistra Met employs 15 people and its annual sales in 1993 were $80,000. The existing equipment is outdated, but produces an acceptable quality product. Mistra Met's main markets are Estonia, Sweden, and Russia. The company is looking for a U.S. partner or investor interested in manufacturing new product lines. It is also interested in acting as a subcontractor for a U.S. firm.
*Contact:* Mr. Villu Tarlap, Director
Mistra Met
15 Laki St.
EE0108 Tallinn
*Tel:* (372-2) 597-539
*Fax:* (372-2) 597-536
*Source:* H. Kundla/U.S. Embassy Tallinn
*Date Received:* March 1995

***

*Company:* Liilia
Liilia was founded in 1987 in Tartu, the second largest Estonian city, situated 186 km south of Tallinn. In 1989 the company privatized a factory which **manufactures various enameled products.** The company recently introduced many new production lines, such as the production of spare parts for cars and plastic details for furniture. In 1994, Liilia's annual sales totalled $190,000. The company employs 23 people. Liilia is interested in finding a U.S. partner in any of the above mentioned business areas.

*Contact:* Mr. Viktor Tsogankov, Director
Liilia
Voru 50
EE2400 Tartu, Estonia
*Tel:* (372-7) 476-761
*Fax:* (372-7) 476-724
*Source:* H. Kundla/U.S. Embassy Tallinn
*Date Received:* March 1995

***

*Company:* Eesti Talleks Ltd.
Eesti Talleks, founded in 1946 as a trench excavator factory, was transformed in 1993 into a private, joint-stock company. Eesti Talleks acts as a holding company for various production units with its main emphasis on **machine-building and other metal-processing related activities.** The company is also engaged in wood processing, foreign trade, and technical consulting. In 1994, its average monthly sales totalled $500,000. It employs 610 people. Eesti Talleks is looking for a U.S. partner mainly in the fields of engineering or metal and wood processing, but also welcomes business proposals regarding international trade, real estate, and housing development.
*Contact:* Dr. Juri Riives, Innovation Director
Eesti Talleks Ltd.
Mustamae tee 4
EE0006 Tallinn, Estonia
*Tel:* (372-2) 498-213
*Fax:* (372-6) 394-176
*Source:* H. Kundla/U.S. Embassy Tallinn
*Date Received:* March 1995

## HUNGARY

*Company:* Iron and Plastic Processing Industrial Cooperative (OVM)
This private cooperative produces plastic foils and cups, vacuum/heat-forming and packaging machines, and metal accessories. OVM also has a precision **foundry for producing steel and alloys, and light metal castings** up to 2 kg per piece. Its turnover in 1994 was $4.5 million, one third of which was exported through well-established channels to Eastern European markets. The company has 240 employees. OVM seeks a strategic U.S. joint-venture partner to increase equity and for production and marketing cooperation. The cooperative will bring into the partnership existing facilities, expertise and markets.
*Contact:* Mr. Peter Ollar, Commercial Manager
OVM Vas Muanyag ISZ.
Szarvasi ut. 8
H-5900 Oroshaza, Hungary
*Tel:* (36-68) 413-766 or 311-232
*Fax:* (36-68) 312-984
*Source:* A. Romvari/U.S. Embassy Budapest
*Date Received:* March 1995

## POLAND

*Company:* Zaklady Rowerowe "Romet" S.A.
Established in 1924, Romet is a state-owned, joint-stock company producing over 700,000 **bicycles, spare parts and equipment** annually. The company employs 4,270 people and its 1994 sales totalled $64 million, including $5.2 million in exports. The factory exports bicycles to France, England, the Netherlands, Germany, United States, and Slovenia. The company is seeking a U.S. investor to help privatize the firm. Romet would also like to resume moped production. Although production was discontinued due to low demand in the Polish market, the company still owns all of the production equipment and machinery. Romet is also seeking a U.S. partner to help modernize and resume production of the mopeds.
*Contact:* Mr. Tomaz Zawacki, President
Zaklady Rowerowe "Romet" S.A.
UL. Fordonska 246
85-959 Bydgoszcz, Poland
*Tel:* (48-52) 43-27-31, 43-00-21
*Fax:* (48-52) 43-46-08
*Source:* E. Gajowska/EEBIC Gdansk
*Date Received:* March 1995

***

*Company:* Zaklad Produkcji Sprzetu do Rehabilitacji i Gimnastyki Narzadow Ruchu
Established in 1990, this private firm manufactures **rehabilitation and professional body sculpting equipment.** It owns a production building of 450 sq. meters. Its annual sales total $70,000 and it employs 12 people. Its 1994 exports to Germany were $15,000. Demand for these products is growing by an estimated 100 percent annually. The firm plans to develop production facilities and increase sales. It is looking for a U.S. joint-venture partner able to develop marketing activities and expand into new markets.
*Contact:* Stanislaw Szultka, Owner
Zaklad Produkcji Sprzetu do Rehabilitacji
i Gymnastyki Narzadow Ruchu
Ul. Derdowskiego 5
89-632 Brusy, Poland
*Tel:* (48-5318) 23-38
*Source:* E. Gajowska/EEBIC Gdansk
*Date Received:* March 1995

***

*Company:* Srubena
Established in 1832, this state-owned company manufactures screws, nuts, rivets, bolts, and other industrial fasteners. Srubena's annual sales in 1993 were $21 million, $11 million of which were sales to Western Europe. The company currently employs 1,200 people. Srubena seeks a U.S. joint-venture partner with capital or equipment to modernize its technology and to increase its market share.
*Contact:* Mr. Bogumil Banas, General Manager
Srubena
Fabryka Srub
Ul. Grunwaldzka 5
34-330 Zywiec, Poland
*Tel:* (48-30) 61-40-21
*Fax:* (48-30) 61-41-30 or 61-39-83
*Source:* B. Blocka/U.S. Embassy Warsaw
*Date Received:* March 1995

***

*Company:* Hastar Spolka z o.o
This limited-liability company, established in 1950, is located in central Poland. It employs 140 people and had sales of $1.3 million in 1993. Hastar manufactures **brake disks and brake shoes for trucks and fork-lifts.** It is seeking a U.S. joint-venture partner to modernize its plant, improve production, and help to develop its product line.



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*Contact:* Mr. Stanislaw Sienko, President
Hastar Spolka z o.o.
Ul. Fabryczna 10
26-110 Skarzysko-Kamienna, Poland
*Tel:* (48-47) 51-34-01
*Fax:* (48-47) 51-39-42
*Source:* B. Blocka/U.S. Embassy Warsaw
*Date Received:* March 1995

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*Company:* Wiskord, S.A.
Wiskord S.A., established in 1942, was recently transformed into a state-owned joint-stock company. It **manufactures viscose rayon, polypropylene staple fibre, and technical carboxymethylcellulose.** The company uses injection molding for the production of a variety of small and large plastic goods. Wiskord has its own heat and energy generating plant. The firm is favorably located near Szczecin Harbor and the Polish-German border. It employs 1,300 people and had annual sales of over $10 million in 1994, including $6.6 million in exports to Turkey, Syria, Korea and Pakistan. Wiskord is looking for a joint-venture partner willing to purchase some of its shares, help modernize the firm's production lines and start new production.
*Contact:* Ms. Irena Herges, Deputy Commercial Director
Wiskord S.A.
Ul. Transportowa 1
70-715 Szczecin, Poland
*Tel:* (48-91) 613-583
*Fax:* (48-91) 613-945
*Source:* E. Gajowska/EEBIC Gdansk
*Date Received:* March 1995

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*Company:* Euroexport
Euroexport, a private company established in 1988, is involved in the **development and production of pollen and dust filters** for the air intake of drivers' and passengers' compartments in various motor vehicles. The product is manufactured for about 50 car models, such as Audi, Citroen, Fiat, Ford, Mercedes, and Nissan. The company is also an import agent of construction materials and technological equipment for gas stations for the Gdansk Oil Refinery. It is an authorized sales and service agent of Rodeca Kunststoffprofile Company from Germany, which produces polycarbonate panels and sheets for glazing and rooflite applications, and of French Schlumberger Schwelm Tanksysteme Company, which produces fuel dispensers and vapor recovery systems. Euroexport has commercial contacts with central European countries and the Baltics. Its 1993 sales totaled about $800,000, and it employs 14 people. The company is looking for a joint-venture partner to expand its production of pollen and dust filters.
*Contact:* Mr. Rafal Zawadzki, owner
Euroexport S.A.
Ul. J.J. Haffnera 71
81-715 Sopot, Poland
*Tel:* (48-58) 51-20-56
*Fax:* (48-58) 51-32-93
*Source:* E. Gajowska/EEBIC Gdansk
*Date Received:* March 1995

## ROMANIA

*Company:* Armatura S.A.
This state-owned company manufactures ferrous (cast iron, steel) and non-ferrous (copper and brass) **fittings and valves,** and parts of equipment for different industrial branches. Armatura has 1,780 employees and 14,000 sq. meters of production area. In 1994, its turnover was $10 million with 10 percent profit. Its external market accounts for 30 percent of total sales and includes customers from Turkey, Italy, and Sweden. The company seeks a U.S. investor or joint-venture partner in order to modernize its production equipment.
*Contact:* Mr. Petru Turc, General Manager
Armatura S.A.
19, Garii St.
3400 Cluj Napoca, Romania
*Tel:* (40-64) 132-737
*Fax:* (40-64) 194-241
*Source:* P. Stetiu/U.S. Information Center Cluj
*Date Received:* March 1995

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*Company:* Onix S.R.L.
This **small, private tire-retreading company** has 30 employees and 10,000 sq. meters of production area. Its 1994 turnover totalled about $250,000. Currently, it uses old Italian production equipment, but Onix is looking to implement new technology to increase its share of the Romanian market. Its customers are mainly agricultural farms, civil engineering firms, transportation companies, and private car owners. Funds needed for project development are estimated at $500,000. The management expects a total income of about $1 million and a 20 percent profit in its first production year.
*Contact:* Mr. Pavel Romocea, General Manager
Onix S.R.L.
21, Soseaua Borsului
3700 Oradea, Romania
*Tel:* (40-59) 153-332
*Fax:* (40-59) 155-082
*Source:* P. Stetiu/U.S. Information Center Cluj
*Date Received:* March 1995

## SLOVAKIA

*Company:* Kovo Belusa, s.p.
Kovo Belusa is a state-owned enterprise which is scheduled for the second wave of privatization in July 1995. It manufactures **laundry ironing machines, linen drying machines (box or drum types), safes, electrical central heating boilers, steam generators, furniture mountings, and dry cleaning machines.** Its products are exported to Russia, Lithuania, and the Czech Republic. The company employs 320 people and has annual sales of $1.5 million. Kovo Belusa is seeking a U.S. joint-venture partner for modernization of its production facilities. A business plan is available to interested U.S. firms upon request. The investment return period is 3-5 years.
*Contact:* Mr. Jan Kovac, Director
Kovo Belusa, s.p.
Tovarenska 422
01 8 61 Belusa, Slovakia
*Tel:* (42-825) 925-621, 925-622
*Fax:* (42-825) 925-626
*Source:* P. Repka/U.S. Embassy Bratislava
*Date Received:* March 1995



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Feature: *Manufacturing, Energy and Environment* November 25, 1994

# Eastern Europe Looks for Partners

Made Available by the Eastern Europe Business Information Center • U.S. Department of Commerce • International Trade Administration
In cooperation with the Agency for International Development

Under the U.S. Government's American Business Initiative, the Eastern Europe Business Information Center (EEBIC) has created the "Eastern Europe Looks for Partners" information service, designed to help U.S. businesses locate partnership opportunities in the expanding East European and Baltic markets.

This issue focuses on **manufacturing, energy and environmental** opportunities compiled from East European and U.S. public and private sources. As their shelf life is limited, we recommend following up promptly.

The opportunities are provided solely as an informational service and do not represent an endorsement by the Department of Commerce. Verification of these leads is the responsibility of the reader.

If your company should decide to pursue one or more of these opportunities and would like our advice and assistance in doing so, **please feel free to write or call EEBIC, Room 7412, U.S. Department of Commerce, Washington, DC 20230, or (202) 482-2645.**

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## Bulgaria

*Company:* Vessan Ceramic
Vessan Ceramic is a private company established in 1993 by experts in the **fine ceramic products industry.** The firm has a facility covering 7,000 sq. meters. It is located in an area with rich deposits of kaoline and refractory clays. The total value of the company's assets is $1 million. The firm intends to produce double fired faience wall tiles. Vessan Ceramic is seeking a U.S. joint-venture partner for equity participation and marketing assistance. The total cost of the project is estimated at $10 million with a investment return period of 3-5 years.
*Contact:* Mr. Emil Angelov or Mr. Stefan Stefanov
Vessan Ceramic
7 V. Drumev Str.
1504 Sofia, Bulgaria
*Tel:* (359-2) 467-284 or 463-003
*Fax:* (359-2) 446-090
*Source:* M. Velichkov/U.S. Embassy Sofia
*Date Received:* November 1994

## Hungary

*Company:* ABT Muvek
ABT Muvek is a company which **designs and manufactures tools and injection-molded products.** It uses the most up-to-date computer-controlled high precision process line to manufacture products weighing up to 1.0 gram. ABT Muvek is unique in that it requires only five to eight weeks to design and manufacture a tool or to start the production of an injection-molded product. The company is seeking U.S. firms interested in its products.
*Contact:* Mr. Bela Fischer, Manager
ABT Muvek
Fehervari Ut. 71-73
Budapest 1119, Hungary
*Tel:* (36-30) 333-444 or 161-3624
*Fax:* (36-30) 181-3551
*Source:* A. Romvari/U.S. Embassy Budapest
*Date Received:* November 1994

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*Company:* DT Print
DT Print is a private printing design company which is interested in **replacing disposable shopping bags with recycled paper bags.** The paper bags will also provide space for advertisement. The company is seeking a joint-venture partner who will provide a paper factory to produce a minimum of 20 million PCS bags (6,000 tons) annually. DT Print will provide the license, market (including a national sales network) and land for the joint venture.
*Contact:* Mr. Andras Fejes
DT Print Bt.
Istenhegyi Ut. 54/E
H-1125 Budapest, Hungary
*Tel:* (361) 175-6801
*Fax:* (361) 155-6901
*Source:* A. Romvari/U.S. Embassy Budapest
*Date Received:* November 1994

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*Company:* FEG Konvektor Rt.
FEG Konvektor Rt. was established in 1972 and privatized in 1993. It specializes in the **manufacture of "dry gas" heating equipment including gas convectors, ovens, and**

amounted to $12 million, including $10 million in exports to Russia, Germany, Bulgaria and the former Yugoslavia. The factory is located near a port and railway terminal. It employs about 2,600 people. Rez is seeking a U.S. joint-venture partner in order to increase development in production and manufacturing.
*Contact:* Mr. Oleg Shapovalov, Deputy Technical Director
Riga Electric Machine Building Factory
31 Ganibu Dambis
Riga, LV-1005, Latvia
*Tel:* (371-2) 381-680 or 382-796
*Fax:* (371-2) 383-417 or 382-344
*Source:* A. Zisser/U.S. Embassy Riga
*Date Received:* November 1994

## Poland

*Company:* Agnella, s.a.
Agnella is a privately-owned joint-stock company which manufactures carpets. It produces a **broad line of carpets and rugs in a variety of styles, including modern and oriental.** The company employs about 1,000 people. Agnella is looking for a joint-venture partner for technology exchange and cooperation.
*Contact:* Mr. Jerzy Rabsztyn, President
Agnella, s.a.
Ul. Szosa Polnocna-Obwodowa 42,
15-113 Bialystok, Poland
*Tel:* (48-85) 750-700
*Fax:* (48-85) 752-471
*Source:* Z. Sobiepanek/U.S. Embassy Warsaw
*Date Received:* November 1994

***

*Company:* MAM
MAM is a privately-owned wholesaler and retailer of office furniture and home furnishings. The company operates three retail furniture stores. It has over 30 employees and annual sales of $2 million. MAM is seeking a U.S. joint-venture partner to **establish a furniture manufacturing operation.**
*Contact:* Mr. Marek Smislocki, Co-owner
MAM
Ul. Mlynowa 21
15-404 Bialystok, Poland
*Tel:* (48-85) 213-51
*Fax:* (48-85) 213-51
*Source:* Z. Sobiepanek/U.S. Embassy Warsaw
*Date Received:* November 1994

***

*Company:* PZL-Kalisz
PZL-Kalisz was established before World War II as a small workshop and now is an industrial plant employing approximately 1,500 people. The company manufactures **precision machines, oil pumps, compressors, gears, rotors, aircraft engines and tools.** The annual sales for 1993 amounted to $10 million. An estimated $6.5 million of the annual sales were exports to Canada, United States, Germany, Denmark, Sweden, China and Italy. PZL-Kalisz is looking for a joint-venture partner to help modernize production equipment, introduce new technologies and expand into new markets.
*Contact:* Mr. Wlodzimierz Jerzyk, General Director
PZL-Kalisz
Ul. Czestochowska 140
62-800 Kalisz, Poland
*Tel:* (48-62) 374-53 or 372-90
*Fax:* (48-62) 370-84
*Source:* Z. Sobiepanek/U.S. Embassy Warsaw
*Date Received:* November 1994

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*Company:* Spomasz, s.a.
Spomasz is a joint stock company owned by the Polish National Treasury. It produces **metal machinery, containers, equipment for food processing, and trailers for automobiles.** The company's annual sales are approximately $4 million. Spomasz exports to Germany, Holland, United Kingdom and France. Aluminum and stainless steel are its primary raw materials. Spomasz is seeking U.S. joint-venture partners to assist in the improvement of production and to introduce new marketing methods.
*Contact:* Mr. Wlodzimierz Januszewidz, President
Spomasz, s.a.
Ul. Nowosielska 6
15-617 Bialystok, Poland
*Tel:* (48-85) 613-261
*Fax:* (48-85) 613-260
*Source:* Z. Sobiepanek/U.S. Embassy Warsaw
*Date Received:* November 1994

## Romania

*Company:* Mondialinvest, S.R.L.
Mondialinvest seeks to **import and distribute consumer goods** in Romania. They are particularly interested in manufacturing plastic spiral zippers.
*Contact:* Stupar Dan, Manager
Mondialinvest, S.R.L.
29 Ecaterina Varga
Constanta, Romania
*Tel:* (40-41) 611512
*Fax:* (40-41) 646284
*Source:* EEBIC/Host Govt.
*Date Received:* November 1994

## Slovakia

*Company:* Chemko, s.p.
Chemko is a state-owned enterprise which will be transformed into a stockholding corporation by January 1995. It employs 2,800 people and has an annual turnover of $84 million. The company is an established producer of organic and inorganic chemical products which are exported to Western Europe and the Far East. Chemko has prepared an extensive project for the production of natural gas methanol, which is capable of producing 200,000 metric tons per year. A description of the project is available in English upon request. The company is seeking a joint venture partner interested in **production and sales of methanol.** Cooperation is possible through U.S. firm capital investment, the sale of 30% to 70% of Chemko or the transfer of U.S. technology and expertise.
*Contact:* Mr. Milan Lichvar, Strategic Development Manager
Chemko, s.p.
Priemyselna 1



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# LIST OF EEBIC CONTACTS BY COUNTRY
November 1994

**Albania**
Commercial Officer
U. S. Embassy Tirana
Riugahabinot 103
Tirana
Telephone: 355-42-33-520
Fax: 355-42-32-222

**Bulgaria**
Marius Velichkov
U.S. Embassy Sofia
1 A Stamboliski Blvd. Sofia
Telephone: 359-2-88-48-01
Fax: 359-2-80-38-50
Telex: 22690 BG

**Czech Republic**
Pavel Cerha
U.S. Embassy Prague
Hybernska 7a
117 16 Prague 1
Telephone: 42-2-2421-9844
Fax: 42-2-2421-9965
Telex: 121196 AMEMBC

**Croatia**
Damjan Bencic. Commercial Assistant
U.S. Embassy Zagreb
Andrije Hebranga 2. Zagreb
Telephone: 38-41-44-48-00
Fax: 38-41-440235

**Estonia**
Harri Kundla
U.S. Embassy Tallinn
Kentmanni 20. Tallinn
Telephone: 372-6-31-20-21
Fax: 372-6-31-20-25

**Hungary**
Attila Romvari
U.S. Embassy Budapest
Bajza utca 31. 1062 Budapest
Telephone: 36-1-322-8600/1217
Fax: 36-1-342-2529

**Latvia**
Anna Zisser
U.S. Embassy Riga
Raina Blvd. 7, Riga
Telephone: 371-2-211-572
Fax: 371-822-0047

**Lithuania**
Jonas Vasilevicius
71-2 Donelaicio St, Kaunas
Telephone: 370-7-205-666
Fax: 370-7-205-691

**Poland**
Zofia Sobiepanek (Warsaw)
U.S. Embassy Warsaw
al. Jerozolimskie 56/C
00-490 Warsaw
Telephone: 48-2-625-4374
Fax: 48-2-621-6327

Barbara Blocka (Krakow)
U.S. Consulate Krakow
ul. Stolarska 9
31043 Krakow
Tel/Fax:48-12-21-49-09
Telex: 325350 KRUSA PL

Elzbieta Gajowska (Gdansk)
EEBIC Gdansk Office
Ul. Chmielna 54/57
80-748 Gdansk
Telephone: 48-58-31-68-51
Fax: 48-58-31-42-17

**Romania**
Florin Gheorghisor (Bucharest)
U.S. Embassy Bucharest
Strada Tudor Arghezi 7-9
Bucharest
Telephone: 40-1-210-4042
Fax: 40-1-210-0395

Petru Stetiu (Cluj-Napoca)
Telephone: 40-64-193-815
Fax: 40-64-193-868

**Slovakia**
Peter Repka
U.S. Embassy Bratislava
Hviezdoslavovo Namestie 4
81102 Bratislava
Telephone: 42-7-330861
Fax: 42-7-335439

**Slovenia**
Economic Officer
U.S. Embassy Ljubljana
Prazakova 4
Ljubljana
Telephone: 386-61-310-427
Fax: 386-61-301-401

# HUNGARY: Environment & Energy Overview

Prepared by: Central and Eastern Europe Division
U.S. Department of Commerce

Distributed by: Central & Eastern Europe Business Information Center
U.S. Department of Commerce
Room 7412
14th & Constitution, NW
Washington, DC 20230
Tel: (202) 482-2645
Fax:(202) 482-4473
E-mail: eebic@usita.gov
Flashfax: (202) 482-5745
Internet: http://www.itaiep.doc.gov

January 1995

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# ENERGY

## HUNGARY

Hungary has a relatively small energy market and is dependent on imported energy for approximately 50 percent of its primary energy supplies. Since indigenous production of oil, natural gas, low calorific coal, and lignite has peaked, import dependence in all likelihood will increase. In addition, Hungarian nuclear power production depends on foreign enrichment and processing facilities, currently in Russia, though uranium ore sufficient for domestic requirements is mined within the country. The combination of large imports from a single supply source and the country's landlocked situation creates special difficulties. The key energy policy objective of the Hungarian government is to diversify sources of imports for oil, gas, and power. several options for new pipelines and transmission systems are also under discussion.

In its effort to reduce its dependence on Russian energy resources, Hungary has begun auctioning off blocks for exploration and production to international bidders. To date, the most active companies have been Shell Hungary (wholly-owned subsidiary of Royal Dutch Shell) and Aral Hungary (wholly-owned subsidiary of Austria's Aral), which are both particularly in downstream operations in Hungary.

Of Hungary's 6,900 MW power generating capacity in 1992, 24% was coal-fired, 31% was gas-fired, 29% was oil-fired and 12% was nuclear.

# ENVIRONMENTAL PRODUCTS AND SERVICES

## HUNGARY

### Current Environmental Situation

Hungary's excessive use of fertilizers and lack of proper sewage treatment facilities have polluted both ground and surface waters. Air pollution stems from industrial emissions from power plants, domestic heating and car exhaust. Numerous chemicals have polluted the soil on abandoned Soviet military bases. Illegal and inadequate dumping facilities led to solid waste disposal problems. Concern about public health has targeted the principal concerns as urban air quality, clean drinking water, waste management and food safety.

The market for environmental services looks very promising in Hungary. For decades the Hungarian government emphasized the development of highly polluting industries such as metallurgy, mining, energy and chemical industries. As a result pollution has become a major problem that needs to be addressed. It is estimated that restoring the environment will entail a cost between $50 to $100 billion. The Hungarian government is investing $10 billion over the next 20 years to help in this effort, but the private sector is expected to contribute an even greater share.

Revenues generated from environmental fines, user fees, as well as funds allocated by international organizations are put into the Central Environmental Protection Fund. Not part of the state budget, this state fund finances environmental projects. In addition to local governmental funding for environmental projects, foreign aid sources for the environment which may be tapped by U.S. firms include the U.S. Agency for International Development and the European Bank for Reconstruction and Development.

### Opportunities for U.S. Firms

The environmental problems in Hungary have the potential to be a very profitable opportunity for American businesses. The government is enforcing tougher pollution control laws forcing private companies to invest in pollution control services and equipment. In addition, the Hungarian government has liberalized many trade restrictions and is encouraging foreign investment in nearly all sectors. This presents a great opportunity for American businesses to offer their environmental expertise to work with the Hungarian government and the private sector in implementing environmental protection services and equipment.

**Environmental Contacts**

Ministry for Environment and Regional Policy
Pf. 351
H-1394 Budapest, Hungary
Tel: (36-1) 210-4133; Telex: 22-4879
Minister: Janos Gyurko
Tel: (36-1) 201-2964; Fax: (36-1) 201-3134
Permanent State Secretary: Dr. Attila Kemeny
Tel: (36-1) 201-1582; Fax: (36-1) 201-2364
National Agency for Building Assistant State Secretary: Szabolcs Pataky
Tel: (36-1) 201-5980; Fax: (36-1) 201-3216
National Environmental Protection Agency Assistant State Secretary: Marton Peter Simon
Tel: (36-1) 201-2043; Fax: (36-1) 201-3971
National Agency for Regional Development Assistant State Secretary: Dr. Peter Szalo
Tel: (36-1) 201-2925; Fax: (36-1) 201-3419
Parliamentary State Secretary: Dr. Anna Tarjan
Tel: (36-1) 201-2725; Fax: (36-1) 201-4880
Department for International Cooperation Head of Department: Istvan Tokes
Tel: (36-1) 201-3843; Fax: (36-1) 201-2846

Ministry for Environment and Regional Policy
National Agency for Nature Conservation Assistant
Kolto utca 21
1121 Budapest, Hungary
State Secretary: Dr. Janos Tardy
Tel: (36-1) 175-1093; Fax: (36-1) 175-7457
Responsibilities: Environmental protection; regional development and building; agricultural development; national research, development, education,and training

Ministry of Agriculture
Kossuth Lajos ter 11
1054 Budapest, Hungary
Agro-environmental Management and Plant Protection Contacts: Dr. Gabriella Mohacsy Toth or Istvan Fesus
Tel: (36-1) 132-0938 or 132-3709; Fax: (36-1) 112-8087
Responsibilities: Soil conservation; plant protection; forest protection; nature conservation of non-protected areas; wildlife protection and animal husbandry

Ministry of Transport, Telecommunication, and Water Management
Dob utca 75
1077 Budapest, Hungary
Tel: (36-1) 122-3629; Fax: (36-1) 122-3529
Department of Water Management Contact: Endre Almasy
Responsibilities: Surface and sub-surface water resource management; sanitation and waste water disposal; administration of "water fund"; regulation of water protection zones for drinking water; financing of research and development studies

Ministry of Welfare
Gyali ut 2-6
1097 Budapest, Hungary
National Institute of Hygiene Deputy Director: Alan Pinter
Responsibilities: Air quality; drinking water quality; soil and toxic waste management; biochemistry, pathology research

Ministry of Industry and Trade
Pf. 96
1525 Budapest, Hungary
Division of Environment and Safety Contact: Joo Marta Hibbeyne
Tel: (36-1) 156-4773 or 156-8591; Fax: (36-1) 175-9693
Responsibilities: Hazardous waste management; industrial recycling; product taxing; privatization



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# WHITE HOUSE INITIATIVE FOR CENTRAL AND EASTERN EUROPE:

## ENERGY SECTOR OVERVIEWS

JANUARY 13, 1995

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# ENERGY

## OVERVIEW

While there is limited activity in oil exploration and production, new power plant construction and renewable energy resource development, the largest opportunities for U.S. firms lie in upgrading existing power plants and providing them with modern control equipment. In virtually every case, the contracts for East European energy projects are almost uniformly backed by funds from the EBRD, the World Bank, and other IFIs. The Agency for International Development is managing or plans to manage energy-related projects throughout Central and Eastern Europe.

In particular, internationally-funded energy projects in Eastern Europe focus on increasing power generation efficiency, modernizing transmission and distribution systems, restructuring the industry's regulatory framework, improving nuclear safety controls, developing private markets for power, and fostering regional energy cooperation. U.S. firms have the opportunity to play significant roles in all of these projects.

While there are some limited opportunities for foreign firms in oil and gas exploration and production in Hungary, Romania and Poland, the largest oil and gas opportunities relate to privatizing existing state operations and upgrading oil and gas transmission systems.

## ALBANIA

Despite relatively abundant oil and gas resources and the potential for significant power generation from indigenous coal and hydroelectric production facilities, Albania provides relatively few opportunities for foreign energy firms. This absence of investment opportunity can be largely attributed to the relatively slow pace of Albania's reforms and the country's unfortunate location adjacent to the war-torn republic of Bosnia.

Despite the generally unpromising situation, the EBRD is providing a loan of ECU $33.9 million to rehabilitate and upgrade the hydro operations on the Drina River.

## BOSNIA & HERZEGOVINA

Because of the brutal civil war enveloping the country, there are no promising opportunities for foreign energy firms in Bosnia. However, that there will be dramatic rebuilding opportunities once the war ends goes without saying.

## BULGARIA

Bulgaria's energy demands greatly outstrip its domestically available resources, forcing it to import a significant portion of its supply. The Bulgarian government is committed to modernizing and privatizing its energy industries. Presently, oil and gas prices are linked to world market levels, and electricity prices have risen markedly since 1991.

The EBRD is managing three projects in Bulgaria. First, the Bank is providing a loan for the purchase of advanced power station transformers. Second, the EBRD is providing financing in support of a thorough safety upgrade of units 1 - 4 of the nuclear power plant in Kozloduy. Finally, the Bank is providing ECU $41.3 million funding for a project to upgrade the 215 MW Maritsa East II coal-fired plant.

Of Bulgaria's 11,000 MW power generating capacity in 1992, 57% was thermal, 32% was nuclear, 6% was hydropower, and 5% was imported.

## CROATIA

Because of the civil war which has ravaged much of the former Yugoslavia, the only real opportunities in Croatia involve rebuilding infrastructure destroyed by the war. In particular, the EBRD has made it a priority to strengthen Croatia's war damaged infrastructure, especially in the energy and transport sectors. To that end, the EBRD is providing ECU $39 million to rehabilitate the country's electricity network.

## CZECH REPUBLIC

Over the last two years, the Czech government has taken steps to create a market-based energy sector, diversify energy fuels and sources, improve efficiency in energy production and end use, and reduce harmful effects of energy production on the environment. There are currently few incentives for households to save energy. The absence of meters or other controls for district heating represents a large barrier to increased energy efficiency. There is significant potential for energy efficiency improvement in the Czech Republic, and one of its major objectives is to implement reforms which will lead to more effective management of energy sources and delivery systems.

The Czech Republic is slated to adopt a new energy law on January 1, 1995 which will greatly increase opportunities for foreign involvement. However, despite the new legislation's effort to minimize state influence in the energy sector and to set up a new regulatory framework, problems remain for foreign investors. In particular, investment may be hampered by difficulty in gaining access to the national electric grid and by remaining price controls on energy.

One tenet of the new energy law will be a push towards more environmentally sound energy consumption. To that end, the Czech government will strongly encourage consumption of relatively clean-burning natural gas, virtually all of which must be imported from Russia. The government expects gas consumption to rise from 7 billion cubic meters in 1993 to 10 billion cubic meters in 2000 and 12.5 billion cubic meters in 2005. In its plans to facilitate the distribution of this gas, the Czech government intends to partially privatize the country's eight gas distribution companies.

According to reporting from the U.S. embassy in Prague, the most promising opportunities for U.S. energy firms in the Czech Republic are investment in oil, gas and power distribution companies, construction of new thermal power plants, and the upgrade of existing thermal power and heat plants.

One of the most visible energy projects involving Western firms and financing has been the safety upgrade of a Soviet-designed VVER-1000 nuclear reactor in the town of Temelin. Following a

public statement from the Ministry of Environment in support of safe nuclear power, the controls system upgrade is intended to bring the plant up to Western safety standards. Despite vocal complaints from several environmental groups, the Temelin upgrade project received approval for loan guarantees from the U.S. Eximbank. Exim has agreed to guarantee $317 million to CEZ, the Czech electric utility company, to finance the purchase of $334 million of U.S. goods and services.

Of the Czech Republic's 14,900 MW power generating capacity in 1992, 66% was coal-fired, 10% was nuclear, 13% was produced through cogeneration, and 9% was hydropower.

## ESTONIA

In the Baltic republics, the EBRD has given a high priority to improving the efficiency of energy use and security of its supply. In Estonia, the EBRD notes that future Bank-sponsored projects will likely focus on reorienting energy industries towards the private sector and upgrading the relatively unreliable hydro stations which represent a significant portion of the country's power generating capacity.

## HUNGARY

Hungary has a relatively small energy market and is dependent on imported energy for approximately 50 percent of its primary energy supplies. Since indigenous production of oil, natural gas, low calorific coal, and lignite has peaked, import dependence in all likelihood will increase. In addition, Hungarian nuclear power production depends on foreign enrichment and processing facilities, currently in Russia, though uranium ore sufficient for domestic requirements is mined within the country. The combination of large imports from a single supply source and the country's landlocked situation creates special difficulties. The key energy policy objective of the Hungarian government is to diversify sources of imports for oil, gas, and power. several options for new pipelines and transmission systems are also under discussion.

In its effort to reduce its dependence on Russian energy resources, Hungary has begun auctioning off blocks for exploration and production to international bidders. To date, the most active companies have been Shell Hungary (wholly-owned subsidiary of Royal Dutch Shell) and Aral Hungary (wholly-owned subsidiary of Austria's Aral), which are both particularly in downstream operations in Hungary.

Of Hungary's 6,900 MW power generating capacity in 1992, 24% was coal-fired, 31% was gas-fired, 29% was oil-fired and 12% was nuclear.

## LATVIA

In the Baltic republics, the EBRD has given a high priority to improving the efficiency of energy use and the security of its supply. In Latvia, current Bank-sponsored projects support the purchase of modern circuit breakers for hydro facilities, which represent a significant, yet unreliable source of electricity, and the supply of efficient steam and wood chip boilers.

## LITHUANIA

In the Baltic republics, the EBRD has given a high priority to improving the efficiency of energy use and the security of its supply. Future EBRD programs in Lithuania will probably focus on upgrading thermal power plants.

Two current projects represent the most promising opportunities for U.S. energy technology firms. First, the Mazeikiai state oil company has requested international assistance in preparing an environmental impact assessment for an internal pipeline project. Second, the EBRD is supporting a sweeping safety upgrade for units 1 and 2 of the Ignalina nuclear power plant. In particular, the EBRD project specifies upgrading fire safety equipment and replacing outdated valves and heat exchanger equipment.

## FYR MACEDONIA

Data for projects and opportunities in FYR Macedonia are very limited. However, the EBRD is funding a project to provide high quality 400 kv overhead electric transmission lines.

## POLAND

Poland is in the process of a major restructuring of its economic and energy systems. Its energy policy seeks to reduce dependence on coal and increase the share of oil and gas, diversify sources of imported energy, improve energy efficiency, reduce environmental pollution, and modernize the electric power system. A number of reforms and programs are underway to address these problems (for example, state-financed projects to drill and develop offshore in the Baltic Sea are underway). Energy prices have been increased considerably since 1990, but household and district heating tariffs remain below long-run marginal costs. The Ministry of Industry and the Polish Power Grid Company are developing a restructuring plan for the power sector to consolidate the country's generation plants and distribution companies. Poland has also enacted strict environmental legislation requiring reduced sulphur and nitrogen oxide emissions by 1998.

One result of the country's three year push towards privatization in its oil industry has been the boom in privately owned gas stations. With strong support from the government, 2,500 private stations ave opened and investors have taken equity shares in select refineries throughout the country. In light of this tremendous downstream growth, supplying fuel station equipment and machinery, and especially highly regarded U.S. fuel pumps, is a very promising sector for U.S. firms.

EBRD projects in Poland include the ECU $32.8 million upgrade and refurbishment of the Bielsko-Biala cogeneration power plant and the ECU $100.8 million upgrade and expansion of the country's natural gas transmission network.

Poland is currently powered by 55 power plants (55% black coal, 42% brown coal (very dirty), 3% hydroelectric) which cumulatively produce 29,000 MW.

## ROMANIA

The Ceaucescu policy of investing in large industry created a very energy-intensive economy. In fact, the energy sector accounts for a larger part of production than any other sector of the

Romanian economy. However, lack of investment and technology has resulted in falling oil and gas production and rising oil import costs. In addition, under the government's centrally administered allocation system for many energy products, large-scale heavy industries continue to consume more than their share of scarce resources. Nevertheless, Romania remains the largest producer of oil and gas in the Central and East European region and has one of the largest oil refining industries in the world. The government recently sharply increased prices of oil, gas, electricity and heat to reduce subsidies and provide incentives for efficiency.

In light of the country's relatively abundant supply of resources, most international projects focus on that sector. The EBRD is providing funding for the development of a geophysical company that would eventually perform its seismic operations privately.

Because of the valuable hard currency returns on oil exports and on the transshipment of Russian oil and gas, Romania's pipeline system is critical to is economic health. While the pipeline system is in adequate condition, the World Bank has proposed a U.S. $150 million to upgrade the system. While much of the low-tech equipment will be supplied locally, virtually all of the high-tech equipment and services must be imported from the west.

## SLOVAKIA

The Slovak Republic has only negligible amounts of domestic fuel supply. With the exception of some small indigenous lignite and hydro potential, the country is dependent on Russian and Ukraine for over 90 percent of its energy supplies. In 1990, domestic production of natural gas equalled approximately 5 percent of the total demand, and is expected to remain at that level in the next decade. In the longer run, the Slovak Republic is strategically located to import energy from diverse sources. Traversing the Slovak Republic is a transit gas pipeline system which delivers more than 60 billion cubic meters per year from Russia to Western Europe. The Slovak Republic would eventually like to integrate its natural gas imports with this West European pipeline system.

Nuclear power plants, which represent a substantial portion of Slovakia's domestic power generation capacity, are a particular concern of the EBRD. The Bank is sponsoring a ECU $196.1 million project to upgrade and complete units 1 and 2 of the Mochovce nuclear plant.

Of Slovakia's 5,400 MW power generating capacity in 1992, 41% was nuclear, 24% was thermal, 8% was hydro powered, and 18% was imported.

White House Conference Special Issue

# •EASTERN EUROPE BUSINESS BULLETIN

Jan. 12-13, 1995

Published by the Eastern Europe Business Information Center • U.S. Department of Commerce • International Trade Administration

# White House Conference Kick-Off Event to Major White House Initiative for Central and Eastern Europe

*We must know that we serve our own prosperity and our security by helping the new market economies of Europe's eastern half to thrive. Successful market reforms in these states will help to deflate the regions demagogues. It will help to ease ethnic tensions, It will help new democracies to take root. It is also in your long-term interest because one of the things that we have learned is that wealthy nations cannot grow richer unless they have customers beyond their borders for their goods and their services...Ultimately, the success of market reforms to the East will depend more on aid than trade.* President Bill Clinton, Brussels, Belgium, January 9, 1994.

President Clinton decided during his trips to Prague, Czech Republic, Riga, Latvia, and Warsaw, Poland in early 1994 that the United States should do more to speed the process of economic reform and free market development throughout Central and Eastern Europe. Through increased trade and investment, the President believes that the gains of 1989 can be made more secure and the benefits of economic dynamism can be spread more widely to the people of that region. With its dynamic emerging democracies, Central and Eastern Europe represents one of the best new opportunities for American commercial interests in the world today. Many American firms are already doing business in the region. The President realizes that increased U.S. business involvement in this emerging market place of over 100 million people will expand our exports, create jobs here at home, and help further the process of economic transformation in Central and Eastern Europe. Thus, he announced that the White House would hold a conference on Trade and Investment in Central and Eastern Europe January 12-13, 1995, in Cleveland, Ohio.

This conference will support more progress by helping identify and reduce remaining obstacles to private investment and trade. It will also promote direct contacts between American exporters and investors and entrepreneurs from Central and Eastern Europe. The numerous business opportunities in all these countries will be showcased at the conference in a book of the top 125 projects in the region, produced by the Trade and Development Agency, and on a computerized program listing numerous, other excellent business leads compiled by the American Embassies in the region.

## The White House Conference on Trade and Investment in Central and Eastern Europe

This White House Conference on Trade and Investment in Central and Eastern Europe serves as the catalyst to an ongoing series of U.S. Government activities in that region. Maintaining the dialogue between Central and East European entrepreneurs and U.S. commercial and financial decision-makers will be one of the primary post-conference projects. Other follow-up activities cover a wide range of areas, including sponsoring trade and investment missions to the region, holding domestic business seminars providing tips on doing business in the region, sponsoring reverse business development missions, and listing conference-generated investment leads in Eastern Europe Looks for Partners.

Three events currently planned include two Overseas Private Investment Corporation (OPIC) missions, one to the Baltic countries and one to Poland, as well as a Department of Commerce trade mission focusing on franchising. For more information on the OPIC missions, contact: Renee Thompson at (202) 336-8647. For more information on the Department of Commerce franchise mission, contact Brian Toohey at (202) 482-4915. Watch future issues of the *Eastern Europe Business Bulletin*, which will feature detailed coverage of the White House Conference follow-up initiatives.

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# Central/Eastern Europe Regional Spotlight

*Each regular issue of the Business Bulletin includes a "Regional Corner" page which highlights business opportunities in specific regions of the countries of Central and Eastern Europe. This special issue features regions in most of the countries EEBIC covers. Due to time and space constraints, every country could not be represented. For information on other regions in Central and Eastern Europe, call EEBIC on (202) 482-2645.*

## Dobrich, Bulgaria

The city of Dobrich is the capital of Bulgaria's Dobrudga plain. With a population of 220,000, the plain encompasses approximately 1 million acres of arable land in the northeastern corner of Bulgaria, bordering the Black Sea and the Danube river. The region is perhaps the most fertile in the country and has historically been Bulgaria's breadbasket. Its two most important crops are sunflower and wheat. Last year Dobrudga produced more than 83,000 tons of sunflowers and 526,000 tons of wheat. The area provides raw materials for both domestic and international food and beverage industries. The Dobruga region has more than 100 kilometers of seacoast, including popular European vacation resorts. During the 1992 tourist season, which lasts from May through October, 100,000 visitors from 20 different countries vacationed in the Dobrich Black Sea resort complex called Albena.

Within the city of Dobrich, most economic activity falls into two major categories: food processing (58 percent) and manufacturing (34 percent). Major products made locally include electronics, shoes, clothing, textiles, leather products, and fur goods. The city is also an important producer of milk and dairy products, meat, and poultry.

Major highways connect Dobrich to the Black Sea and Romania as well as the rest of Bulgaria. The city also has two train depots—one connected to the extensive rail cargo network and one for the passenger rail network. Varna International Airport is only 40 kilometers away. Dobrich also has a very active, multilingual chamber of commerce, which is vigorously seeking to facilitate international trade and business development.

For more information on Dobrich, contact:

Tanya Gicheva
Chamber of Commerce and Industry
P.O. Box 182
Dobrich 9300, Bulgaria.
Tel/Fax: (359-58) 220-65

## The Kohtla-Jarve, Estonia

Kohtla-Jarve is located in the northeastern region of Estonia in the county of Ida-Viru, 150 kilometers from Tallinn. The town of Kohtla-Jarve, commonly known as the capital of the Estonian oil shale basin and the chemical industry, was founded in 1946. As of January 1993, the population of Kohtla-Jarve equaled approximately 60,000 inhabitants, 21 percent of whom are ethnic Estonians.

The deposits of oil shale located in this region are considered the largest amounts extracted in the world: an estimated 3.8 billion tons of oil shale is available for mining. Since 1916, miners have removed roughly 800 million tons of oil shale. The depth of the oil shale bedding reaches as far as 30 meters in the northern part of the region and as far as 100 meters in the southern part of the region. In 1993, miners processed a total of 15,000 tons of oil shale in the six underground oil shale mines and the three open pit mines located in Ida-Viru county.

The local chemical industry and the electric power stations located in the northeastern region utilize the output of the mines for their production purposes. An abundance of locally available raw materials has created quite favorable conditions for the growth of the building materials industry. Established in 1948, the Kohtla-Jarve Ferro-Concrete Items Production Plant provides local markets with concrete structures, concrete, and mortar. Virusilbet, another joint-stock company, has an annual production capacity of 60,000 cubic meters of building blocks and 50,000 cubic meters of building sand. All of these materials are ecologically pure and easily adaptable to all methods of construction.

In 1993, EU-PHARE assisted in setting up the Business Advisory Services (BAS) program in Estonia. The Narva BAS Center, located 50 kilometers from Kohtla-Jarve in northeastern Estonia, can assist foreign companies interested in doing business in Kohtla-Jarve. The BAS Center can find appropriate subcontractors, identify potential joint venture partners, and assist during negotiations with those local partners.

For further information, contract:

Harri Kundla
American Embassy
Kentmanni 20
EE0001 Tallinn, Estonia
Tel: (372-6) 312-021
Fax: (372-6) 312-025

## The Plzen Region, Czech Republic

The Plzen region, situated in the central section of Western Bohemia in the Czech Republic, has an interesting history and a promising future. Located 88 kilometers west of Prague and 75 kilometers from the German border, the area of the region equals approximately 79 square kilometers. The population, an estimated 173,000 inhabitants, makes Plzen the third largest city in Bohemia. Some other popular international exports of the Czech Republic produced in Plzen include beer, Moser glass, Bechorovka liquor, and Bohemian crystal.

The developing infrastructure of Plzen provides extensive opportunities for doing business in the region. The railway system, international airport, and public transportation system serve the needs of both international and domestic commercial activities.

Regional planners are seeking investments in many sectors, including the transportation system to construct a multilane highway connection, new bridges, and accompanying commercial districts.

The local government of Plzen supports regional development since it will contribute to the work force of the region, while adding to the economic base through the introduction of new enterprises.

For additional information, contact:

Department of Planning and Development
of the City of Plzen
Emil Chochole, Director
Skroupova 5
305 84 Plzen, Czech Republic
Tel/Fax: (42-19) 374-10

## Borsod-Abauj-Zemplen County, Hungary

Borsod-Abauj-Zemplen or B.-A.-Z. County is located in the northeastern part of Hungary, in an area bordering Slovakia and close to Ukraine. Its largest town, Miskolc, has a long history as a trade center, and today maintains a population of 762,000 people. B.-A.-Z. County is mountainous, falling at the edge of the Carpathian basin. The major mountain ranges, the Bukk and Aggtelek-Rudabanya, provide geological resources, while the Sajo River Valley is important for agriculture. Since World War II, heavy industry has supported the economy, but has destroyed the environment. Thus, Northern Hungary seeks investment

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## The Plock Region, Poland

The region of Plock, located in the center of Poland on the Mazovian Plain and the Vistula River, combines an attractive business climate with an ideal geographic location for both investors and consumers. The area of the region equals 5,117 square kilometers with a population of approximately 517, 000 inhabitants. The skilled work force of Plock includes experts in industries such as engineering, accounting, and management, as well as technicians in electromechanics and medical analysis.

Industry in Plock has been very successful, especially in the petroleum and petrochemical sectors, which account for roughly 50 percent of the industrial production in the region. Plock processes about 70 percent of the country's crude oil into motor fuels, liquid propane gas, and lubricating oils. It is also the primary producer of petrochemical products such as fenol, butadiene, glycoles, polypropylene, and polyethylene. Industry leaders are working to increase quality standards to European Community levels, improve environmental protection, and decrease excess energy consumption in production processes.

The fertile location of Plock provides consumers with a wide variety of produce, including potatoes, sugar beets, fruits, vegetables, wheat, and rye. Farmers in Plock also produce poultry, swine, cattle, and dairy products.

The food processing industry in Plock has a great deal of potential, although the demand for products often overwhelms the region's capabilities. Producers in Plock need investments to improve their output standards, specifically for processing, freezing, and cold storage facilities. Plock can provide investors with a central location, high-quality raw materials, joint-venture partners, and potential sites for their investments.

Transportation systems in Plock include two international highways and three interprovince highways. International trucking will also be facilitated by the proposed north-south motorway from Scandinavia to the Mediterranean region and the east-west motorway from Moscow to Berlin. Plock contains a shipyard on the Vistula River, which focuses on shipbuilding, repairs, restorations, and services.

Plock officials encourage foreign and domestic investors to consider Plock for their trade, production, and service needs. They are willing to assist investors because they feel that Plock has an ideal environment for trading and investment purposes. It has the network and services to support and facilitate transactions. For additional information, contact:

Urzad Wojewodzki
ul. Kolegialna 15
09-042 Plock
Telephone: (48-24) 622-954
Facsimile: (48-24) 627-562

## Ljubljana, Slovenia

Ljubljana, the capital of Slovenia, was a part of Yugoslavia until 1991, when Slovenia was declared an independent country. In 1992, Slovenia received international recognition. Today, this small nation, consisting of only 20,256 square kilometers, is receiving economic recognition, as the most prosperous of the former republics of the Socialist Republic of Yugoslavia and as one of the most successful of the emerging states of Central Europe.

Ljubljana has a population of 340,000 people and is the geographical, commercial, cultural, and educational center of Slovenia. There are many north-south and east-west roads that link the city to important ports and trading partners.

Slovenia experiences a diverse economy which is constantly improving. The Gross Domestic Product per capita is at $6,015 (1993). The inflation rate in 1993, 19.9 percent, was down from 1992's rate of 92.9 percent. The economic breakdown reflects balance, with the GDP derived 58 percent from services, 37 percent from industry (of which 28% percent manufacturing), and 5 percent from agriculture. The major industries in and around Ljubljana are electronics, transportation equipment, metal processing, machinery, manufacturing, textiles, chemicals, rubber, wood processing, paper, leather, footwear, metallurgy, and food processing. The extensive banking and financial services industry, most of which is located or headquartered in Ljubljana, contributes 3.3 percent to the GDP. Tourism, whether it be the historical sights of the capital, the spas, sports resorts, or rolling countryside, contributes 5.5 percent to the national GDP. This is attributable to the large number of Austrians, Germans, and Italians who vacation in Slovenia and, thus, help legitimize the currency and its exchange.

For more information about Ljubljana, contact:

Dagmar Suster, President
Chamber of Commerce of Slovenia
Slovenska Cesta 41
61000 Ljubljana, Slovenia
Tel: (386-61) 1250-122
Fax: (386-61) 218-242

*Hungary—Continued from page 2*

projects whose goals are industrial revival and environmental cleanup. Many inhabitants of this, the second largest county in Hungary, expect that privatization may pave the road towards economic prosperity.

The economy of the county is traditionally based on industry, especially heavy industries that produce raw materials. Coal mining and metallurgy have more than a 100 year tradition. More recently, machines and mining have spurred some branch industries, including chemical works and engineering. However, industrial processing branches are absent and needed. The textile and furniture producers occupy the rest of the industrial sector. Agriculture, once of primary importance, falls second to industry.

Privatization has dramatically changed the economic landscape. Out of 3,600 companies of the county, there remain only 50 in state property, and even the majority of state-owned companies are under privatization. The overwhelming majority of companies—about 2,600-2,700 firms—operate as limited liability companies. The scope of activity is currently changing, as well. The highest proportion of newly established countries deals with trade, taking advantage of experiences gained on the eastern markets. The government remains interested in major projects, such as damming, and in environmental projects, such as the many efforts to create nature preserves and protected national parks.

For further information, contact:

Chamber of Commerce of North-Hungary
Arany J.u.4.
3530 Miskolc, Hungary.
Tel: (36-46) 340-492
Fax: (36-46) 340-403

## The Liepaja Region, Latvia

Liepaja, located on the Baltic coast in the southwestern part of the country, is the third largest city in Latvia. It has an ice-free port, air field, and well-developed network of railways connecting it to Riga, Ventspils, and Lithuania. Given the appropriate development measures, Liepaja could soon become a modern traffic center.

The municipality of Liepaja, acting jointly with the Latvian Development Agency, intends to designate some area of the Liepaja

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*Latvia—Continued from page 3*

port as a free economic zone. Assisted by EC-PHARE, the government has begun upgrading much of the port and its supporting facilities. According to a new Latvian law, the port authority owns the port territory and can lease it to private domestic and foreign companies.

The proximity of the port creates considerable potential for the development of export-based industries. Abundant wood resources and wood-processing facilities in the region make the timber sector favorable for expansion into new markets. The surrounding rural areas also have long-standing traditions in agriculture. The farmers of the region supply livestock to the Liepaja meat-packing factory for export to a number of countries. The advancement of the dairy farming industry is also important to a number of milk-processing plants, such as the Aizpute desiccated skim milk plant, shipping products to Eastern and Western markets.

The relatively unspoiled countryside offers many prospects for rural tourism. Lauku Celotajs, a local tourist association, has gained the support of the World Bank and Swedish officials in order to promote the tourist industry.

For more information, contact:

Latvian Chamber of Commerce and Industry
Liepaja Office
1/5 Peldu Street, Room 11
Liepaja, LV 3400, Latvia
Tel: (371-34) 29019, 22011
Fax: (371-34) 22011, (371-9) 348-199

## Cluj County, Romania

Situated in the heart of Transylvania in northwest Romania, Cluj is at the crossroads of important national and international roads which link Western Europe with Eastern Europe, the Middle East, and Asia. With a temperate continental climate, picturesque mountains, and a wide range of cultural offerings, Cluj has significant tourist potential. Cluj County's agricultural land consists of 413,000 hectares, of which 203,000 is arable soil. The main crops are corn, potatoes, sugar beet, and in higher zones, fruit. Animal breeding is the main agricultural activity.

Significant industries include machine construction (especially metallurgical equipment), ceramic insulators, electric lighting, machine tools, automobile spare parts, and agricultural equipment. Other important areas of activity are metal processing, textiles and shoes, construction materials, chemicals, and wood processing.

Since 1989, the private sector in Cluj has grown steadily, with 1,369 foreign investments and over 12,000 private companies registered in the county. The Cluj Chamber of Commerce and Industry has more than 7,400 members and owns and operates a complete database of industrial and commercial activities of the county.

The chamber is also working on several other projects, including: the establishment of a trade center; the establishment of a regional center for management, foreign trade, and investment; and the establishment of an international fair and exhibition center. For additional information on these and other projects, contact:

Nicolae Cenan
Foreign Relations Department
Cluj Chamber of Commerce and Industry
B.dul Eroilor nr. 2
3400 Cluj, Romania
Tel: (40-95) 111351 or 117636
Fax: (40-95) 112214

## The Bratislava Region, Slovakia

Bratislava, the capital of Slovakia, has become one of Eastern Europe's most rapidly developing economies since the country split from the Czech Republic in 1993. The population of the region equals an estimated 440, 000 inhabitants with an area of 368 square kilometers. Even though the entire political and economic structure was forced to reorganize after its separation from the Czech Republic, the economy has maintained stability and low inflation, and it has increased its exports to Western nations.

The chemical and petrochemical industries in Bratislava represent approximately 68 percent of the regional production, in addition to 43 percent of the national chemical production of Slovakia. The food, electronics, engineering, automotive, wood, glass, and rubber industries are also very productive in Bratislava. The headquarters for institutions such as the Slovak Chamber of Commerce and Industry, the Association of Entrepreneurs of Slovakia, and the Trade Union of Slovakia located in Bratislava provide assistance for investors and business people.

Bratislava is located approximately 50 kilometers from Vienna, Austria and 230 kilometers from Budapest, Hungary. A motorway connection between Austria, Hungary, the Czech Republic, and Slovakia is key to commercial travel. A cargo terminal and public port on the Danube River and an international airport also facilitate freight traffic throughout Eastern Europe.

For more information, contact:

American Business Center (USDOC)
Grosslingova 35
811 09 Bratislava, Slovak Republic
Tel: (42-7) 361-079, 361-090
Fax: (42-7) 361-085

## Siauliai, Lithuania

Siauliai is an important Lithuanian center of industry, trade, transportation, and cultural life. Its population of 150,000 makes it the largest city in northern Lithuania and the fourth largest city in the country overall. There are 36 state enterprises in Siauliai, employing about 30,000 people.

The city's chief industry is food processing, although it also has a strong manufacturing capacity. Siauliai has processing factories for all types of meat and diary goods. The types of facilities include a large bakery, a slaughterhouse, and a confectionery, which produces caramel, chocolates, and syrup. There is also a brewery in the town.

The manufacturing industry of Siauliai is quite diverse. Area factories produce furniture, micro lathers, household construction items, tires, and bicycles and mopeds.

The privatization process in Lithuania has begun. Private enterprise and capitalism are encouraged. There are thousands of firms with private capital registered in Siauliai, and many companies--such as a meat factory, an electronics firm, a bakery, a market research firm, and a bicycle plant—are seeking joint venture partners. Siauliai has also created the Siauliai Commodity and Stock Exchange, which handles transactions from all over the region.

Siauliai is excellently situated and harbors numerous transportation links, making it very accessible for investing and trade opportunities. It is near a warm-water port. Several major highways serve the city and its six railways connect it to regional commercial centers, including Vilnius, Riga, and the Russian province of Kaliningrad. Two airports serve the city, including the largest former Soviet air base in Eastern Europe. With two independent runways, each capable of landing the Space Shuttle, this airport gives Siauliai the potential to become the air hub of Eastern Europe.

Siauliai has formed three offices to assist U.S. companies. The Office of External Affairs is responsible for organizing international activities. The Chamber of International Trade offers a central melding point for business and trade; and the Siauliai Development Council is an organization comprised of members of the business, industrial, financial, cultural, and municipal communities in the region.

For more detailed information about Siauliai, contact:

Janos Trucinskas
Siauliai Office of External Affairs
Vyauto 65-43
Siauliai 235419, Lithuania
Tel: (370-14) 27-056



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# Sources of Financing Your Projects in Central and Eastern Europe

Financial needs in Central and Eastern Europe are unlimited. Available, identifiable financing is limited relative to these needs. The nature of the reforms in Central and Eastern Europe demand that the greatest percentage of the capital needed comes in the form of private investment. Private capital is the life blood of a market economy. Some of this private investment will be foreign. The overwhelming majority of the private capital will necessarily come from each country's growing domestic resources.

Given current banking attitudes, there is limited commercial bank lending to Central and Eastern Europe now, and for the immediate foreseeable future. The U.S. Government and multilateral institutions offer a variety of programs to assist in financing trade, investment, and projects to help bridge the gap in available loans and to encourage private investment.

The following is a summary of financial assistance for the region. The list is indicative, not all inclusive, and covers only possibilities available to companies operating from the United States. For a more comprehensive guide, call EEBIC at (202) 482-2645 to order "Sources of Financing."

**Trade Finance**

***Export-Import Bank of the United States (Eximbank):*** Eximbank, an independent U.S. Government agency, supports the export of U.S. goods and services through a variety of loan, guarantee, and insurance programs. The types of programs and monetary limitations available for any given country depend upon Eximbank's periodic country risk assessments. Eximbank has direct and intermediary loan programs; a Working Capital Guarantee Program; as well as a Commercial Bank Guarantee Program. They also have a Trade Credit Insurance division which provides export credit insurance to cover commercial and political losses. For more information, contact: Eximbank, Marketing Division, 811 Vermont Avenue, NW, Washington, DC, 20571. Tel: (202) 566-4490 or Fax: (202) 566-7524.

***U.S. Department of Agriculture (USDA):*** The USDA supports the sales of American agricultural products through the Commodity Credit Corporation (CCC) and the Export Enhancement Program (EEP). The CCC guarantees repayment of short-term loans made to eligible countries purchasing American farm products. The EEP challenges unfair trade practices by our major competitiors. For more information, contact: Export Credit Program Development Division, USDA, Room 4524, South Building, Washington, DC, 20250. Tel: (202) 720-5319 or Fax: (202) 690-0051.

**Investment Finance:**

***Overseas Private Investment Corporation (OPIC):*** OPIC, a self-sustaining, independent agency of the U.S. Government, promotes economic growth in developing countries by encouranging U.S. private investment. OPIC assists in financing investments through direct loans and/or loan guarantees, insures investments against a broad range of political risks, operates a data bank, organizes investment missions, and assists with project development.

OPIC insurance covers a variety of risks, such as expropriation, currency inconvertibility, and losses due to political violence, war, and civil disturbances.

OPIC recently established the Poland Partners Fund, a venture capital fund for investing in the Polish private sector, and the Global Environment Emerging Markets Fund for the entire developing world. For more information, contact: OPIC, 1100 New York Avenue, NW, Washington, DC, 20527. Tel: (202) 336-8799 or (800) 424-OPIC.

***Enterprise Investors (Formerly Polish-American Enterprise Fund):*** Enterprise Investors promotes private sector development in Poland through equity investments, grants, insurance, gurarantees, and training. Investing primarily with Polish-owned companies, Polish-American joint ventures, and, less frequently, with subsidiaries of American companies with operations in Poland. The organization will take an equity position in small and medium-sized ventures. Private partners must assume risk as well. For more information, contact: Enterprise Investors, 33rd Floor, 535 Madison Avenue, New York, NY, 10022. Tel: (212) 339-9330 or Fax: (212) 339-8359.

***Hungarian-American Enterprise Fund:*** The fund develops the Hungarian private sector through equity investments, loans, grants, feasibility studies, technical assistance, training, insurance, and guarantees. It will also provide assistance to small and medium-sized ventures that will increase Hungarian capital markets and develop policies and practices beneficial to the Hungarian private sector. For more information, contact: Hungarian-American Enterprise Fund, Suite 703, 1620 Eye Street, NW, Washington, DC, 20006. Tel: (202) 467-5444 or Fax: (202) 467-5469. *Continued on page 6*

## The Answer on Currency Convertibility

The chart below provides a quick summary of currency convertibility in each Central and Eastern European country. The phrase "internally convertible" means that a citizen or legal economic entity has the right to obtain foreign exchange for trade or for repatriating domestic profits merely by taking local currency to a bank. "Inconvertible" means that access to foreign exchange for these purposes is subject to cumbersome bureaucratic procedures or to a shortage of hard currency. Conditions of convertibility and availability of hard currency may change rapidly.

| Country | Currency | Convertibility |
|---|---|---|
| Albania | Lek | Legally convertible but due to shortages in foreign exchange, inconvertible in practice |
| Bosnia | Bosnian Dinar | Inconvertible |
| Bulgaria | Lev | Internally convertible |
| Croatia | Croatian Kuna | Internally convertible |
| Czech Republic | Czech Crown | Internally convertible |
| Estonia | Kroon | Internally convertible |
| Hungary | Forint | Internally convertible |
| Latvia | Lat | Internally convertible |
| Lithuania | Litas | Internally convertible |
| FYR Macedonia | Denar | Internally convertible |
| Poland | Zloty | Internally convertible |
| Romania | Lei | Internally convertible |
| Serbia | Serbian Dinar | Inconvertible |
| Slovak Republic | Slovak Crown | Internally convertible |
| Slovenia | Tolar | Internally convertible |



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# Central and Eastern Europe Regional Summary

Five years after the beginning of the historic political and economic transformation in Central and Eastern Europe (CEE), there are strong signs that the reforms are beginning to turn the region's economy around and place it on an upward path. After falling about 25 percent between 1989 and 1993, the CEE region's real GDP grew about 3 percent in 1994—and the prospects are for growth to accelerate rapidly in 1995 and 1996.

Structural reforms and stabilization policies are beginning to show results in economic terms after several years of falling production and difficult economic restructuring. Private sectors in the major CEE economies now account for half or more of economic production, most prices are free of regulation, and most economies have bottomed-out and are beginning to grow—in fact, several of the economies are now among the fastest-growing in Europe.

- ***The CEE region—with more than 120 million people—is now a market worth over $500 billion; it is poised for solid growth that many observers believe will average 5 to 6 percent a year or better annually—substantially better for leading sectors.***

Doing business in the CEE region is still challenging in many ways. Government bureaucracies are still difficult to deal with, privatization of large enterprises is lagging in many instances, the banking systems are still not equipped to the needs of market economies, inflation rates continue high in many countries, and the infrastructure is still being modernized.

The difficulties of doing business in the region, however, have not deterred thousands of Western companies from entering into business in CEE.

- ***About $15 billion has already been invested in CEE by foreign investors, including American companies. In fact, U.S. firms are the leading investors—with 36 percent of the total foreign investment in the area.***

The CEE region also is importing about $50 billion annually—up one-third in just two years. U.S. firms have seen their exports to CEE triple since 1988 and raised their market share to 5 percent.

U.S. firms that fail to explore the CEE market may find themselves at a disadvantage in the near future, for the best customers, partners, and distributors in Central and Eastern Europe are rapidly selecting their foreign suppliers, investors, and associates. The costs of entering the market may soon begin to accelerate rapidly. American companies need to explore carefully the future implications of doing business in the area—and the implications of being left out as the region begins an economic surge.

**Some of the countries in CEE now register the highest growth rates in Europe:**

- The Polish economy, largest in the region, is in its third year of accelerating economic growth. Poland's real GDP grew 3.8 percent in 1993, and an estimated 4.5 percent in 1994. Poland's industrial production is now growing at an annual rate of over 10 percent—among the fastest in Europe.
- The Baltic countries—Estonia, Latvia, and Lithuania—are all showing 4-5 percent growth. Albania's real GDP grew about 8 percent in 1994—the fastest-growing economy in Europe, though growing from a low base.
- Economic growth has increased the capacity of CEE to boost trade with the West. U.S. exports to CEE exceeded $2.6 billion in 1993 and imports to the United States from CEE were almost $2 billion.
- At the same time, CEE trade with the European Union amounted to over $38 billion in exports from the EU to CEE and $31.4 billion imports to the EU from CEE—a clear sign that American companies have not yet fully tapped the commercial potential of the new markets in Central and Eastern Europe.

*Continued on page 7*

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*Financing—Continued from page 5*

***Czech & Slovak-American Enterprise Fund:*** The fund will provide equity capital or credit to new or existing private entrepreneurs. For further information, contact: Czech and Slovak-American Enterprise Fund, Suite 703, 1620 Eye Street, NW, Washington, DC, 20006. Tel: (202) 467-5480 or (202) 467-5466.

***Bulgarian-American Enterprise Fund:*** The fund focusses primarily on agriculture and agribusiness. It may make loans, grants, and equity investments. For more information, contact: Bulgarian-American Enterprise Fund, Suite 2080, 333 West Wacker Drive, Chicago, IL, 60603. Tel: (312) 629-2500 or Fax: (312) 629-2929.

***Multilateral Investment Guarantee Agency (MIGA):*** MIGA, part of the World Bank, provides insurance against risks similar to that offered by OPIC. MIGA and OPIC will work together on a project. For more information, contact: MIGA, Regional Manager for Europe, 1818 H Street, NW, Washington, DC, 20433. Tel: (202) 473-5419 or Fax: (202) 477-9886.

***International Finance Corporation (IFC):*** The IFC, a multinational organization, is the world's largest source of direct project financing for private projects and provides a wide range of advisory services. The IFC invests in most types of product enterprises in its developing member countries. The IFC is able to arrange financial packages by coordinating financing from commercial banks, export credit agencies, and other institutions; facilitate syndicating large loans; and arrange debt for equity swaps. For more information, contact: IFC, Division Chief for Central Europe, 1818 H Street, NW, Washington, DC, 20433. Tel: (202) 473-9634 or Fax: (202) 334-8965.

**Project Finance:**

***U.S. Agency for International Development (USAID):*** USAID will implement projects covering agribusiness, energy, environment, housing, and telecommunication to facilitate the transfer of U.S. commercial expertise and the flow of U.S. capital to Central and Eastern Europe. For information on USAID's activities in this region, contact: USAID, Center for Trade and Investment Services, Room 100, SA-2, 320 21st Street, NW, Washington, DC 20523. Tel: (202) 663-2660 or Fax: (202) 663-2670.

***U.S. Trade Development Agency (TDA):*** TDA promotes economic development by funding feasibility studies, training programs, consultancies, and seminars in developing countries. In Central and Eastern Europe, TDA identifies major projects in the public sector that offer large export or investment potential for American companies. For more information, contact: TDA, SA-16, Room 309, Washington, DC 20523. Tel: (703) 875-4357 or Fax: (703) 875-4009.

***U.S. Small Business Administration (SBA):*** The SBA offers loan guarantees to qualifying companies to asssit them in entering international commerce or in expanding existing businesses. Some of these guarantees may cover working capital loans. For more information, contact, SBA, Office of Business Loans, 6th Floor, 409 Third Street, NW, Washington, DC 20024. Tel: (202) 205-6570 or Fax: (202) 205-7519.

***European Bank for Reconstruction and Development (EBRD):*** The EBRD's primary purpose is to support the development of the private sector in Central and Eastern European countries. The bank works both alone or together with other multilateral or commercial banks. American companies are eligible to compete for all projects financed by the EBRD. For more information, contact: EBRD, One Exchange Square, London EC2A 2EH, United Kingdom, Tel: (44-71) 338-6424 or Fax: (44-71) 338-6100.



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*Regional Summary—Cont. from page 6*

**The Export Potential is Impressive:**

- CEE countries imported nearly $50 billion in 1993—up one-third from 1991. With strong pent-up commercial demand, U.S. export potential to CEE is excellent; American products and services are competitive and in demand.
- With aggressive business development efforts by American companies, the small U.S. market share of CEE imports could increase significantly.
- However, U.S. firms face strong competition from Western Europe, which enjoys favorable geographic proximity, traditional trade ties and recently concluded Association Agreements between several CEE countries and the European Union.
- Lack of market information, tariff barriers and non-transparency in government procurement have also held back potential American exporters.

**Investments Can Pave the Way:**

- U.S. investments can help pave the way to more U.S. exports as well as contributing to the economic health and political stability of the CEE region. Additionally, such investments can strengthen the position of U.S. companies not just in the region, but throughout Europe.
- American companies are already the leading investors in the region, with 36 percent of all foreign investment in the CEE. These investments have increased the CEE's buying power, and can lead to exports of U.S. capital equipment and components. These investments further create a market for U.S. exports by generating a closer business relationship between American and CEE firms.
- As macroeconomic stabilization and economic reform programs reduce inflation rates and result in restructuring of the CEE economies, additional business opportunities are being created.
- CEE machinery and technologies are in need of modernization. With greater CEE intellectual property protection in most countries, American companies' technologies can now be more readily transferred. More than one-half of total foreign investment in the region is in manufacturing industries.
- Large companies such as Colgate-Palmolive, International Paper, Eli Lilly, Ford, Marriott, and Amoco have been joined by medium and smaller American companies to capitalize on the advantages of doing business in the CEE region.

**Strategically located between the European Union and the Newly Independent States as both a market and producer, the business potential of Central and Eastern Europe is becoming recognized by U.S. firms. The CEE countries, recognizing the importance of capital infusion from the West, are working to provide an increasingly attractive trade and investment climate.**

- Many CEE countries now allow foreign firms to own land; provide investment incentives such as tax holidays and tariff concessions; and encourage privatization of state-owned enterprises through foreign participation.
- Six of the CEE countries have entered into Association Agreements with the European Union, and other CEE countries have entered into trade and cooperation agreements with the European Union. These agreements provide lower tariff access to the EU for American companies working in CEE. The EU is also expected to conclude Association Agreements with the Baltic States and Slovenia.
- CEE companies familiar with doing business with Russia and the other Newly Independent States can work with American partners to tap the market of 290 million people in the Newly Independent States.

**U.S. market development in the region requires patience and perseverance:**

- Privatization of mid- and large-sized enterprises is moving slower than hoped-for in most countries; some CEE governments are no longer courting foreign investors with vigor and appear more interested in domestic ownership.
- Despite economic reform, inadequate banking services, lengthy bureaucratic procedures and poor infrastructure still retard trade and investment.
- The business environment is far from being the easiest in the world, but for many firms the rewards of entering the market now are such as to more than offset the costs and difficulties.
- Doing business in the CEE region not only can contribute to the global strength of American firms, but also contributes strongly to the region's economic growth and political stability that is in the interest of all Americans.

## *ECONOMIC OUTLOOK:*

While the Central and East European countries have made substantial progress in their economic transformations, much work still lies ahead. The so-called "Visegrad countries" (named after the city in which Hungary, Poland, and the former Czechoslovakia concluded a regional cooperation agreement) are expected to experience positive GDP growth, declining inflation rates, and improving fiscal situations in the coming five years and are looking towards membership in the European Union (EU). The emerging private sector will continue to be the engine of growth in the Northern Tier.

The breakup of Czechoslovakia interrupted, but did not derail, the **Czech Republic's** economic recovery. While one of the region's most ambitious privatization programs will continue to create solid growth in economic activity, unemployment is likely to be the most troublesome future issue as inefficient firms restructure or go bankrupt. For 1994, the Czech Republic had a balanced budget, 3 percent GDP growth, and inflation around 10 percent.

In **Hungary** the private sector now accounts for an estimated 50 to 55 percent of GDP as compared to about 15 percent in 1989. Inflation, however, is still running at 17 percent and the trade deficit in 1993 jumped to $2.3 billion due to a drop in exports. Positive GDP growth resumed in 1994, as the recovery in industrial production continued and a return to more normal weather generated a rise in agricultural output.

**Poland** was the first East European country to enter a period of economic recovery, with 1.5 percent growth in 1992, 3.8 percent growth in 1993 and 4.5 percent estimated for 1994. Inflation is down from 60 percent in 1991 to 27-30 percent for 1994. Poland's current account deficit in August 1994 was $18 million, one-tenth the size of August 1993. Poland's conclusion of debt reduction agreements with commercial creditors (the London Club) nearly halved the value of commercial bank debt. This should provide greater access to foreign capital markets for the Government of Poland and Polish firms.

The **Slovak Republic**, upon gaining independence in January 1993, shared with the Czech Republic much of the economic infrastructure and some of the success in implementing economic reforms of the former Czechoslovak federation. The Slovak economy suffered in 1993, with GDP falling more than four percent, but has turned around and is registering an estimated one percent growth in 1994.

The southern countries of Central and Eastern Europe are still undergoing fundamental economic restructuring and the major economies have not yet emerged from the recession caused by the wrenching changes necessitated by the end of their centrally-controlled economic systems and their conversion to market economies.

**Romania's** economy showed some positive signs of growth, with GDP growing an estimated one percent in 1994. Unemployment is estimated to be approximately 11 percent and inflation averaged 4.4 percent per month for the first ten months of 1994. **Bulgaria's** GDP fell 27 percent between 1989 and 1993, but appeared to stabilize

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*Regional Summary—Cont. from page 7*

in 1994 with no further decline in output. Inflation remains high, at over 60 percent per year. New IMF funding paved the way for debt settlement agreements in early 1993 that restored Bulgaria's access to international financial markets.

**Slovenia**, with a population of only 2 million, offers a very small export market. However, the country can boast a per capita GDP of $7,200, the highest in the region, and an economy that grew an estimated 4 percent in 1994. **Croatia's** economic progress is still hindered by hostilities in the former Yugoslavia, yet, in 1993 it imported $4.7 billion worth of goods and services. Barely four percent of that total was from the United States. The Former Yugoslav Republic of **Macedonia**, despite the constraints of a variety of adverse geo-political conditions, is proceeding with economic reforms.

The **Baltic** countries, **Estonia, Latvia** and **Lithuania**, have all consolidated macroeconomic stabilization. **Estonia** experienced 2 percent GDP growth in 1993 and an estimated 5 percent in 1994. As Estonia has turned the majority of its trade from east to west, its hard currency reserves have almost quadrupled since 1992. Estonia's currency is fully backed by gold and foreign currency reserves and is probably the most important factor in creating fertile conditions for Estonia's sovereignty and economic progress. Estonia has one of the most open trade regimes in Europe, collecting import tariffs on only a small number of luxury items.

**Latvia's** capital, Riga, has emerged as one of the commercial, financial and transportation hubs for northwest Central and Eastern Europe. The private sector is expanding rapidly and there is now one registered private company for every fifty Latvians. Inflation was 35 percent for 1993 and should be under 30 percent for 1994. GDP growth for 1994 was an estimated 5 percent.

**Lithuania** has continued trade ties with Russia; however, it has made significant strides in establishing a legal infrastructure conducive to a market economy and Western investment. It emerged from the ruble zone and now has its own currency which is pegged to the U.S. dollar. As a result of the new currency and adherence to an IMF program, Lithuania's inflation has decreased from 1200 percent in 1992 to approximately 50 percent in 1994. Lithuania's GDP grew an estimated 4 percent in 1994.

## *CLIMATE FOR TRADE:*

As Central and Eastern Europe emerges from recession, this growing market for U.S. goods and services will witness even further expansion. Despite the recession in Central and Eastern Europe, from 1992 to 1993, U.S. exports to all the countries of Central and Eastern Europe region grew 17 percent to $2.5 billion. After tripling between 1988-93, U.S. exports to the region fell in 1994, but the decline was due largely to reduced purchases of U.S. aircraft as initial airline conversions to Western aircraft were completed in 1993, and to the fact that U.S. exports of grains also declined to low levels in 1994 after soaring in 1993.

Central and East European markets are expected to show robust growth through the rest of the decade, with their import markets perhaps tripling in size within a decade. U.S. exports should share in this gain if American firms increase their marketing efforts and if the tariff hurdles U.S. firms face in Central and Eastern Europe can be reduced or eliminated. This differential stems from the Association agreements the major Central and East European economies have concluded with the European Union. These agreements give EU and Central European companies reduced duties or duty-free treatment in each other's markets, while U.S. exporters pay full duties.

## *COMMODITY PROSPECTS FOR U.S. EXPORTS:*

Best prospects for U.S. exports to Central and Eastern Europe include aircraft and aircraft parts, computers and computer software, medical equipment, telecommunications equipment, manufacturing technologies, energy and environmental technologies, and processing and packaging equipment.

THE WHITE HOUSE

Office of the Press Secretary

Immediate Release January 13, 1995

WHITE HOUSE CONFERENCE ON TRADE AND INVESTMENT IN CENTRAL AND EASTERN EUROPE

President Clinton and Commerce Secretary Ron Brown led U.S. participation at the White House Conference on Trade and Investment in Central and Eastern Europe (CEE), held in Cleveland on January 12-13, 1995. The Conference, proposed by President Clinton last year, is an important element of the U.S. policy to broaden American trade and investment with CEE. U.S. firms are CEE's leading investors, accounting for 35 percent of the approximately $15 billion in foreign investment since 1989. Since 1988, American firms have tripled their exports to CEE nations.

The Conference brought together over 230 senior officials and executives from 14 CEE countries with over 300 CEOs and other senior U.S. executives for two days of intensive discussions about trade and investment prospects in the region. The Conference was chaired by Secretary Brown and included active participation by President of the Overseas Private Investment Corporation Ruth Harkin, President of Ex-Im Bank Kenneth Brody, Director of Trade and Development Agency J. Joseph Grandmaison and other senior U.S Government officials.

In his address to the Conference on January 13, President Clinton underscored America's support for security, democracy and economic reform in Central and Eastern Europe. He pledged that the United States would remain engaged in CEE and would keep working toward the complete integration of the region's emerging democracies with the TransAtlantic community. The President also stressed that the trade and investment benefit the American and Central European economies alike by generating jobs and wealth for both partners.

The Conference generated a number of U.S. initiatives to support business and exports with Central and Eastern Europe:

- OPIC President Ruth Harkin signed commitment letters supporting two new equity funds -- the $100 million Bancroft Fund and the $240 million Auburndale Property Fund -- that could support over $3 billion of business ventures in Central and Eastern Europe. OPIC plans to lead a high-level group of U.S. executives to the Baltic States and Poland this spring.

- Ex-Im Bank President Brody announced that the Bank is focusing on CEE countries with a number of programs backing U.S. exports to the region. These include a new U.S.-CEE Export Financing Program providing Ex-Im support for the export to third country markets of CEE products that include U.S. goods and services. With continued structural reform and privatization in CEE, Ex-Im Bank will increasingly be able to finance private CEE companies directly rather than throughgovernments. Ex-Im Bank's new initiatives will focus as well on financing infrastructure projects, exports of U.S. environmental technologies to CEE countries, and modernization of air traffic control and airspace management systems in the region.



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- United States Trade Representative (USTR) Ambassador Michael Kantor signed two Bilateral Investment Treaties -- with Latvia and Albania.

- Commerce Secretary Brown announced that the Commerce Department, working with the Small Business Administration and other U.S. agencies will establish a Small Business-Central Europe Facility. This new facility will make it easier for small businesses to use the services provided by U.S. government agencies, multilateral financial institutions and the Enterprise Funds in Central and Eastern Europe.

Conference participants included Albania, Bosnia-Hercegovina, Bulgaria, Croatia, the Czech Republic, Estonia, the Former Yugoslav Republic of Macedonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

**Commerce Secretary Announces New Trade Initiatives at White House Conference on Trade and Investment in Central and Eastern Europe**

Commerce Secretary Ronald H. Brown today unveiled a series of new initiatives, including the creation of a facility to help small firms do business in Central and Eastern Europe, to mark a new stage in the Clinton Administration's program to promote U.S. trade and investment in the region.

Brown announced the initiatives in opening remarks before an unprecedented White House Conference on Trade and Investment in Central and Eastern Europe, in Cleveland, Ohio.

The Small Business-Central Europe facility will be established in Washington, D.C. and will provide small U.S. firms seeking business opportunities in Central and Eastern Europe with a central facility from which to obtain and use government financial information services.

"We are focusing on America's small businesses because, in many instances, they may be better suited to do business with the emerging private sectors in Central and Eastern Europe," Brown said.

Other new initiatives include a Commerce-led environmental technologies trade mission to the Czech Republic, Hungary, and Poland; and a West-East Conference of Trade and Economic Ministers this summer. The effort is a key element in expanding trade in the region through commercial missions, conferences, and round-tables designed to help small U.S. businesses work in Central and Eastern Europe.

"Our objectives are to make American exporters more effective competitors and to create jobs for American workers. Indeed we are now the leading investor in the entire Eastern and Central European area, having invested over $5 billion here -- equal to the total contribution of the 15-nation European Union," Brown said.

Brown, designated by President Clinton to coordinate the Conference, was joined by the President at the event on Friday, January 13. Brown also witnessed the announcement and signing of export financing initiatives and bilateral agreements involving other U.S. government agencies as well as nations of Central and Eastern Europe.

The Conference advances the Clinton Administration's National Export Strategy which seeks to assist U.S. business, especially small- to medium-size firms,



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compete more effectively abroad, supporting an increase in U.S. export-related jobs. Each $1 billion in U.S. exports supports up to 20,000 American jobs. Brown recently announced that the Administration was on target to reach $1 trillion in U.S. exports by the year 2000.

The two-day Conference, co-sponsored by Commerce and the Business Council for International Understanding, aims to promote direct contact and dialogue between potential U.S. exporters and investors and Central and Eastern European entrepreneurs; reduce obstacles to private investment and trade; and identify sectors where increased commercial activity is most promising, including such areas as environmental technologies, transportation, healthcare, construction, energy, telecommunications and information technology, agriculture, and other manufacturing sectors.

With a market of 120 million people worth $500 billion, Central and Eastern Europe is poised for significant growth. After falling about 25 percent between 1989 and 1993, the region's real Gross Domestic Product grew about 3 percent in 1994 -- and the prospects are for that growth to accelerate rapidly in 1995 and 1996.

Despite recent reforms, however, many obstacles remain to doing business in the region. Government bureaucracies are still being streamlined, privatization of large enterprises is lagging in many instances, banking systems are still being privatized, high inflation is still a problem in many countries, and infrastructure is still being modernized. Despite these obstacles, the rapidly evolving economies of the region pose some of the fastest growing global commercial opportunities for U.S firms. American firms are leading investors in the region, accounting for 36 percent of the approximately $15 billion in foreign investment. Since 1988, American firms have tripled their exports to the Central and Eastern Europe region.

Secretary Brown was joined at the Conference by 235 high-ranking trade officials and leading business entrepreneurs from Central and Eastern Europe, and over 300 senior business representatives from small-to-large U.S. companies with successful business ventures in the region or who are seeking to do business there.

Brown will host the Fourth Plenary Session of the West-East Conference of Trade and Economic Ministers this summer. The conference is comprised of 10 Central and East European countries, Russia, and three NIS countries, and the G-7 nations.

UNITED STATES DEPARTMENT OF COMMERCE
WASHINGTON, D.C. 20230

OFFICE OF THE SECRETARY

Contact: Carol L. Hamilton(202) 482-6001
David Dam (216) 622-0431

**Remarks by U.S. Secretary of Commerce Ronald H. Brown at the White House Conference on Trade and Investment in Central and Eastern Europe Cleveland, Ohio January 12, 1995**

[As prepared for delivery]

Distinguished ministers, ambassadors, ladies and gentlemen: It is a great pleasure to welcome you on behalf of the President of the United States to this unprecedented White House Conference on Trade and Investment with Central and Eastern Europe.

I would like to thank my good friend Mayor Michael White for his hard work to make this conference a success. Michael's skills as Mayor have already made him known throughout the United States. After this, his reputation is going to spread beyond our borders.

I would also like to welcome you on behalf of our co-organizer, the Business Council for International Understanding, an outstanding organization that made a vital difference in the quality of this conference. And I would like to emphasize the valuable role played by the many corporate cosponsors listed prominently on the program and outside this room. Thank you all.

I want to extend a particularly warm welcome to our distinguished guests from Central and Eastern Europe. We are honored that over 230 of you have traveled the great distance from your homelands to the American heartland to be with us today.

In your journey here you follow a century-old route cut by your compatriots who streamed to America to find peace, political freedom, and economic opportunity. But they didn't find these things here. They created them with their own skills, and energy, and dreams. America offered the sons and daughters of



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Eastern and Central Europe the opportunity to profit from their own hard work.

Now, the descendants of those who stayed behind enjoy a new opportunity for freedom and prosperity. The people of Poland and the Czech Republic can use their skills; the people of Hungary and Bulgaria can use their energy, and the people of Slovenia and Romania can use their dreams to build their own nations into the great beacons of opportunity that America has always been.

I welcome, too, the senior American business executives who are joining us. I am pleased to see that so many of you carry with your the special commitment to our task that comes from European roots -- or a family tree abruptly transplanted in the wake of the 1956 Hungarian uprising, the Prague Spring, and the 1980 flowering of Solidarity. I know all of you are eager to take on the challenges of new markets and growing young economies.

Last, but not least, I welcome my colleagues in the U.S. Government, who are bringing exceptional vigor to supporting the efforts of U.S companies abroad. I would particularly applaud the efforts of our ambassadors to Central and Eastern Europe. They and their staffs are the linchpins of our efforts in the region.

The end of the Cold War has given our nations a new chance to work together toward common goals. And it has given our economic goals a new importance. The security of our nations is increasingly dependent on the strength of our economy.

Today, we have come together today as partners in the creation of a new era of security, prosperity and freedom. And the United States, having so abundantly benefitted from your contributions, is eager to aid in the rebuilding of your economies.

In the past five years the countries of Central and Eastern Europe have emerged as free societies and embarked upon the wrenching but exciting course of transforming their nations and their economies -- I believe that the United States can best support these efforts by building strong commercial bonds between and among our nations. We call our strategy "Commercial Engagement."

Commercial Engagement uses trade and investment concerns as the starting point for a larger dialogue -- allowing us to expand our relationship in many directions.

It is a long-term strategy that allows the United States to pursue an agenda of increasing exports and bringing down barriers, while providing other nations the tools needed for rapid growth. Commercial Engagement can yield short-term economic benefits for millions of ordinary European and American families, even as ministers and elected officials move more methodically to resolve other policy and strategic questions.

The initial drop in production that accompanied the beginning of economic restructuring has ended. Economic output in the region fell 25 percent between 1989 and 1993, an output drop comparable to America's experience in the Great Depression. But 1994 saw the beginnings of stability and growth. Gross Domestic Product grew 3 percent. The Polish economy, a third of the region's total output, is in its third year of growth -- an impressive 6 percent last year. Albania's 1993 growth rate of 8.percent was the highest in Europe.

Central and Eastern Europe has turned the corner. Progress is uneven and obstacles remain. But the first and most difficult phase of restructuring is over.

Now we can focus our efforts on accelerating growth through our international commitment to trade and investment. Trade liberalization and economic restructuring have led to a remarkable redirection of their trade to Western countries. Central and Eastern European imports from industrial countries have been growing about 15% annually for three years, topping $50 billion.

U.S. trade with the region has also expanded rapidly. Exports to Central and Eastern Europe tripled in five years. Our imports from the region rose rapidly as well, to about $2 billion. In 1994, though, reflecting some problems we must address, U.S. exports to the region fell significantly.

Investment has also been growing, and has been a vital input not just of capital, but also of know-how and technology. But Western investment in Central and Eastern Europe falls far short of the capital needed. So we have gathered today to catalyze trade and investment between the United States and Central and Eastern Europe.

Generating more trade and investment is going to take two things: first, more awareness by U.S. companies of the opportunities in the region; and second, further improvement in the business climates of Central and Eastern Europe.



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That is why President Clinton and I wanted to create a forum like this, where leaders, prospective partners and experienced hands could get together and work toward these two goals.

You will hear from Ralph Gerson, Jack Murphy, Bill Butler, and other far-sighted American business executives both about the flourishing businesses they have built in Central and Eastern Europe -- and about the still serious problems they encounter. You will hear from business and government leaders in Central and Eastern Europe.

And you will participate in a unique event this evening -- a combination reception and trade fair, in which 14 countries will have booths presenting information about commercial opportunities, and an official ready to start business discussions on the spot.

The breadth of the opportunities available is illustrated by the 100 opportunities selected for the U.S. Trade Development Agency's publication: "Trade and Investment Opportunities in Central Europe." An additional 600 business leads are contained on the computer diskette included in your Conference Manual. And this is only the tip of the iceberg.

As you participate in this conference, I remind you that we are all here to achieve a common goal, and it cannot be achieved unless U.S. executives are open and candid with our associates from Central and Eastern European countries. New opportunities serve to highlight the problems that remain. Banking systems are not equipped to handle market economies. Bankruptcy law is inadequate. Infrastructure requires substantial modernization. And government bureaucracies often are still too intrusive and difficult to deal with.

Privatization needs to receive more emphasis, especially in terms of fair and transparent procedures for foreign investors. And a particular problem is the growing bias in tariffs against U.S. exports, as Central and Eastern Europe implements association agreements with the European Union. We welcome and endorse this closer association, but we must find a way to ensure that American exporters and American workers do not bear the cost.

But we're not perfect, either. So I ask that you be candid with me and other U.S. officials. Tell us what we are doing right. And tell us what we are doing wrong, or are not doing at all.

Private sector suggestions have already moved Commerce to revamp our



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Eastern Europe Business Information Center, to provide more and better commercial information. We are also turning to the Internet, going on-line to provide U.S. companies with instantaneous access to new commercial opportunities. But I know that we can do more to meet your needs.

And I am pleased to announce today a special initiative to help America's small businesses export and expand to Central and Eastern Europe. We believe America's small businesses may be better scaled to do business with the emerging private sectors in Central and Eastern Europe than huge multinationals. A number of small American firms already are doing profitable business in the region. Working with the Small Business Administration and other agencies, the Commerce Department's Eastern Europe Business Information Center is setting up a central facility to make it easier for smaller companies to obtain and use U.S. government financial and information services. Our U.S. and Foreign Commercial Service Offices in Central and Eastern Europe will be an important part of this effort.

A wide array of U.S. trade agencies are here, including the Trade and Development Agency, the Eximbank, and the Overseas Private Investment Corporation. Talk to them. To become more effective partners, we need to hear from you.

I want to stress that today's conference is not a one-time event, but is the beginning of a new stage in the commercial relationship between the United States and Central and Eastern Europe. In the coming weeks and months, U.S. and European agencies and businesses will be collaborating with renewed vigor -- turning tremendous opportunities into real, live deals.

We are already preparing missions and conferences targeting potential growth sectors. We will soon be conducting an environmental technologies trade mission to the Czech Republic, Hungary, and Poland.

In addition, I will have the honor of chairing The Fourth West-East Conference of Trade and Economic Ministers this summer -- a conference which will include major economies from Central and Eastern Europe and the Newly Independent States of the Former Soviet Union. Your industry sector discussions today and tomorrow will provide important guidance for these and other follow-up actions.

I invite all of you to join actively in the discussions of this conference, and even more, I invite you to join vigorously in building the economies of central and Eastern Europe and building opportunity for the people who live there. As



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President Clinton said in calling for this event, our mutual security is intertwined with our mutual prosperity. This is why the President of the United States is personally participating in this conference and why the United States government will do everything it can to help our trade and investment with Central and Eastern Europe grow.

## U.S. Government to Support New Private Equity Funds
### OPIC Funds Will Leverage $3 Billion in Investment for Central and Eastern Europe

CLEVELAND, Ohio -- President Bill Clinton today announced U.S. Government support for two private equity funds set up by the Overseas Private Investment Corporation (OPIC) that could leverage capital investment of more than $3 billion for business ventures in Central and Eastern Europe.

At the conclusion of a White House Conference on Trade and Investment in Eastern Europe, the Overseas Private Investment Corporation signed commitment letters to provide loan guarantees to the $100 million Bancroft Eastern Europe Fund L.P. and to the $240 million Auburndale Central and Eastern European Property Fund, L.P.

OPIC already has committed support to two other funds that will private $125 million in new capital for the region -- Poland Partners L.P. and the Calvert Emerging Europe Fund for Sustainable Development.

"In Prague last January, I promised we would create investment funds for Central and Eastern Europe. This January, we have four of them. Together, they can mean billions of dollars in capital investment to help fuel economics development in the region, while creating jobs at home," President Clinton said.

OPIC's private investment funds can leverage more than $9 in investment for every $1 invested by the funds. So, a $100 million fund may leverage $1 billion in total investment. OPIC typically provides loan guarantees for up to 75 percent of the capital of the privately managed funds.

The Bancroft Fund will be managed by the Bancroft Group, a Washington, D.C.-based investment advisors, with the support of Arnhold and S. Bleichroeder Inc., a New York-based investment bank. The fund will make direct equity investments in private or privatizing companies in Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovenia and Slovakia and in manufacturing and services in a variety of sectors.

The Auburndale Central and Eastern European Property Fund, L.P. will develop industrial parks, particularly sites for light manufacturing, warehouses and distribution centers. The fund will be managed by Auburndale Properties Inc. of Wellesley, Massachusetts.

The Overseas Private Investment Corporation, a federal agency, provides loans and loan guarantees to U.S. businesses seeking to invest in more than 140 countries around the world. To date, OPIC has committed $1.2 billion in insurance and financing to projects in Eastern and Central Europe. In early March, OPIC will be leading two high-level groups of American executives to explore opportunities for private investment in ventures in Poland , Estonia, Latvia, and Lithuania.

Source: OPIC
Date Received: January 17, 1995



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THE WHITE HOUSE

Office of the Press Secretary

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Immediate Release January 13, 1995

## EX-IM BANK EXPANDS PROGRAMS WITH CENTRAL AND EASTERN EUROPE

President Clinton announced that the Export-Import Bank of the United States will expand its programs with Central and Eastern Europe. Ex-Im Bank will target CEE as a key market to increase U.S. exports and jobs while providing the region's reforming democracies with American goods, technology and investment capital to strengthen their free market economies.

Participating in the White House Conference on Trade and Investment in Central and Eastern Europe, Ex-Im President Kenneth Brody cited new or expanded Ex-Im programs which will be available to CEE:

-- Expanded financial coverage in most CEE, with a greater willingness to finance private CEE companies directly rather than go through governments

-- A new Project Finance Division to help build private projects in CEE and other areas of the world, including major infrastructure projects, with world-class American products while keeping debt off government books

-- A global Environmental Export Program to bring the best Americna technology and expertise to bear on the environmental demands of CEE and other regions.

-- Support for modernization of air traffic control and airspace management systems, under President Clinton's Central European Airspace Initiative.

-- A new U.S. - CEE Export Financing Program. Under this program, Ex-Im Bank will work with counterpart institutions in the region to support the exports to third markets of CEE products that use U.S. goods and services. This initiative will help boost U.S. and CEE exports alike, demonstrating the growing partnership between the U.S. and Central and Eastern Europe.

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THE WHITE HOUSE

Office of the Press Secretary

Immediate Release January 13, 1995

NEW INVESTMENT FUNDS FOR CENTRAL AND EASTERN EUROPE

President Clinton announced U.S. Government support for two privately owned and managed equity funds that could leverage over $3 billion for business ventures in Central and Eastern Europe.

On the final day of the White House Conference on Trade and Investment in Central and Eastern Europe, Ruth Harkin, President of the Overseas Private Investment Corporation, a federal agency, signed a commitment letter to provide a loan guaranty to the $100 million Bancroft Eastern Europe Fund, L.P. OPIC President Harkin also signed a commitment letter to provide a loan guaranty to the $240 million Auburndale Central and Eastern Europe Property Fund, L.P.

The Bancroft Fund will make direct equity investments in private or privatizing companies throughout Central and Eastern Europe. The Auburndale Property Fund will develop light manufacturing, distribution and related facilities in the region.

OPIC already has committed support to two other funds that will provide $125 million in new capital for the region -- the $65 million Poland Partners Fund announced by President Clinton in Warsaw last July and the $60 million Calvert Emerging Market Fund for Sustainable Development.

"In Prague last January," President Clinton said, "I promised we would create investment funds for Central and Eastern Europe. This January we have four of them. They can mean billions of dollars in capital investment to help fuel economic development in the region while creating jobs for Americans at home."

Over one quarter of all U.S. exports of goods go to overseas affiliates of U.S. firms; investment in CEE can be a platform for U.S. exports through that region to the EU and the NIS. Because each dollar of OPIC's investment funds can leverage many dollars in private investment, the funds announced today may bring in up to $3 billion for U.S. business ventures in the area.

OPIC has committed $1.2 billion in insurance and financing to CEE projects and plans to lead a high-level group of U.S. executives to the Baltic States and Poland this spring.

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Source: U.S. Department of Commerce
Date Received: January 19, 1995



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# Enterprise Fund Contact List

**Baltic-American Enterprise Fund**
Chairman: Roxanne Ridgway
President: Brewster Campbell
1625 K Street, NW
Washington, DC 20006
Tel: (202) 835-0900
Fax: (202) 835-0955

**Bulgarian-American Enterprise Fund**
Chairman: Stephen Fillo
President: Frank L. Bauer
333 West Wacker Drive, Suite 2080
Chicago, IL 60606
Tel: (312) 629-2500
Fax: (312) 629-2929

**Czech & Slovak-American Enterprise Fund**
Chairman: John Petty
President: Paul Gibian
1620 Eye Street, NW Suite 703
Washington, DC 20006-4059
Tel: (202) 467-5480
Fax: (202) 467-5466

**Hungarian-American Enterprise Fund**
Chairman: George D. Gould
President: Eriberto Scocimere
666 Steamboat Road
Greenwich, CT 06830
Tel: (203) 869-3114
Fax: (203) 869-3556

**Polish-American Enterprise Fund**
Chairman: John P. Birkelund
President: Robert G. Faris
535 Madison Avenue
New York, NY 10022
Tel: (212) 339-8330
Fax: (212) 339-8359

**Romanian-American Enterprise Fund**
Chairman: Robert Wald
President: John Mullen
1825 I Street, N.W., #400
Washington, DC 20006
Tel: (202) 429-2012
Fax: (202) 775-4180

Source: U.S. Department of Commerce
Date Received: March 17, 1995



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**Special Feature:** ***White House Conference Follow-up***

# EASTERN EUROPE BUSINESS BULLETIN

Jan./Feb. 1995

**Published by the Eastern Europe Business Information Center • U.S. Department of Commerce • International Trade Administration**

# White House Conference on Trade and Investment in Central and Eastern Europe

President Clinton and Commerce Secretary Ron Brown led U.S. participation at the White House Conference on Trade and Investment in Central and Eastern Europe (CEE), held in Cleveland on January 12-13, 1995. The conference, proposed by President Clinton last year, is an important element of the U.S. policy to broaden American trade and investment with CEE. U.S. firms are CEE's leading investors, accounting for 35 percent of the approximately $15 billion in foreign investment since 1989. Since 1988, American firms have tripled their exports to CEE nations.

The conference brought together over 230 senior officials and executives from 14 CEE countries with over 300 Chief executive officers and other senior U.S. executives for two days of intensive discussions about trade and investment prospects in the region. It was chaired by Secretary Brown and included active participation by President of the Overseas Private Investment Corporation Ruth Harkin, President of Export-Import Bank Kenneth Brody, Director of Trade and Development Agency J. Joseph Grandmaison, and other senior U.S. Government officials.

In his address to the conference on January 13, President Clinton underscored America's support for security, democracy, and economic reform in Central and Eastern Europe. He pledged that the United States would remain engaged in CEE and would keep working toward the complete integration of the region's emerging democracies with the trans-Atlantic community. The President also stressed that trade and investment benefit the American and Central European economies alike by generating jobs and wealth for both partners.

The conference generated a number of U.S. initiatives to support business and exports with Central and Eastern Europe:

- OPIC President Ruth Harkin signed commitment letters supporting two new equity funds—the $100 million Bancroft Fund and the $240 million Auburndale Property Fund—that could support over $3 billion of business ventures in Central and Eastern Europe. OPIC plans to lead a high-level group of U.S. executives to the Baltic States and Poland this spring.
- Eximbank President Brody announced that the bank is focusing on CEE countries with a number of programs backing U.S. exports to the region. These include a new U.S.-CEE Export Financing Program providing Eximbank support for the export to third country markets of CEE products that include U.S. goods and services. With continued structural reform and privatization in CEE, Eximbank will increasingly be able to finance private CEE companies directly rather than through governments. Eximbank's new initiatives will focus as well on financing infrastructure projects, exports of U.S. environmental technologies to CEE countries, and modernization of air traffic control and airspace management systems in the region.
- United States Trade Representative (USTR) Ambassador Michael Kantor signed Bilateral Investment Treaties with Latvia and Albania.
- Commerce Secretary Brown announced that the Commerce Department, working with other U.S. agencies, will establish a U. S.-Central Europe Small Business Support Facility. This new facility will make it easier for small businesses to use the services provided by U.S. Government agencies, multilateral financial institutions, and the Enterprise Funds in Central and Eastern Europe.

Conference participants included Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, the Former Yugoslav Republic of Macedonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.

For more information, contact:

Eastern Europe Business Information Center
U.S. Department of Commerce, Room 7412
Washington, DC 20230
Tel: (202) 482-2645
Fax: (202) 482-4473

## Central and Eastern Europe: Prospects For Growth

***Regional Overview:***

Five years after the beginning of the historic political and economic transformation in Central and Eastern Europe (CEE), there are strong signs that the reforms are beginning to turn the region's economy around and place it on an upward path. After falling about 25 percent between 1989 and 1993, the CEE region's real gross domestic product grew about 3 percent in 1994—and the prospects are for that growth to accelerate rapidly in 1995 and 1996.

Structural reforms and stabilization policies are beginning to show results in economic terms after several years of falling production and difficult economic restructuring. Private sectors in the major CEE economies now account for half or more of economic production, most prices are free of regulation, and most economies have bottomed-out and are beginning to grow—in fact several of the economies are now among the fastest-growing in Europe.

The CEE region—with more than 120 million people—is now a market worth over $500 billion; it is poised for solid growth that many observers believe will average 5-6 percent a year or better annually—substantially better for leading sectors.

*Continued on page 3*

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# REGIONAL CORNER

*Each issue of the Business Bulletin includes a "Regional Corner" page which highlights busines opportunities in specific regions of the countries of Central and Eastern Europe. This issue features the regions of Borsod-Abauj-Zemplen County, Hungary and Kohtla-Jarve, Estonia. For information on other regions in Central and Eastern Europe, call EEBIC on (202) 482-2645.*

## Borsod-Abauj-Zemplen County, Hungary

Borsod-Abauj-Zemplen or B.-A.-Z. County is located in the northeastern part of Hungary, in an area bordering Slovakia and close to Ukraine. Its largest town, Miskolc, has a long history as a trade center, and today maintains a population of 762,000 people. B.-A.-Z. County is mountainous, falling at the edge of the Carpathian basin. The major mountain ranges, the Bukk and Aggtelek-Rudabanya, provide geological resources, while the Sajo River Valley is important for agriculture. Since World War II, heavy industry has supported the economy, but has destroyed the environment. Thus, Northern Hungary seeks investment projects whose goals are industrial revival and environmental cleanup. Many inhabitants of this, the second largest county in Hungary, expect that privatization may pave the road towards economic prosperity.

The economy of the county is traditionally based on industry, especially heavy industries that produce raw materials. Coal mining and metallurgy have more than a 100 year tradition. More recently, machines and mining have spurred some branch industries, including chemical works and engineering. However, industrial processing branches are absent and needed. The textile and furniture producers occupy the rest of the industrial sector. Agriculture, once of primary importance, falls second to industry.

Privatization has dramatically changed the economic landscape. Out of 3,600 companies of the county, there remain only 50 in state property, and even the majority of state-owned companies are under privatization. The overwhelming majority of companies—about 2,600-2,700 firms—operate as limited liability companies. The scope of activity is currently changing, as well. The highest proportion of newly established countries deals with trade, taking advantage of experiences gained on the eastern markets. The government remains interested in major projects, such as damming, and in environmental projects, such as the many efforts to create nature preserves and protected national parks.

For further information, contact:

Chamber of Commerce of North-Hungary
Arany J.u.4.
3530 Miskolc, Hungary.
Tel: (36-46) 340-492
Fax: (36-46) 340-403

## The Kohtla-Järve, Estonia

Kohtla-Järve is located in the northeastern region of Estonia in the county of Ida-Viru, 150 kilometers from Tallinn. The town of Kohtla-Järve, commonly known as the capital of the Estonian oil shale basin and the chemical industry, was founded in 1946. As of January 1993, the population of Kohtla-Järve equaled approximately 60,000 inhabitants, 21 percent of whom are ethnic Estonians.

The deposits of oil shale located in this region are considered the largest amounts extracted in the world: an estimated 3.8 billion tons of oil shale is available for mining. Since 1916, miners have removed roughly 800 million tons of oil shale. The depth of the oil shale bedding reaches as far as 30 meters in the northern part of the region and as far as 100 meters in the southern part of the region. In 1993, miners processed a total of 15,000 tons of oil shale in the six underground oil shale mines and the three open pit mines located in Ida-Viru county.

The local chemical industry and the electric power stations located in the northeastern region utilize the output of the mines for their production purposes. An abundance of locally available raw materials has created quite favorable conditions for the growth of the building materials industry. Established in 1948, the Kohtla-Järve Ferro-Concrete Items Production Plant provides local markets with concrete structures, concrete, and mortar. Virusilbet, another joint-stock company, has an annual production capacity of 60,000 cubic meters of building blocks and 50,000 cubic meters of building sand. All of these materials are ecologically pure and easily adaptable to all methods of construction.

In 1993, EU-PHARE assisted in setting up the Business Advisory Services (BAS) program in Estonia. The Narva BAS Center, located 50 kilometers from Kohtla-Järve in northeastern Estonia, can assist foreign companies interested in doing business in Kohtla-Järve. The BAS Center can find appropriate subcontractors, identify potential joint venture partners, and assist during negotiations with those local partners.

For further information, contract:

Harri Kundla
American Embassy
Kentmanni 20
EE0001 Tallinn, Estonia.
Tel: (372-6) 312-021
Fax: (372-6) 312-025

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# Wood Frame Housing Seminar in March

The U.S. Department of Agriculture invites U.S. companies to participate in a wood frame housing construction seminar that is being planned to take place in Warsaw, Poland during the week of March 27, 1995.

A small exhibit/show presenting American lumber and related building products will be offered in conjunction with the seminar. Polish buildiers, architects, engineers, building products distributors, contractors, and government officials will attend the seminar and exhibit. A similar seminar, held in September, 1994, was highly successful. Last year over 450 companies expressed interest in the seminar, but due to space limitations, it was attended by 225 Polish companies.

For more information please contact: Maria Nemeth-Ek or Karen Uctrecht at the U.S. Department of Agriculture, Room 3832, South Building, Washington, D.C. 20250. Tel: (202) 690-3985 or Fax: (202) 690-3982.



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*CEE—Continued from page 1*

Doing business in the CEE region continues to be a challenge in many ways. Government bureaucracies are difficult to deal with, privatization of large enterprises is lagging in many instances, the banking systems are still not equipped to the needs of market economies, inflation rates continue high in many countries, and the infrastructure is still being modernized.

The difficulties of doing business in the region, however, have not deterred thousands of Western companies from entering into business in CEE.

About $15 billion has already been invested in CEE by foreign investors, including American companies. In fact, U.S. firms are the leading investors—with 36 percent of the total foreign investment in the area.

The CEE region also is importing about $50 billion annually—up one-third in just two years. U.S. firms have seen their exports to CEE triple since 1988 and raised their market share to 5 percent.

U.S. firms that fail to explore the CEE market may find themselves at a disadvantage in the near future, for the best customers, partners, and distributors in Central and Eastern Europe are rapidly selecting their foreign suppliers, investors, and associates. The costs of entering the market may soon begin to accelerate rapidly. American companies need to explore carefully the future implications of doing business in the area—and the implications of being left out as the region begins an economic surge.

Some of the countries in CEE now register the highest growth rates in Europe. For example, the Polish economy, largest in the region, is in its third year of accelerating economic growth. Poland's real GDP grew 3.8 percent in 1993, and an estimated 4.5 percent in 1994. Poland's industrial production is now growing at an annual rate of over 10 percent—among the fastest in Europe.

The Baltic countries—Estonia, Latvia, and Lithuania—are all showing 4 to 5 percent growth. Albania's real GDP grew about 8 percent in 1994—the fastest-growing economy in Europe, though growing from a low base.

Economic growth has increased the capacity of CEE to boost trade with the West. U.S. exports to CEE exceeded $2.6 billion in 1993 and imports to the United States from CEE were almost $2 billion. At the same time, CEE trade with the European Union amounted to over $38 billion in exports from the EU to CEE and $31.4 billion imports to the EU from CEE—a clear sign that American companies have not yet fully tapped the commercial potential of the new markets in Central and Eastern Europe.

The export potential for the region is impressive. For example, CEE countries imported nearly $50 billion in 1993—up one-third from 1991. With strong pent-up commercial demand, U.S. export potential to CEE is excellent; American products and services are competitive and in demand.

With aggressive business development efforts by American companies, the small U.S. market share of CEE imports could increase significantly. However, U.S. firms face strong competition from Western Europe, which enjoys favorable geographic proximity, traditional trade ties, and recently concluded Association Agreements between several CEE countries and the European Union.

Lack of market information, tariff barriers, and non-transparency in government procurement have also held back potential American exporters.

Investments in Central and Eastern Europe can pave the way. For example, U.S. investments can help pave the way to more U.S. exports as well as contributing to the economic health and political stability of the CEE region. Additionally, such investments can strengthen the position of U.S. companies not just in the region, but throughout Europe.

American companies are already the leading investors in the region, with 36 percent of all foreign investment in the CEE. These investments have increased the CEE's buying power, and can lead to exports of U.S. capital equipment and components. These investments further create a market for U.S. exports by generating a closer business relationship between American and CEE firms.

As macroeconomic stabilization and economic reform programs reduce inflation rates and result in restructuring of the CEE economies, additional business opportunities are being created.

CEE machinery and technologies are in need of modernization. With greater CEE intellectual property protection in most countries, American companies' technologies can now be more readily transferred. More than one-half of total foreign investment in the region is in manufacturing industries.

Large companies such as Colgate-Palmolive, International Paper, Eli Lilly, Ford, Marriott, and Amoco have been joined by medium and smaller American companies to capitalize on the advantages of doing business in the CEE region.

Strategically located between the European Union and the Newly Independent States as both a market and producer, the business potential of Central and Eastern Europe is becoming recognized by U.S. firms. CEE companies familiar with doing business with Russia and the other Newly Independent States can work with American partners to tap the market of 290 million people in the Newly Independent States.

The CEE countries, recognizing the importance of capital infusion from the West, are working to provide an increasingly attractive trade and investment climate. Many CEE countries now allow foreign firms to own land; provide investment incentives such as tax holidays and tariff concessions; and encourage privatization of state-owned enterprises through foreign participation.

In addition, six of the CEE countries have entered into Association Agreements with the European Union, and other CEE countries have entered into trade and cooperation agreements with the European Union. These agreements provide lower tariff access to the EU for American companies working in CEE. The EU is also expected to conclude Association Agreements with the Baltic States and Slovenia.

U.S. market development in the region requires patience and perseverance. Privatization of mid- and large-sized enterprises is moving slower than hoped-for in most countries; some CEE governments are no longer courting foreign investors with vigor and appear more interested in domestic ownership.

Despite economic reform, inadequate banking services, lengthy bureaucratic procedures, and poor infrastructure still retard trade and investment.

The business environment is far from being the easiest in the world, but for many firms the rewards of entering the market now are such as to more than offset the costs and difficulties.

Doing business in the CEE region not only can contribute to the global strength of American firms, but also contributes strongly to the region's economic growth and political stability that is in the interest of all Americans. *Continued on page 5*



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# U.S. Signs Bilateral Investment Treaties With Albania and Latvia

The United States has signed two new Bilateral Investment Treaties in conjunction with the White House Conference on Trade and Investment in Central and Eastern Europe.

United States Trade Representative (USTR) Ambassador Michael Kantor and Albanian Ambassador Lublin Dilja signed a Bilateral Investment Treaty (BIT) between the United States and Albania on January 11, 1995 in Washington, DC.

Ambassador Kantor and Latvian Foreign Minister Valdis Birkavs signed a BIT between the United States and Latvia on January 13, 1995 during the minister's visit to Washington.

President Bill Clinton welcomed the signing of the two BITs. "These Bilateral Investment Treaties put in place a strong foundation for expanded U.S. trade and investment with the reforming of the democracies of Central and Eastern Europe. They are another step toward integrating Europe's new democracies with an expanding trans-Atlantic community. Americans and Central Europeans alike will benefit through the increased business," he said.

"These treaties form a key element of an open investment climate and will strengthen economic links between the United States and Latvia and Albania," said Ambassador Kantor.

The BITs guarantee the right to invest on terms no less favorable than those accorded domestic or third-country investors. They also guarantee the free transfer of capital, profits and royalties, freedom from performance requirements of any kind, access to international arbitration and internationally recognized standards of expropriation and compensation.

These BITs are the eleventh and twelfth signed during the Clinton Administration and bring the number of U.S. BITs to 34 overall. BITs with the Czech Republic, Slovakia, Poland, Romania, and Bulgaria are now in force; the U.S. has signed a BIT with Estonia and is negotiating a BIT with Lithuania.

For more information, contact:
Eastern Europe Business Information Center
U.S. Department of Commerce, Room 7412
Washington, DC 20230
Tel: (202) 482-2645 Fax: (202) 482-4473
Flashfax: (202) 482-5745
Homepage Internet: http://www.itaiep.doc.gov

# The Jingle of Coins Returns to Poland

The Polish currency, zloty, was redenominated on January 1, 1995. The domination cut four zeros from all prices and notes. Ten thousand old zlotys will be worth one new zloty. One U.S. dollar will be worth approximately 2.50 zloty. The denomination has re-instituted the Polish grosz, which was not previously in use. One hundred groszes equals one zloty.

The denomination has revived coins, which have not been in use for the last decade. No types of coins, with values of 1,2,5,10, 20, and 50 groszes, and 1,2, and 5 zloty will be circulated.

The reintroduction of coins to Poland brings new opportunities for companies offering all kinds of coin-handling equipment, such as counting, packing, and delivery systems—none of which currently exists in the market.

For detailed information concerning new coins, contact:

The National Bank of Poland
Treasury Department
ul. Swietokrzyska 11/21
00-950 Warsaw, Poland
Tel: (48-22) 26-93-119
Fax: (48-22) 26-38-53

Equipment using electricity is subject to very strict safety regulations, starting May 1, 1995. These regulations will apply to all kinds of electric equipment. For further details, contact:

Polskie Centrum Badan i Certyfikacji (PCBC)
(Polish Testing and Certification Center)
ul. Klobucka 23A
02-699 Warsaw, Poland
Tel: (48-22) 43-05-96, 43-05-95. 47-07-42
Fax: (48-22) 47-01-52

# Eximbank Expands Programs with Central And Eastern Europe

President Clinton announced that the Export-Import Bank of the United States (Eximbank) will expand its programs with Central and Eastern Europe. Eximbank will target Central and Eastern Europe as a key market to increase U.S. exports and jobs while providing the region's reforming democracies with American goods, technology, and investment capital to strengthen their free market economies.

Participating in the White House Conference on Trade and Investment in Central and Eastern Europe, Eximbank President Kenneth Brody cited new or expanded Eximbank programs which will be available to Central and Eastern Europe:

- Expanded financial coverage in most Central and Eastern countries, with a greater willingness to finance private Central and Eastern European companies directly rather than go through governments
- A new Project Finance Division to help build private projects in Central and Eastern Europe and other areas of the world, including major infrastructure projects, with world-class American projects while keeping debt off government books
- A global Environmental Export Program to bring the best American technology and expertise to bear on the environmental demands of Central and Eastern Europe and other regions.
- Support for modernization of air traffic control and airspace management systems, under President Clinton's Central European Airspace Initiative.
- A new U.S.-Central and Eastern European Financing Program. Under this program, Eximbank will work with counterpart institutions in the region to support the exports to third markets of Central and Eastern European products that use U.S. goods and services. This initiative will help boost U.S. and Central and Eastern European exports alike, demonstrating the growing partnership between the United States and Central and Eastern Europe.

For more information on these expanded programs, contact:

The Export Import Bank of the United States
811 Vermont Avenue, NW
Washington, DC 20571
Tel: (202) 566-4490 Fax: (202) 566-7524



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*CEE—Continued from page 3*

***Economic Outlook:***

While the Central and East European countries have made substantial progress in their economic transformations, much work still lies ahead. The so-called "Visegrad countries" (named after the city in which Hungary, Poland, and the former Czechoslovakia concluded a regional cooperation agreement) are expected to experience positive GDP growth, declining inflation rates, and improving fiscal situations in the coming five years and are looking towards membership in the European Union (EU). The emerging private sector will continue to be the engine of growth in the Northern Tier.

The breakup of Czechoslovakia interrupted, but did not derail, the Czech Republic's economic recovery. While one of the region's most ambitious privatization programs will continue to create solid growth in economic activity, unemployment is likely to be the most troublesome future issue as inefficient firms restructure or go bankrupt. For 1994, the Czech Republic had a balanced budget, 3 percent GDP growth, and inflation around 10 percent.

In Hungary, the private sector now accounts for an estimated 50 to 55 percent of GDP as compared to about 15 percent in 1989. Inflation, however, is still running at 17 percent and the trade deficit in 1993 jumped to $2.3 billion due to a drop in exports. Positive GDP growth resumed in 1994, as the recovery in industrial production continued and a return to more normal weather generated a rise in agricultural output.

Poland was the first East European country to enter a period of economic recovery, with 1.5 percent growth in 1992, 3.8 percent growth in 1993, and 4.5 percent estimated for 1994. Inflation is down from 60 percent in 1991 to 27 to 30 percent for 1994. Poland's current account deficit in August 1994 was $18 million, one-tenth the size of August 1993. Poland's conclusion of debt reduction agreements with commercial creditors (the London Club) nearly halved the value of commercial bank debt. This should provide greater access to foreign capital markets for the Government of Poland and Polish firms.

The Slovak Republic, upon gaining independence in January 1993, shared with the Czech Republic much of the economic infrastructure and some of the success in implementing economic reforms of the former Czechoslovak federation. The Slovak economy suffered in 1993, with GDP falling more than 4 percent, but has turned around and is registering an estimated 1 percent growth in 1994.

The southern countries of Central and Eastern Europe are still undergoing fundamental economic restructuring, and the major economies have not yet emerged from the recession caused by the wrenching changes necessitated by the end of their centrally-controlled economic systems and their conversion to market economies.

Romania's economy showed some positive signs of growth, with GDP growing an estimated 1 percent in 1994. Unemployment is estimated to be approximately 11 percent and inflation averaged 4.4 percent per month for the first 10 months of 1994. Bulgaria's GDP fell 27 percent between 1989 and 1993, but appeared to stabilize in 1994 with no further decline in output. Inflation remains high, at over 60 percent per year. New IMF funding paved the way for debt settlement agreements in early 1993 that restored Bulgaria's access to international financial markets.

Slovenia, with a population of only 2 million, offers a very small export market. However, the country can boast a per capita GDP of $7,200, the highest in the region, and an economy that grew an estimated 4 percent in 1994. Croatia's economic progress is still hindered by hostilities in the former Yugoslavia, yet, in 1993 it imported $4.7 billion worth of goods and services. Barely 4 percent of that total was from the United States. The Former Yugoslav Republic of Macedonia, despite the constraints of a variety of adverse geo-political conditions, is proceeding with economic reforms.

The Baltic countries, Estonia, Latvia, and Lithuania, have all consolidated macroeconomic stabilization. Estonia experienced 2 percent GDP growth in 1993 and an estimated 5 percent in 1994. As Estonia has turned the majority of its trade from east to west, its hard currency reserves have almost quadrupled since 1992. Estonia's currency is fully backed by gold and foreign currency reserves and is probably the most important factor in creating fertile conditions for Estonia's sovereignty and economic progress. Estonia has one of the most open trade regimes in Europe, collecting import tariffs on only a small number of luxury items.

Latvia's capital, Riga, has emerged as one of the commercial, financial, and transportation hubs for northwest Central and Eastern Europe. The private sector is expanding rapidly and there is now one registered private company for every 50 Latvians. Inflation was 35 percent for 1993 and should be under 30 percent for 1994. GDP growth for 1994 was an estimated 5 percent.

Lithuania has continued trade ties with Russia; however, it has made significant strides in establishing a legal infrastructure conducive to a market economy and Western investment. It emerged from the ruble zone and now has its own currency which is pegged to the U.S. dollar. As a result of the new currency and adherence to an IMF program, Lithuania's inflation has decreased from 1,200 percent in 1992 to approximately 50 percent in 1994. Lithuania's GDP grew an estimated 4 percent in 1994.

***Climate For Trade:***

As Central and Eastern Europe emerges from recession, this growing market for U.S. goods and services will witness even further expansion. Despite the recession in Central and Eastern Europe, from 1992 to 1993, U.S. exports to all the countries of Central and Eastern Europe region grew 17 percent to $2.5 billion. After tripling between 1988-93, U.S. exports to the region fell in 1994, but the decline was due largely to reduced purchases of U.S. aircraft as initial airline conversions to Western aircraft were completed in 1993, and to the fact that U.S. exports of grains also declined to low levels in 1994 after soaring in 1993.

Central and East European markets are expected to show robust growth through the rest of the decade, with their import markets perhaps tripling in size within a decade. U.S. exports should share in this gain if American firms increase their marketing efforts and if the tariff hurdles U.S. firms face in Central and Eastern Europe can be reduced or eliminated. This differential stems from the Association agreements the major Central and East European economies have concluded with the European Union. These agreements give EU and Central European companies reduced duties or duty-free treatment in each other's markets, while U.S. exporters pay full duties.

***Commodity Prospects For U.S. Exports:***

Best prospects for U.S. exports to Central and Eastern Europe include aircraft and aircraft parts, computers and computer software, medical equipment, telecommunications equipment, manufacturing technologies, energy and environmental technologies, and processing and packaging equipment.



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# U.S. Government to Support Two New Private Equity Funds of OPIC

President Bill Clinton announced U.S. Government support for two private equity funds set up by the Overseas Private Investment Corporation (OPIC) that could leverage capital investment of more than $3 billion for business ventures in Central and Eastern Europe.

At the conclusion of the White House Conference on Trade and Investment in Eastern Europe, the OPIC signed commitment letters to provide loan guarantees to the $100 million Bancroft Eastern Europe Fund L.P. and to the $240 million Auburndale Central and Eastern European Property Fund L.P..

OPIC already has committed support to two other funds that will provide $125 million in new capital for the region—the Poland Partners L.P. and the Calvert Emerging Europe Fund for Sustainable Development.

"In Prague last January, I promised we would create investment funds for Central and Eastern Europe. This January, we have four of them. Together, they can mean billions of dollars in capital investment to help fuel economic development in the region, while creating jobs at home," President Clinton said.

OPIC's private investment funds can leverage more than $9 in private investment for every dollar invested by the funds. So, a $100 million fund may leverage $1 billion in total investment. OPIC typically provides loan guarantees for up to 75 percent of the capital of the privately managed funds.

The Bancroft Fund will be managed by the Bancroft Group, a Washington D.C.-based investment advisors, with the support of Arnhold and S. Bleichroeder Inc., a New York-based investment bank. The fund will make direct equity investments in private or privatizing companies in Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovenia, and Slovakia, and in manufacturing and services in a variety of sectors.

The Auburndale Central and Eastern European Property Fund, L.P. will develop industrial parks, particularly sites for light manufacturing, warehouses, and distribution centers. The fund will be managed by Auburndale Properties Inc. of Wellesley, Massachusetts.

Opic, a federal agency, provides loans and loan guarantees to U.S. businesses seeking to invest in more than 140 countries around the world. To date, OPIC has committed $1.2 billion in insurance and financing to projects in Central and Eastern Europe. In early March, OPIC will be leading two high-level groups of American executives to explore opportunities for private investment in ventures in Poland, Estonia, Latvia, and Lithuania.

For further information, contact OPIC at 1100 New York Avenue, N.W., Washington, D.C. 20527. Tel: (202) 336-8799.

# World Bank Opens Public Information Center

The World Bank is increasing the amount of information it makes available to the public through a new information center, which opened in Washington on January, 1994.

The Bank's Public Information Center will enable the public to receive a wide range of documents about Bank-supported projects and work in member countries. The center is part of the Bank's more open information policy approved by its executive directors on August 26, 1993.

Academics, investors, non-governmental organizations, and any other individuals or groups will be able to use the center. The center will offer information about Bank-supported development projects from their infancy to completion.

The center offers documents related to all projects approved by the Bank's board beginning January, 1994. The cost for each document is $15. For any documents relating to projects approved before January, 1994, the World Bank country department in charge of the project must be contacted directly.

For more information on the center, contact:

World Bank Public Information Center
1776 G Street, N.W.
Washington, DC 20433
Tel: (202) 458-5454
Fax: (202) 522-1500

# OPIC Helps Create Jobs for 90,000 Americans in 1994

The Overseas Private Investment Corporation (OPIC) recently released its annual report detailing an astonishing year of growth and productivity for American businesses.

In the most productive year in its 23-year history, OPIC reported record profits of $167 million while leveraging close to $11 billion in total U.S. investment in emerging markets overseas. Exports spawned by these investments generated one year of employment for 90,000 Americans.

"OPIC has proven itself as an efficient and innovative leader in stabilizing emerging democracies abroad while creating vital high-wage jobs for American workers here at home," President Bill Clinton said.

The number of OPIC-supported projects climbed in 1994 to over 100, including new U.S. investment ventures in Russia, South Africa, and India. This compared to 79 projects in 1993. While surpassing the $2 billion mark in reserves in 1994, OPIC also raised the limit on the amount of support it will provide an individual project to $400 million.

"OPIC has worked to meet the needs of the American business community by providing essential financing and political risk insurance in an efficient, user-friendly fashion," said OPIC President Ruth Harkin.

In 1994, under Harkin's leadership, OPIC has been responsible for major business ventures in such lucrative areas as telecommunications, transportation, and power and utilities. OPIC has negotiated and financed deals for major American businesses including Marriott, US West International, and Ameritech, while also developing opportunities for small businesses such as Purolite, a small chemical concern in Pennsylvania.

Since its inception in 1974, OPIC has supported more than $73 billion worth of U.S. investments overseas while generating more than $40 billion in U.S. exports.

OPIC's 1994 Annual Report can be obtained at: 1100 New York Avenue, N.W., Washington, D.C. 20527 or by calling (202) 336-8799.



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# Upcoming Business Promotion Events For Eastern Europe

**March 1995**

Leather and Shoe Week Exhibition and Fair, Sports Hall, Budapest, Hungary, March 11-13, 1994: Mrs. Eva Gayer, Fair Manager, Tel: (36-1) 251-6677 or Fax: (36-1) 251-5887.

Environmental Technologies Trade Mission, Prague, Czech Republic, and Warsaw, Poland, March 13-17, 1995: Patrick Santillo, Tel: (202) 482-1599 or Fax: (202) 482-3159.

Travel '95, International Tourism Exhibition, Budapest, Hungary, March 16-19, 1995: Maria Krsitof, Tel: (36-1) 263-6105 or Fax: (36-1) 263-6104.

Intact '95, Budapest, Hungary, March 21-24, 1995: Intact Congress Office, Tel/Fax: (36-1) 215-6019.

European Business Information Center (EBIC) '95 Budapest Conference, Budapest, Hungary, March 22-24, 1995: Tel: (202) 296-6009 or Fax: (202) 296-6343

USDA Wood Frame Housing Seminar, Warsaw, Poland, March 27-31, 1995: Maria Nemeth-Ek, Tel: (202) 690-3985 or Fax: (202) 690-3982.

**April 1995**

3rd Annual U.S.-Eastern Europe-Former Soviet Union Electric Power Technologies Conference, Bucharest, Romania, April 3-7, 1995: George Litman, Tel: (202) 586-4344 or Fax: (202) 586-0823.

Europe-California Business to Business Expo, Anaheim, California, April 6-7, 1994: ExpoForum, Mr. Ralph Panhuyzen, Tel: (714) 453-0555 or Fax: (714) 453-0570.

**June 1995**

Poznan International Fair, Poznan, Poland, June 13-23, 1995, Dan Chambers, Tel: (703) 941-3460 or (703) 941-2642.

GIS/LIS '95 - Central Europe, Technical Conference and Exhibition, Budapest, Hungary, June 16-16, 1995, Tel: (301) 951-0480 or Fax: (301) 951-0499.

# Electric Power Technologies Conference In Romania Scheduled for April 3-7, 1995

The U.S. Departments of Energy and Commerce and the Trade Development Agency are jointly sponsoring the 3rd Annual U.S./Eastern Europe/Former Soviet Union Electric Power Technologies Conference on April 3-7, 1995 in Bucharest, Romania. The electric power sector in Eastern Europe and the Former Soviet Union is changing rapidly as are the organizations in these countries that are responsible for power development. As a result, many opportunities exist for U.S. companies.

The conference will continue the electric power dialogue with officials from this region that began in July 1992 in Prague, Czech Republic and continued September 1993 in Budapest, Hungary. The conference will focus on: financing, nuclear safety and water management, and environmental technologies; be organized to provide maximum interaction and contact with the Eastern European and Former Soviet Union delegation; will include one-on-one meetings between the participating U.S. companies and members of the Eastern European and Former Soviet Union delegation.

The Eastern European and Former Soviet Union delegation will tentatively include financing, nuclear safety and waste management, and environmental decision makers from: Albania, Armenia, Belarus, Bulgaria, Czech Republic, Estonia, Hungary, Kazakhstan, Latvia, Lithuania, Poland, Romania, Russia, Slovak Republic, and Ukraine.

For information on the conference, contact: George Litman at Tel: (202) 586-4344 or Fax: (202) 586-0823.

## Special Issue of Bulletin on White House Conference Is Still Available

A special issue of the Business Bulletin was published in January for the White House Conference on Trade and Investment in Central and Eastern Europe. This issue was published specifically for participants of the conference. A limited number of issues are still available. If you are interested in obtaining a copy, contact EEBIC by fax at (202) 482-4473. The issue is also on the EEBIC Flash, a 24-hour automated fax delivery system. Simply call (202) 482-5745 and order document number 4050.

# EEBIC Announces Internet Home Page at Conference

EEBIC proudly announces its own home page on the Internet. A home page is an interactive index of information from a single source or on a particular subject. The home page was unveiled and demonstrated at the White House Conference on Trade and Investment in Cleveland, January 12-13, 1995. This service allows electronic access to many documents which previously were only available in hard copy.

Relevant information on exporting to and investing in Central and Eastern Europe is posted on the home page. Country commercial overviews, key contacts, project descriptions, and trade and business opportunities, as well as issues of the Eastern Europe Business Bulletin and Eastern Europe Looks for Partners, are now accessible from your desktop computer. The home page also gives you access to larger documents which are now only available via surface mail.

For those who do not have access to internet, EEBIC provides a 24-hour, automated fax delivery service called EEBICFLASH. Simply call (202) 482-5745 from any touch-tone telephone and follow the voice instructions to receive documents.

The Internet address for the home page is http://www.itaiep.doc.gov and is announced in the EEBICFLASH "Hot Topics" cover page which accompanies all documents.


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**Managing Editor:** Monika M. Goodrich

**International Trade Specialists:** Monika M. Goodrich, Anna E. Hauer Ann G. Lien, Amy L. Serrill, Naomi P. Warbasse.

**Research Assistants:** Amy Biggers, Kim Collins, Cheryl Curry, Lance Ludman, Jennifer Navabi, Luke Zahner.

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U.S. Department of Commerce
Washington, D.C. 20230
Telephone: (202) 482-2645
Facsimile: (202) 482-4473




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# Remediation Program Slated for Former Soviet Bases in Poland

The Polish Government has approved a remediation program to reclaim former Soviet Military bases in Poland. The land was left environmentally devastated after the withdrawal of the former Soviet forces from Poland.

According to the Polish Chief Inspector for Environmental Protection, the cost of the reclamation up to the year 2000 may reach 2 billion Polish zloty (approximately $800 million) of which 250 million Polish zloty ($100 million) would be covered by the state budget. The remaining 1,750 million zloty ($700 million) would have to be paid by regional governments. The total area covered by the program is 70,000 hectares.

The potential scale of the ecological disaster is massive. As a result of the environmental abuse and hydrocarbon pollution, the quality of drinking water is threatened in the northwestern cities of Szczecin and Swinoujscie, the giant Soviet base Borne-Sulinowo, and in the southwestern city of Wroclaw. U.S. companies interested in obtaining details of the program should contact:

Mr. Andrzej Walewski, Chief Inspector
Panstwowa Inspekcja Ochrony Srodowiska
(State Inspectorate for Environmental Protection)
ul. Wawelska 52/54
00-922 Warsaw, Poland
Tel: (48-22) 25-33-25
Fax: (48-22) 25-04-65

# 1995 Duty-Free Care Quota in Poland

The Minister for Foreign Economic Relations signed regulations for the allocation of permits for the duty-free import of cars from the European Union (EU). Under the 1995 quota, 35,250 passenger cars and 130 trucks will be exempt from duty in what is the next stage of Poland's 1991 transitional agreement with the European Union. Duty free vehicle imports will be limited this way until the year 2002, with the size of the duty-free quota increasing each year.

As in previous years, only firms acting as exclusive representatives of EU car manufacturers will be eligible. Each company will be allowed to import up to 400 vehicles at a time without duty. Permits for the import of additional vehicles will be issued only after a given importer sells all of the previously imported cars.

U.S. car manufacturers which produce in EU countries are eligible to take advantage of the Polish duty-free quota.

# SOURCES OF FINANCE

# IN CENTRAL AND EASTERN EUROPE

**Eastern European Business Information Center**
**Room 7412**
**U.S. Department of Commerce**
**Washington, D.C. 20230**
**Tel: (202) 482-2645**
**Fax: (202) 482-4473**
**Flashfax: (202) 482-5745**

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## INTRODUCTION

Financial needs in Central and Eastern Europe are unlimited. while available, identifiable financing is limited relative to these needs.

The nature of the reforms in Central and Eastern Europe--the movement from a centrally planned economy to a market economy--demand that the greatest percentage of the capital needed comes in the form of private investment. There will not be much in the way of commercial bank lending to finance ventures in Central and Eastern Europe in the immediate future. The U.S. Government and the Multilateral Development Banks, however, offer a variety of programs to assist in financing exports and investments to help bridge the gap.

The number and types of programs offered vary from country to country and are subject to change. The list of financing assistance in this guide is not all inclusive. It does not, for instance, cover the many private investment funds available for Central and Eastern Europe.

# I. TRADE FINANCE

## I.A. Export-Import Bank of the United States (Eximbank)

The Export-Import Bank of the United States (Eximbank) is an independent U.S. Government agency that helps finance the overseas sales of U.S. goods and services through export credit insurance, loan guarantees, and loans. Eximbank programs are currently available for the following Central and East European countries: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.

Eximbank's mission is to aid and facilitate the financing of U.S. exports in order to increase or sustain jobs in the U.S. Eximbank helps provide a level playing field for U.S. exporters by countering the export credit subsidies of foreign governments. It also provides financing to creditworthy foreign buyers when private financing is unavailable.

The bank will finance the export of any type of goods or services, including commodities, as long as they are not military-related and contain at least 50 percent U.S. content. The Bank is mandated to deny financing for projects that cause direct injury to U.S. production and employment.

### Eximbank Programs

**Working Capital Guarantee Program**: Eximbank's Working Capital Guarantee program encourages lenders to make short-term loans to U.S. businesses for various pre-export related activities. It helps small and medium-sized businesses that have exporting potential but need working capital funds to produce or market goods or services for export. Eximbank will consider applications from exporters directly or from lenders where the lender certifies that the loan would not be made without Eximbank's guarantee and Eximbank determines that the exporter is creditworthy. The exporter may use the guaranteed financing to purchase finished products, or materials or labor to produce goods or services for export; to cover stand-by letters of credit; or fund certain marketing activities when sufficient collateral and cash flow exist.

Working Capital Guarantees cover 90 percent of the principal and interest on commercial loans to creditworthy small and medium-sized companies that need funds to buy or produce U.S. goods or services for export. Eximbank will process loan requests of $833,334 and above; the Small Business Administration will handle smaller loan amounts for small businesses. Exporters may apply for a Preliminary Commitment (PC)--a letter from Eximbank outlining the terms and conditions under which it will provide a guarantee--which can be used to obtain the best financing terms from a private lender. If an exporter and a lender have agreed to participate in the Working Capital Guarantee Program, the Lender can bypass the Preliminary Commitment process by applying for a final commitment on behalf of the exporter.

**Export Credit Insurance:** Export Credit Insurance policies protect against both the political and commercial risks of a foreign buyer defaulting on payment. Policies may be obtained for single or repetitive export sales and for leases. They generally cover 100 percent of the principal for political risks and 90-95 percent for commercial risks, as well as a specified amount of interest. Eximbank's Export Credit Insurance does not cover currency devaluation.

Short-term policies are used to support the sale of consumer goods, raw materials and spare parts on terms of up to 180 days, and bulk agricultural commodities, consumer durables and capital goods on terms of up to 360 days. Exporters may cover single or multiple shipments under a sales contract.

Capital goods may be insured for up to five years, depending upon the contract value, under medium-term policies.

Small Business Policy: Eximbank offers a special short-term policy for small businesses. As under other Eximbank insurance policies, Eximbank assumes 95% of the commercial and 100% of the political risks, but it frees the exporter from "first lost" commercial risk deductible provisions that are usually found in regular insurance policies. The policy also offers a special "hold harmless" assignment of proceeds which makes the financing of insured receivables more attractive to banks. To ensure a reasonable spread of risk, Eximbank generally requires a company to insure all eligible credit sales under the policy.
This special coverage is available to companies which have an average annual export credit sales volume of less than $3 million for the two years prior to application and meet the Small Business Administration's definitions of small business.

**Loans:** Eximbank extends direct loans to foreign buyers of U.S. exports. Eximbank's loans carry the lowest interest rate permitted under the OECD Arrangement, an intergovernmental agreement. Under most circumstances, this rate is the OECD Commercial Interest Reference Rate (CIRR), which changes monthly and varies according to the repayment term of the loan.

**Loan Guarantees:** Eximbank guarantees provide repayment protection for private or public sector loans to creditworthy buyers of U.S. goods and services. Guarantees cover 100 percent of principal and interest against both political and commercial risks of nonpayment. Medium-term guarantees cover the sale of capital items such as trucks and construction equipment, scientific apparatus, food processing machinery, medical equipment, or project-related services--including architectural, industrial design, and engineering services. Long-term guarantees are available for major projects, large capital goods and/or project-related services.

**Project Finance:** The Eximbank established an office to focus on limited recourse project finance in June 1994. Projects financed in this manner do not rely on the typical export credit agency security package which has recourse to a foreign government, financial institution or established corporation to meet a reasonable assurance of repayment criteria. The project is financed by the cash flows it generates. While such a financing structure has been used successfully in the past for oil and gas, mining, and power projects, recent emphasis around the world on infrastructure "privatization" has also opened up the telecommunications and other sectors.

## Eximbank Programs for Central and Eastern Europe

In January of 1995, the Eximbank announced and expansion of its programs in Central and Eastern Europe. Eximbank no longer requires a sovereign guarantee to finance projects in several of the countries (Czech Republic, Hungary, Poland, and Slovakia. Eximbank has also established a special U.S.-CEE Export Financing Program. Under this program, Eximbank will establish cooperative financing arangements with its counterpart institutions in the region to support the exports to third markets of CEE products that use U.S. goods and services.

For more information Eximbank programs, contact:

**Export-Import Bank of the United States**
811 Vermont Avenue, NW
Washington, DC 20571
Tel: (202) 565-3946

Fax: (202) 565-3380
Electronic Bulletin Board: (202)-565-3853

III.D. **U.S. Small Business Administration**

**U.S. Small Business Administration (SBA)**

SBA provides business development and financial assistance to help small businesses complete their export sales. The SBA offers loan guarantees to help businesses obtain the capital needed to explore, establish or expand international markets.

The financing staff of each SBA office administers the loan guarantee programs. You can contact the finance division of your nearest SBA office for a list of participating lenders. The business development staff of each SBA office can provide counseling on how to request export financing assistance from a lender.

**Export Working Capital Loan Guarantee Program**

SBA offers export working capital loan guarantees to support single transactions or a series of like transactions. Loan maturities are generally for 12 months, with options to renew.

Loans can be used to finance labor and materials for manufacturing or wholesaling for export or to finance foreign accounts receivable. Foreign business travel and participation in trade shows are also among the eligible uses, but a regular 7(a) business loan may be more appropriate for these purposes.

Applicants must satisfy eligibility criteria established for all SBA loans. Also, the applicant must have been in business--not necessarily exporting--for at least 12 months' continuous operation before filing an application.

**Regular Business Loan Program**

Small businesses that need money for fixed assets and for working capital may be eligible for the SBA's regular 7(a) business loan guarantee program. The SBA can guarantee up to 90 percent of a bank loan up to $155,000. For larger loans, the maximum guarantee is 85 percent up to $750,000. Loan guarantees for fixed-asset acquisition have a maximum maturity of 25 years. Guarantees for general-purpose working capital loans have a maximum maturity of seven years.

To be eligible, the applicant's business generally must be independently owned, operated for profit and falll within size standards set by SBA. Export trading companies (ETCs) and export management companies (EMCs) also may qualify for the SBA's business loan guarantee program.

**The International Trade Loan Program**

The International Trade Loan Program provides long-term financing to help small businesses compete more effectively and to expand or develop export markets.

No debt payment is allowed. Proceeds can be used to buy land and buildings; build new facilities; renovate, improve or expand existing facilities; and purchase or recondition machinery, equipment and fixtures. The working capital portion of the borrowing could be in the form of either an ERLC or a portion of the term loan.

Loan maturities cannot exceed 25 years, excluding the working capital portion of the financing. The SBA's guaranty cannot exceed 85 percent of the loan amount. The agency's maximum share for facilities or equipment loans is $1 million, plus $250,000 for working capital.

Applicants must establish either of the following to meet eligibility requirements:

- Loan proceeds will significantly expand existing export markets or develop new ones.
- The applicant's business is adversely affected by import competition.

All programs are available through local SBA offices. See the government listings in your telephone book for the number of your local office. You can also contact the main SBA office in Washington, D.C.:

Office of Business Loans
**Small Business Administration**
Sixth Floor
409 Third Street, NW
Washington, DC 20024
Ph: (202) 205-6570
Fax: (202) 205-7519

## I.C. Barter and Countertrade

Because of insufficient foreign exchange in Eastern Europe, U.S. firms may face requests for barter and countertrade. As the economies of Eastern Europe reform and become more decentralized, such requests should decrease. The Commerce Department's **Finance and Countertrade Division** offers advice on the methods and techniques of barter and countertrade. Please contact:

U.S. Department of Commerce
**Finance and Countertrade Division**
Room H-4006
Washington, DC 20230
Ph: (202) 482-4434
Fax: (202) 482-5702

## I.D. U.S. Department of Agriculture

The U.S. Department of Agriculture supports the sales of American agricultural products (including fresh water fish and forestry products) through the **Commodity Credit Corporation (CCC)** and the **Export Enhancement Program (EEP)**. The CCC guarantees repayment of short-term loans (6 months to 3 years) made to eligible countries purchasing American farm products. Bulgaria, Czech Republic, Hungary, Romania, Albania, Estonia, Latvia, Lithuania and the Independent States are eligible for this program. The EEP challenges unfair trade practices by our major competitors. Contact:

Export Credit Program Development Division
**U.S. Department of Agriculture**
Room 4524, South Building
Washington, DC 20250

Ph: (202) 720-5319
Fax: (202) 690-0051

## II. INVESTMENT & PROJECT FINANCE

### II.A. Overseas Private Investment Corporation

The Overseas Private Investment Corporation, a self-sustaining, independent agency of the U.S. Government, promotes economic growth in developing countries by encouraging U.S. private investment. OPIC (1) assists in financing investments through direct loans and/or loan guarantees; (2) insures investments against a broad range of political risks; (3) operates a data bank; (4) organizes investment missions; and (5) assists with project development.

OPIC is open in Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovenia, and the Slovak Republic. Investors interested in the Balkans should contact OPIC for the current status of programs.

OPIC insurance covers a variety of risks, such as expropriation; currency inconvertibility; and losses due to political violence, war, and civil disturbances.

OPIC's all-risk loan guarantees, issued to U.S. lending institutions, typically range from $2 million to $25 million but can be as large as $200 million. OPIC's direct loans, reserved for foreign projects by small U.S. businesses, range from $500,000 to $6 million. OPIC will participate in up to 50 percent of the total cost for a new venture and up to 75 percent of an expansion.

**Overseas Private Investment Corporation**
1100 New York Avenue, NW
Washington, DC 20527
Ph: (202) 336-8799 or
800-424-OPIC
Fax: (202) 408-9859
Vice President/Insurance: (202) 336-8580
Fax: (202) 408-5142
Vice President/Finance: (202) 336-8480
Fax: (202) 408-9866

In addition to its loans, loan guarantees and insurance products,OPIC has also established four equity funds: the Poland Partners Fund, the Global Environment Emerging Markets Fund, the Bancroft Fund and the Auburndale Fund.

**OPIC Equity Funds**

The Auburndale Central and Eastern European Property Fund, L.P.: This fund focuses on development of industrial parks, particularly sites for light manufacturing, warehouses, and distribution centers.

Auburndale Central and Eastern Europe Property Fund

Auburndale Properties
801 Pennsylvania Avenue, N.W.
Suite 1107
Washington, D.C. 20004
202-543-8386

The Bancroft Fund: This fund is managed by the Bancroft Group, a group of Washington D.C.-based investment advisors, with the support of Arnhold and S. Bleichroeder Inc., a New York-based investment bank. The fund will make direct equity investments in private or privatizing companies in Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovenia, and Slovakia, and in manufacturing and services in a variety of sectors.

Bancroft Fund
The Bancroft Group
607 14th Street, N.W.
Suite 800
Washington, D.C. 20005-2011
202-434-1600

Calvert Emerging Europe Fund for Sustainable Development: This is a $60 million fund that provides venture capital to small and medium-sized businesses investing in the energy and environment sectors.

Calvert Emerging Group
7201 Wisconsin Avenue, N.W.
Suite 310
Bethesda, MD 20814
301-718-4272

Poland Partners Fund: Poland Partners Fund is $65 million venture capital fund which invests in dynamic and expanding businesses in Poland's private sector. Investments range from $2-5 million.

Poland Partners Fund
Landon Butler & Co.
1215 19th Street, N.W.
Washington, D.C. 20036
202-293-7205

## II.B. U.S. Trade and Development Agency (TDA)

The U.S. Trade and Development Agency assists in the creation of jobs for Americans by helping U.S. companies pursue overseas business opportunities. Through the funding of feasibility studies, orientation visits, specialized training grants, and various forms of technical assistance, we enable American businesses to become involved in the planning stage of infrastructure and industrial projects in middle-income and developing countries. By doing this we provide American firms with market entry, exposure and information, thus helping them establish a position in markets that are otherwise difficult to penetrate.

TDA's focus is the planning and design engineering phase of major infrastructure and industrial projects in developing and middle-income countries, including the countries of Central and Eastern Europe.

TDA's primary activity is the funding of feasibility studies performed by American firms that examine the technical, economic, environmental, and financial aspects of major development projects. TDA also funds reverse trade missions, specialized training grants, and various forms of technical assistance. The sectors in which TDA is involved include: agriculture, aviation, energy, environment, health care, manufacturing, mining and minerals development, telecommunications, transportation, and water resources.

**What is a project?**

TDA defines "project" as a major industrial or infrastructure priority of a developing country. Such projects may be public sector undertakings, planned and implemented by government ministries or agencies, or private sector projects including joint ventures in which U.S. companies plan to take an equity position. Projects range from the modernization of an airport in Indonesia to a telecommunications network system in Tunisia to a health care system in Tatarstan. Development priorities such as these represent significant export potential for U.S. suppliers and manufacturers. TDA's job is to help large and small U.S. businesses get involved in the early stages of the project's planning. The payoff in exports and jobs here in the U.S. comes later as the project moves from planning to implementation.

**How are projects identified?**

TDA learns of viable projects from the U.S. business community and from other government agencies such as the Commerce Department's U.S. and Foreign Commercial Service (US&FCS) and the State Department's economic officers. We also receive project information from the public and private sectors of foreign countries.

**How does TDA decide which projects to support?**

Because of its very focused mission, TDA considers only projects that have potential to mature into significant business opportunities for U.S. companies. Before selecting a project for TDA support, the answer to each of the following questions must be addressed:

- **Is the project a development priority of the "host" country?** Before TDA becomes involved, the agency must receive a formal request from the host country, and the U.S. Embassy must endorse TDA's participation.

- **Does the project have significant U.S. export potential?** A project must represent an opportunity for sales of U.S. goods or services that is many times greater than the cost of TDA assistance.

- **Is project financing available?** Implementation financing that is not tied to a foreign country must be available or likely, and the procurement process must be open to U.S. firms.

- **Is it likely that the project will generate strong competition?** A project must present a situation in which it is likely that U.S. companies will face strong competition from foreign companies that receive subsidies and other support from their governments.

**What support does TDA provide?**

TDA does not fund the project itself — that is the responsibility of the project's sponsor, usually a public or private foreign entity. TDA does provide funding for feasibility studies, definitional missions and desk studies, orientation visits, and trade-related training, conferences, and symposia that support specific projects. Working closely with the foreign country sponsor, TDA makes its funds available on the condition that the foreign entity contracts with a U.S. firm to do the actual work. Selection of the American firm is made by the foreign entity. These program activities help U.S. businesses establish a position in overseas markets that are otherwise difficult to penetrate.

Feasibility Studies which evaluate the technical, economic, and financial aspects of a development project, are TDA's most important funding activity. The feasibility study is an essential step in the process of project development since it is required by financial institutions in assessing the creditworthiness of the undertaking. A feasibility study sponsored by TDA also advises the host country about the availability of appropriate U.S. equipment and services — advice that often leads to the use of U.S. goods and services in the project's implementation. The average grant amount that TDA provides for a study is $320,000. The costs associated with feasibility studies in private investor projects are shared between TDA and the U.S. firm developing the project, since a firm's willingness to share part of the cost of the study demonstrates its commitment to the project's overall success. Cost-sharing is also required on certain public sector projects.

An official request for assistance must be made directly to TDA by the sponsoring organization (government or private sector) of the appropriate country. A description of the proposed project should accompany the official letter of request to expedite the review process. While no formal application form is required, format outlines of what information is necessary for either a public or private sector project are available upon request.

Almost all studies are preceded by a Definitional Mission or a Desk Study in which TDA contracts with small and minority U.S. businesses to assist in evaluating a project. A Definitional Mission is a team of technical specialists that is dispatched by TDA for a short-term visit to a host country to gather additional information on the project. Definitional Missions give small businesses an opportunity to travel overseas and establish working relationships with foreign officials in the public and private sector. A Desk Study is used when there is already sufficient project information available. In these situations, TDA hires a technical specialist to perform a quick review of the project and to answer specific questions dealing with the project —without leaving the United States.

The purpose of these evaluations is to review the nature of the project, its priority to the host government, its likely total cost, the likelihood of project financing, the need for the feasibility study, the scope of work and budget for the study, its environmental impact, the U.S. export potential, expected impact on U.S. jobs, and the U.S. companies which could compete for procurement of goods and services for the project.

Based on the recommendations contained in the Definitional Mission or Desk Study report, the advice of the U.S. embassy, our internal analysis, and budget capabilities, TDA makes decisions on funding requests for feasibility studies.

**What other activities does TDA fund?**

TDA sponsors some Technical Symposia, reverse trade missions called "Orientation Visits," and U.S. Business Conferences which familiarize foreign decision-makers with U.S. goods and services and provide them an opportunity to meet with U.S. suppliers. At our conferences, American companies hear the results of TDA-funded feasibility studies, learn the nature and type of procurements that will be associated with specific projects, and have an opportunity to interact with senior officials from the country sponsoring the project.

TDA sometimes funds Trade-Related Training which enables the host country project personnel to receive necessary technical and managerial training, provided a U.S. firm is selected for implementing the project. We also fund Technical Assistance on an as-needed basis to respond to the complex demands of a given project when required expertise is unavailable from the host country. For these types of activities TDA makes use of the expertise in technical agencies such as the Department of Energy, the Federal Aviation Administration, and the Environmental Protection Agency.

In recent years Multilateral Development Banks (MDBs), such as the World Bank, the European Bank for Reconstruction and Development, and the International Finance Corporation, have used TDA funds to hire U.S. consultants for projects that they are considering. As a result, TDA has gained valuable information about the projects' potential early in the process— information that we have passed on to American businesses.

**Information Resources**

TDA provides a number of resources for U.S. companies seeking trade opportunities overseas.

Requests for Proposals (RFPs) to conduct feasibility studies funded by TDA are listed in the Commerce Business Daily (CBD). Information on CBD announcements can be obtained by calling (202) 482-0632 for on-line computer related information and (202) 783-3238 for subscription information.

Information on Definititional Mission opportunities can be obtained by calling TDA's DM Hotline at (703) 875-7447. Small and minority U.S. firms who wish to be included in TDA's consultant database and considered for future DM solicitations should contact the TDA Contracts Office.

TDA publishes two newsletters, the TDA Bi-Weekly and the TDA Early Bird, which are available to the business community by subscription. These publications provide U.S. suppliers and manufacturers with timely information on agency-supported projects including RFP's for feasibility studies. Our new quarterly publication, TDA Update, contains current items of interest on a variety of program activities. Regional "Fact Sheets" that summarize TDA activities by sector are also available.

TDA's library, located at the agency's offices, maintains final reports on all TDA activities: feasibility studies, definitional missions, desk studies, technical symposia, orientation visits, trade-related training, and technical assistance. Final reports are available for public review Monday through Friday from 8:30 a.m.-5:30 p.m.. Copies of completed feasibility studies must be purchased through the Department of Commerce's National Technical Information Services (NTIS). For information, contact TDA's library.

TDA encourages the business community to use its library and other resources. For more information on the agency, its publications, or how TDA can assist your company, contact:

**U.S. Trade and Development Agency**
SA-16, Room 309
Washington, DC 20523
Ph: (703) 875-4357
Fax: (703) 875-4009

## II.C. U.S.-SPONSORED ENTERPRISE FUNDS

### Enterprise Funds

In November 1989, the Support for East European Democracy (SEED) Act authorized the creation of enterprise funds to help private sector development in the countries of Central & Eastern Europe. Enterprise funds were created for Poland and Hungary in 1990, the former Czechoslovakia in 1991, Bulgaria in 1992, Romania in 1994 and The Baltics in 1995. The enterprise funds primarily make loans to, or investments in small and medium-sized businesses in which other financial institutions are reluctant to invest. The enterprise funds also provide technical assistance for private sector development in the host country.

### The Baltic-American Enterprise Fund

The Baltic-American Enterprise Fund, the newest of the U.S. government-sponsored funds, was established in January of 1995. The Baltic-American Enterprise Fund is capitalized at $50 million and plans to begin funding projects in June of this of 1995. The Fund will establish offices in Tallinn, Riga and Vilnius by the end of 1995 and will provide a variety of financial services to small and medium-sized businesses in the Baltics.

For more information, write or call:

The Baltic-American Enterprise Fund
1625 K Street, N.W.
Suite 903
Washington, D.C. 20006
Tel: 202-835-0900
Fax: 202-835-0955

**Bulgarian American Enterprise Fund (BAEF)**

The Bulgarian American Enterprise Fund was established in January of 1992. The Fund was capitalized at $55 million. The BAEF's investment strategies fall into five areas: (1) Micro-Lending: The program is managed by Opportunity International (OI) and operates in Sofia, Plovdiv and Velingrad. The enterprises that this program supports are usually small family-operated businesses. Loan size is $1,000 - $25,000. (2) Kompass Program: This program for small and medium-sized business development was organized in cooperation with four Bulgarian banks and is being coordinated by Shorebank in Chicago, which has extensive experience in small business lending. Loan size is $25,000 - $250,000. (3) Small Hotel Program: Historically, tourism has been one of Bulgaria's strongest business sectors. The BAEF uses this program to help private landowners convert their properties into small-business and "bed-and-breakfast style hotels. (4) The Dairy Program: The Fund is providing a $250,000 line of credit to make loans to dairy farmers. The first six loans, totaling $78,000 were approved by the of 1994. (5) Venture Capital Investing: In this area, the BAEF is particularly interested in finding joint venture participants and privatization opportunities. Generally investment is limited to established operations, although from time to time the Fund will consider start-up operations. The Fund's staff looks for equity deals in the range of $250,000 to $2,500,000, but will consider deals less than $250,000.

For more information, write or call:

Bulgarian American Enterprise Fund
333 West Wacker Drive
Suite 2080
Chicago, IL 60606
Tel: 312-629-2500
Fax: 312-629-2929

**Czech & Slovak American Enterprise Fund (CSAEF)**

The Czech & Slovak American Enterprise Fund was established in March of 1991. Following the dissolution of Czechoslovakia on January 1, 1993, the Board of Directors of the CSAEF acted to create two separate subsidiary funds: The Czech American Enterprise fund and the Slovak American Enterprise Fund.

The Czech & Slovak American Enterprise Fund was capitalized at $65 million, including $5 million for technical assistance. The CSAEF's investment policies require that every transaction include a prominent position for a local entrepreneur. The Fund actively seeks U.S. direct investors, but accepts third country investors who approach it with viable projects. The CSAEF prefers to hold a minority equity position. By the end of calendar year 1993, the CSAEF had committed to investments in 47 Czech and Slovak companies with an average investment of $472,000.

For more information, write or call:

Czech & Slovak American Enterprise Fund
1620 Eye Street, N.W.
Suite 703
Washington, D.C. 20006-4059
Tel: 202-467-5480
Fax: 202-467-5480

**The Hungarian-American Enterprise Fund (HAEF)**

The Hungarian-American Enterprise Fund (HAEF) was created in July 1990. The Fund was originally capitalized at $60 million, but received an additional $10 million in 1991/92 to be used for technical assistance grants. The HAEF has focused its investments in several areas: the consumer goods and services sector, Hungarian businesses that support infrastructure development, facility and equipment upgrades and worker retraining, and small and micro loans. The HAEF has tended to concentrate its financing in equity investments rather than in loans. However, to address the capital needs of smaller enterprises, the HAEF has instituted two small business loan programs. As of June 1994, more than $5 million had been disbursed in 150 commercial loans. Loan amounts range from $10,000 to $100,000. There is also a micro-loan program. Loan amounts in this program range from $1,000 to $20,000.

For more information, write or call:

Hungarian-American Enterprise Fund
666 Steamboat Road
Greenwich, CT 06830
Tel: 203-869-3114
Fax: 203-869-3556

**The Polish-American Enterprise Fund (PAEF)**

The Polish-American Enterprise Fund has been in operation since May 1990. The Fund was capitalized at $240 million. A $50 million Enterprise Fund participation was leveraged in the Polish Private Equity Fund to attract an additional $101 million from the EBRD and several private institutional investors and pension funds, bringing the combined capital base of the two funds to $341 million. The PAEF has also created the Enterprise Credit Corporation (ECC) to make loans to small businesses and entrepreneurs in a variety of industries. The average loan amount is $26,000.

The PAEF responded to the need for specialized financial institutions that could quickly and effectively distribute capital by creating number of financial intermediaries. These financial intermediaries provide financing in the following areas: small business development, housing

development, home mortgages and the broad commercial needs of the emergent Polish private sector.

For more information, call or write:

The Polish-American Enterprise Fund
375 Park Avenue, Suite 1902
New York, NY 10152
Tel: 212-339-8330
Fax: 212-339-8359

**The Romanian-American Enterprise Fund (RoAEF)**

The Romanian-American Enterprise Fund was established in July of 1994. It was capitalized at $50 million. The Fund's activities include: debt and equity investments in small and medium-sized Romanian private enterprises, a small/micro loan program, technical assistance related to RoAEF investments and programs, promotion of joint ventures with foreign partners (particularly American partners) and policy reform through its loan and investment activities.

For more information, write or call:

Romanian-American Enterprise Fund
1825 I Street, N.W.
Suite 400
Washington, D.C. 20006
Tel: 202-429-2012
Fax: 202-775-4180

## III.MULTILATERAL SOURCES OF FINANCING

### III.A. INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (The World Bank)

In the fiscal year that ended June 30, 1992, the World Bank and its affiliate, the International Development Association, made loans and credits of over $20 billion. The Bank typically finances one-third of any project. Albania, Bulgaria, Czech Republic, Estonia, Hungary, the Independent States, Latvia, Lithuania, Poland, Romania, Russia, and Slovak Republic are members of the Bank.

Borrowing governments administer all loans and credits. Although borrowing countries have full responsibility for designing and implementing projects, the IBRD ensures that its procurement policies are followed throughout. Qualified companies in all member countries of the Bank are eligible to compete on all projects.

Companies wishing to bid on the IBRD's projects should maintain close liaison with the responsible ministry in the borrowing country. The numerous **consulting services** required by most projects are procured through procedures described in the Bank's Consultant Guidelines.

The World Bank offers a variety of publications, many free, to explain its procedures. The International Business Opportunities Service (IBOS), a subscription service, announces Bank projects.

**World Bank Publications**
1818 H Street, NW
Washington, DC 20433
Ph: (202) 473-1155
Fax: (202) 676-0581

write:
P.O. Box 7247-8619
Philadelphia, PA 19170-8619

The Bank offers a business briefing every month:

Business Relations Advisor
The World Bank
1818 H Street, NW
Washington, DC 20433
Ph: (202) 473-1795
Fax: (202) 676-0578

The U.S. Department of Commerce has a liaison officer to deal with procurement issues at the World Bank.

Janice Mazur
Office of International Major Projects
Room 2015B
Ph: (202) 482-4332

### III.A.2. Multilateral Investment Guarantee Agency (MIGA)

The Multilateral Investment Guarantee Agency of the World Bank provides insurance against risks similar to that offered by OPIC. MIGA and OPIC will work together on a project. Albania, Czech Republic, Bulgaria, Estonia, Hungary, Poland, and Romania are full members. Lithuania has ratified the MIGA convention but has yet to pay their subscriptions. Latvia has applied for membership.

MIGA can insure new investments between member countries where the project is in a developing country. New contributions to expand, modernize, or financially restructure an existing enterprise are eligible. MIGA will insure investments that privatize a state enterprise. Equity, loans, loan guarantees, licensing agreements, and technical assistance contracts may be insured.

Regional Manager/Europe
**Multilateral Investment Guarantee Agency**
1818 H Street, NW
Washington, DC 20433
Ph: (202) 473-5419
Fax: (202) 477-9886

### III.A.3. International Finance Corporation (IFC)

The International Finance Corporation, a multinational organization, is the world's largest source of direct project financing for private projects in its 147 member countries and provides a wide range of advisory services. Members of the World Bank are eligible to become members of the International Finance Corporation.

The IFC invests in most types of product enterprises in its developing member countries. It usually limits its debt and equity participation to 25 percent of the project costs. The venture should cost at least $4 million in the smaller economies and $10 million in the larger ones. The IFC is able to arrange financial packages by coordinating financing from commercial banks, export credit agencies, and other institutions; facilitate syndicating large loans; and arrange debt for equity swaps.

Department of Investments, Central Europe
**International Finance Corporation**
1818 H Street, NW
Washington, DC 20433
Ph: (202) 473-6195 (IFC Info Number 473-9331)
Fax: (202) 334-8965

## III.B. European Bank for Reconstruction and Development (EBRD)

The European Bank for Reconstruction and Development (EBRD) was formally inaugurated on April 15, 1991, to assist eastern and central European countries make the transition toward open, market-oriented economies. The EBRD's primary purpose is to support the development of the private sector. Albania, Bulgaria, Czech Republic, Estonia, Hungary, the Independent States, Latvia, Lithuania, Poland, Romania, and Slovak Republic are all eligible for Bank projects.

The EBRD will direct at least 60 percent of its funding to the private sector or to state enterprises that are shifting to private ownership. The remaining 40 percent will go to projects that improve the environment or the infrastructure. The bank will act both alone and together with other multilateral institutions and with commercial banks. The Bank typically limits its involvement to 35 percent or less of a given project in either the private sector or on the development side. The bank has links with various other financial institutions to provide financing for small and medium projects.

The United States is the largest of the 41 shareholders in the Bank. American companies are eligible to compete for all projects the EBRD finances.

**European Bank for Reconstruction and Development**
One Exchange Square
London EC2A 2EH
UNITED KINGDOM
Ph: (44 71) 338-6424
Fax: (44 71) 338-6100
(The prefix **496** may be used as an alternate to 338.)

For a subscription to Procurement Opportunities, contact the Bank's Procurement Unit, whose fax is (44 71) 336 7017.

The U.S. Department of Commerce Liaison with the European bank is:



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Senior Commercial Officer
Office of the U.S. Executive Director
One Exchange Square
London EC2A 2EH
UNITED KINGDOM
Ph: (44 71) 338-6569
Fax: (44 71) 338-6487
(The prefix **496** may be used as an alternate to 338.)

The chart below provides a quick summary of currency convertibility in each Central and Eastern European country. The phrase "internally convertible" means that a citizen or legal economic entity has the right to obtain foreign exchange for trade or for repatriating domestic profits merely by taking local currency to a bank. "Inconvertible" means that access to foreign exchange for these purposes is subject to cumbersome bureaucratic procedures or to a shortage of hard currency. Conditions of convertibility and availability of hard currency may change rapidly.

| Country | Currency | Convertibility |
|---|---|---|
| **Albania** | Lek | Legally convertible but due to a shortage of foreign exchange, it is inconvertible in practice |
| **Bosnia** | Serbian dinar | Inconvertible |
| **Bulgaria** | Lev | Internally convertible |
| **Croatia** | Croatian kuna | Legally, internally convertible |
| **Czech Republic** | Crown | Internally convertible |
| **Estonia** | Kroon | Internally convertible |
| **Hungary** | Forint | Internally convertible |
| **Latvia** | Lat | Internally convertible |
| **Lithuania** | Litas | Internally convertible |
| **Macedonia** | Macedonian denar | Legally, internally convertible |
| **Poland** | Zloty | Internally convertible |
| **Romania** | Lei | Internally convertible |
| **Russia** | Ruble | Internally convertible |
| **Serbia** | Serbian dinar | Inconvertible |
| **Slovak Republic** | Slovak crown | Internally convertible |
| **Slovenia** | Tolar | Internally convertible |

# U.S. COMMERCIAL OFFICERS IN CENTRAL AND EASTERN EUROPE
## April 1995

**Albania**
Carl Siebentritt
Econ/Commercial Officer
U.S. Embassy Tirana
Mailing Box A PSC 59
APO AE 09624
Street: Rruga Labinoti 103
Tirana
Telephone: 355-42-33520
Fax: 355-42-32222

**Bulgaria**
Patrick Hughes
Senior Commercial Officer
U.S. Embassy Sofia
Mailing: APO AE 09213-5740
Street: 1 A Stamboliski Blvd
Sofia
Telephone: 359-2-884801
Fax: 359-2-803850
Telex: 22690 BG

**Czech Republic**
Daniel Harris
Senior Commercial Officer
Kathy Kriger
Asst. Commercial Attache
U.S. Embassy Prague
Mailing: U.S. Embassy Prague
Unit 25402
APO AE 09213-5630
Street: Hybernska 7a
117 16 Prague 1
Telephone: (42-2) 2421-9844,
2421-9846, 2421-9847
Fax: (42-2) 2421-9965
Telex: 121196 AMEMBC

**Croatia**
Thomas Mittnacht
Econ/Commercial Officer
U.S. Embassy Zagreb
Mailing: APO AE 09213-5080
Street: Andrije Hebranga 2
Zagreb
Telephone: 385-41-444800
Fax: 385-41-458-585

**Estonia**
Ingrid Kollist
Econ/Commercial Officer
U.S. Embassy Tallinn
Mailing: Box T
APO AE 09723
Street: Kentmanni 20
Tallinn
Telephone: 372-6-312021
Fax: 372-6-312025

**Hungary**
John Fogarasi
U.S. Embassy Budapest
Mailing: APO AE 09213-5270
Street: Bajza utca 31
H 1062 Budapest
Telephone: 36-1-3228600/1217
Fax: 36-1-3422529
or 36-1-3328934

**Latvia**
Connie Philpot
Pol/Economic Officer
U.S. Embassy Riga
Mailing: Box R
APO AE 09723
Street: Raina Blvd. 7
Riga
Local Tel: 371-2-211-572
Telephone: 371-882-0046 (cellular)
Fax: 371-882-0047 (cellular)

**Lithuania**
John Stepanchuk
Economic Officer
U.S. Embassy Vilnius
Mailing: Box V
APO AE 09723
Street: Akmenu 6
Vilnius
Telephone: 370-2-223-031
Fax: 370-670-6084

**Poland**
Joan Edwards
Senior Commercial Officer
Rebecca Mann
Assistant Commercial Attache
U.S. Embassy Warsaw
Mailing: U.S. Embassy Warsaw
APO AE 09213-5010
Street: al. Jerozolimskie 56/C
00-803 Warsaw
Telephone: 48-2-625-4374
Fax: 48-2-621-6327
Telex: 813934 USTDO PL

**Romania**
Bill Crawford
Senior Commercial Officer
U.S. Embassy Bucharest
Mailing: APO AE 09213-5260
Street: Strada Tudor Arghezi 7-9
Bucharest
Telephone: 40-1-2104042
Fax: 40-1-2100395
Telex: 11416

**Slovak Republic**
Christopher Sandrolini
Econ/Commercial Officer
U.S. Embassy Bratislava
Hviezdoslavovo Namesite 4
81102 Bratislava
Telephone: 42-7-330861
Fax: 42-7-330096

**Slovenia**
Jim Henderson
Political/Econ Officer
U.S. Embassy Ljubljana
Prazakova 4
Ljubljana
Telephone: 386-61-301427
Fax: 386-61-301401

**EBRD**
Tom Kelsey
Procurement Liaison Officer
Office of the U.S. Director
One Exchange Square
London, EC2A 2 EH, UK
Tel: (44-71) 338-6569
Fax: (44-71) 338-6487

For information on how to do business in Eastern Europe, call the Eastern Europe Business Information Center on 202-482-2645.

Capital Development Initiative

# FINANCING GUIDE FOR CENTRAL AND EASTERN EUROPE

Prepared for:
**U.S. Agency for International Development**
**Office of Enterprise Development**
**Bureau for Europe and New Independent States**

Prepared by:
**Coopers & Lybrand, L.L.P.**

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**The purpose of this guide is to provide potential investors in Central and Eastern Europe with a reference to possible sources of finance and related support for their projects. The listing of a company or an institution in this document does not in any way constitute an endorsement of the company or institution by the Agency for International Development.**

# INTRODUCTION

# INTRODUCTION

## i) Focus

The purpose of this guide is to provide potential investors in Central and Eastern Europe (CEE) with a ready reference to possible sources of finance and related support for their projects. The guide is particularly concerned with the energy, environmental, and telecommunications sectors covered by USAID's Capital Development Initiative (CDI). However, it can of course be used by potential investors in other non-related industries. The guide concentrates on potential sources of finance for investments by U.S. companies (either singly or in joint venture with local partners), and its geographical focus is the Czech Republic, Hungary, Poland and the Slovak Republic where most of the region's investment activity is presently taking place.

## ii) Overview

As the countries of Central and Eastern Europe continue to evolve from planned to market economies, their capital requirements, in the form of both loans and equity, as well as related services, continue to increase. Some financial assistance for sound, private sector investment comes from external sources such as the U.S. Government, multilateral institutions, and private commercial and investment banks. Nevertheless, there is a gap between worthy projects in the region and sources to finance these projects.

In addition, many private sector entities are more interested in advising prospective investors and arranging financing than in providing the requisite funds particularly for smaller and medium sized enterprises where the credit risks are greatest. Of the activities supported by private sector sources, most involve larger projects where partners are Western and projected cash flows generate hard currency. By focusing on such projects, the private sector sources ensure profitability and mitigate the risk associated with long payback periods for infrastructure capital investments. Another factor that contributes to fewer private sector loans in the region is the large number of unpaid and re-scheduled loans made by Western sources to the former regimes. A portion of this gap is filled by U.S. funded entities, bilateral agencies and multilateral organizations who encourage investments in CEE by assuming a portion of a project's risk (a number of these organizations are listed under the **U.S. Government Sources** and **Multilateral Sources** sections of the guide).

At present, the indigenous banks are not readily filling this gap. Few local or regional banks aggressively pursue finance projects that require long-term commitments. Reasons for the local banks' reluctance include a large existing portfolio of bad loans, an inability to properly analyze project finance credits, and inadequate returns to compensate for risk. For example, these banks receive equal returns by investing in government securities or providing trade related and other services than they do from



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project financing. However, a positive trend is emerging. With the assistance of foreign advisors, many indigenous banks are quickly moving up the learning curve and will, it is expected, become more active in the project finance arena in the near future.

This source book is an indication of potential sources of financial support available to investors in the region, and not a complete listing.

If you have any questions about the material in this guide, please contact Coopers & Lybrand.

Coopers & Lybrand
International Management Consulting Services
Attn: Robert J. Rourke
1530 Wilson Boulevard (703) 908-1650
Arlington, VA 22209 Fax: (703) 908-1649



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# U.S. GOVERNMENT SOURCES

## U.S. GOVERNMENT SOURCES

### i) Overseas Private Investment Corporation

The Overseas Private Investment Corporation (OPIC) encourages U.S. businesses to invest in developing countries and emerging market economies, creating U.S. jobs, exports, and promoting economic growth at home and abroad. Operating in 140 countries, OPIC fosters American global competitiveness by offering project financing, investment insurance and other investor services. OPIC considers an investment's impact on the U.S. economy, the environment and rights of workers in the host country. Regional countries currently covered are the Czech and Slovak Republics, Poland, Albania, Hungary, Bulgaria, Lithuania, Latvia, Romania, Slovenia and Estonia.

FINANCING - Medium - to long term financing for sound overseas investment projects is made available through loan guarantees and direct loans. Financing generally ranges from $2 million to $200 million and is available to U.S. companies and their eligible affiliates. OPIC's financing commitment may range from 50 percent of total project costs for new ventures and up to 75 percent for expansion of existing successful operations, with final maturities of 5 -12 years or more. Additionally, OPIC is supporting a family of privately managed direct investment funds in various regions and business sectors. Currently, these "Growth Funds" cover Africa, Asia-Pacific, Russia, Poland, Israel and the Environmental sector. Growth funds for Latin America, South Asia and the Middle East are planned.

INVESTMENT INSURANCE - OPIC offers a number of programs to insure U.S. investments in emerging markets and developing countries against the risks of (1) currency inconvertibility - the inability to convert profits, debt service and other investment remittances from the local currency into U.S. dollars; (2) expropriation - loss of an investment due to expropriation, nationalization, or confiscation by a foreign government; and (3) political violence - loss of assets or income due to war, revolution, insurrection or civil strife. Coverage is available for new investments and for investments to expand or modernize existing operations. Equity, debt, loan guarantees, leases and most other forms of long term investment can be insured. Special programs are also available for contractors and exporters and oil and gas projects.

PREINVESTMENT SERVICES - Other OPIC investor services include investment missions, reverse missions, and other investor conferences that allow American business executives to meet host country government officials, local business leaders and potential joint venture partners who can play key roles in bringing proposed business ventures to fruition.



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Key contacts:

WASHINGTON

| | | |
|---|---|---|
| Barbara Brereton, Manager of Central and Eastern Europe and the New Independent States | | 202-336-8617 |
| | Fax: | 202-408-5145 |
| OPIC Program Information | | 202-336-8799 |
| | Fax: | 202-408-5155 |
| Printed material is also available | Fax: | 202-336-8700 |

ii) **The Enterprise Funds**

Established under The Support for Eastern European Democracy Act (SEED), these Funds are mandated to promote private sector development in Bulgaria, the Czech Republic, Hungary, Poland and the Slovak Republic through equity investments, loans and other related services. Support is considered for wholly owned indigenous private businesses, and joint-ventures with U.S. and other foreign partners. The Funds mandate, in general, is to support small to medium sized companies with equity investments/loans in the $500,000 to $2 million range. Additionally, the Polish-American Fund, whose investments range upwards of $10 million, has established The Polish Private Equity Fund, a separate closed end investment fund which invests in small to medium sized private sector enterprises in Poland. The Hungarian Fund has established Euramerica Capital Corporation, an investment banking and financial advisory services affiliate.

Key contacts:

**Bulgarian American Enterprise Fund**

CHICAGO

| | | |
|---|---|---|
| Frank L. Bauer, President | | (312) 629-2500 |
| Nancy L. Schiller, Managing Director | Fax: | (312) 629-2929 |

SOFIA

| | | |
|---|---|---|
| Ms. Virgina Rollins | | (35-9) 249 20119 |
| Managing Director | Fax: | (35-9) 249 20118 |



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## Czech & Slovak American Enterprise Fund

The Czech & Slovak American Enterprise Fund is a holding company for the Czech and Slovak funds.

WASHINGTON
Richard Dine, Senior Investment Officer (202) 467-5480
Fax: (202) 467-5466

PRAGUE
Paul Gibian, President (42-2) 2424-7046
(42-2) 2424-7525
Fax: (42-2) 2424-6048

BRATISLAVA
Leighton Klevana (42-7) 326-556
(42-7) 326-544
Fax: (42-7) 362-530

## Hungarian American Enterprise Fund

NEW YORK
Francis J. Skrobiszewski, Executive Advisor (203) 869-3114
Fax: (203) 869-3556

BUDAPEST
Charles Huebner, Managing Director (36-1) 266-7175
Fax: (36-1) 266-7086

## Polish American Enterprise Fund

NEW YORK
Francis J. Skrobiszewski, Vice President (212) 339-8330
Fax: (212) 339-8359

WARSAW
Ryszard Kruk, Vice President (48-22) 625-1964



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iii) **U.S. Trade and Development Agency (TDA)**

The U.S. Trade and Development Agency (TDA), an independent agency of the U.S. Government, provides grants to fund feasibility studies and other planning services for major projects which are a developmental priority of the recipient country. TDA-funded studies must be performed by U.S. companies or consortia. TDA identifies commercial projects in the public and private sector which represent significant export potential for U.S. firms.

TDA-funded project planning activities must be a development priority for the recipient country, potentially generate significant U.S. exports, and have untied financing available for project implementation. Host government entities must request financing, either directly from TDA or through the U.S. Embassy in country. However, U.S. companies may bring projects meeting the above criteria to TDA attention. TDA's program is available for the following countries: Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, the Slovak Republic, and Slovenia.

Key contact:

WASHINGTON

| | | |
|---|---|---|
| Geoffrey Jackson | | (703) 875-4357 |
| Regional Director, Europe | Fax: | (703) 875-4009 |

iv) **Export-Import Bank of the United States**

The Export-Import Bank of the United States (Eximbank), an independent U.S. Government agency, supports the export of U.S. goods and services through a variety of loan, guarantee, and insurance programs. The availability of its programs for any given country depends upon Eximbank's periodic country risk assessments.

Currently the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland and Slovakia are eligible for all Eximbank's programs (with long term programs limited to the public sector at present in Latvia and Lithuania). In addition, Bulgaria and Romania are eligible in the public sector for short-term and medium term insurance, loans, and guarantees. Slovenia is, at present, eligible for Eximbank programs in the private sector. (Note: Interested parties should contact Eximbank for its current policy in a given country.)

Working Capital Guarantee Program: Eximbank provides repayment guarantees on secured, short-term loans for pre-export working capital purposes to qualified small and medium-sized exporters. This financial assistance may be used for inventory, raw materials, marketing, and manufacturing.

Insurance Programs: Eximbank provides insurance against commercial and political risks to exporters and banks. Short term insurance, covering payment terms generally of up to six months, and in some cases up to one year, is available for exports of commodities, raw materials, services, spare parts, components, and consumable goods. Medium term insurance, covering terms of up to five years, is available for exports of capital goods and services.

Loan and Guarantee Programs: Eximbank Loans and guarantees are available to Central European buyers of U.S.capital goods and services. Medium term (up to five years) and long term loans and guarantees of commercial loans are available to buyers in both the public and private sectors.

Medium term financing of U.S. capital goods and services exports to certain markets in the region may also be available from local banks under Credit Guarantee Facilities extended by U.S. and other banks under Eximbank's guarantee (inquire at Eximbank for details).

Key contacts:

| | | |
|---|---|---|
| U.S. Toll Free Number : | | 1 800 565-EXIM (3946) |
| WASHINGTON | | |
| International Business Development Division | | (202) 565-3900 |
| | Fax: | (202) 565-3930 |
| International Lending, Europe and Africa Division | Fax: | (202) 565-3816 |
| Thomas Moran, Vice President | | (202) 565-3801 |
| LeRoy LaRoche, Deputy Vice President | | (202) 565-3802 |
| George Donegan, Deputy Vice President | | (202) 565-3803 |



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# MULTILATERAL SOURCES

## MULTILATERAL SOURCES

### i) International Finance Corporation (IFC)

The International Finance Corporation, a member of the World Bank Group, provides debt and equity financing as well as other assistance to the private sector enterprises in developing countries. Bulgaria, the Czech Republic, Hungary, Poland, Romania and the Slovak Republic are CEE eligible countries.

The IFC typically limits its maximum debt and equity participation to 25 percent of the project's costs. IFC investments typically range from $1 million to $100 million, and often higher for large infrastructure projects. IFC loans carry commercial interest rates (both fixed and variable), are available in U.S. dollars and other hard currencies, and have repayment periods of up to 12 years.

In the Czech Republic, Poland, Hungary and the Slovak Republic, IFC has cooperative agreements with local institutions to provide financing for smaller amounts as well. Among the IFC's many services is the arrangement of complete financial packages by coordinating financing from commercial banks, export credit agencies, and other institutions. The IFC also facilitates the syndication of large loans, and arranges debt for equity swaps.

Key contacts:

| | | |
|---|---|---|
| PRAGUE | | |
| Vikas Thapar | | (42-2) 2440 1402 |
| | Fax: | (42-2) 2440 1410 |
| BUDAPEST | | |
| IFC Representative | | (36-1) 116 3942 |
| | Fax: | (36-1) 269 0388 |
| POLAND | | |
| John H. Stevenson | | (48-22) 630 3444 |
| | Fax: | (48-22) 630 3445 |
| WASHINGTON | | |
| Everett Santos | | (202) 473-0031 |
| Energy and Telcom Projects | Fax: | (202) 334-0223 |
| Martin Riddle | | (202) 473-0661 |
| Environmental Projects | Fax: | (202) 676-1365 |



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ii) **European Bank for Reconstruction and Development (EBRD)**

The purpose of EBRD is to promote private and entrepreneurial initiatives in the CEE countries (including the former Soviet Union) that are committed to multiparty democracy and open market economies. EBRD provides loans, equity investments and technical cooperation. While not a commercial bank, EBRD has a similar approach when dealing with projects, and prices its products on a commercial basis. Its programs operate throughout the region: Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Czech Republic, Croatia, Estonia, Former Yugoslav Republic of Macedonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Poland, Romania, Russian Federation, Slovak Republic, Slovenia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. Like the IFC, EBRD can either work independently, or arrange co-financing packages in conjunction with other multilateral, governmental and private institutions.

Regional and country teams form the basis of a recent corporate restructuring that incorporates both private sector and development banking projects. For private sector projects EBRD limits its participation to no more than 35 percent of total project costs and prefers projects that require a minimum EBRD investment of at least $5 million.

Key contacts:

| | | |
|---|---|---|
| LONDON | | |
| Ron Freeman, First Vice President | | (44-71) 338-6000 |
| | Fax: | (44-71) 338-6100 |
| SOFIA | | |
| Kamen Ivanov | | (359-2) 876-611 |
| | Fax; | (359-2) 803-036 |
| BUDAPEST | | |
| Paul Dax | | (36-1) 266-6000 |
| | Fax: | (36-1) 266-6003 |
| BUCHAREST | | |
| Mike Hicks | | (40-1) 615-6999 |
| | Fax: | (40-1) 312-2233 |
| PRAGUE | | |
| Peter Bridges | | (42-2) 2423-0247 |
| | Fax: | (42-2) 267-876 |
| WARSAW | | |
| Yves Fortin | | (48-2) 630-7275 |
| Witek Radwański | Fax: | (48-2) 630-6551 |



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BRATISLAVA
Igor Tham (42-7) 367 835
Fax: (42-7) 398 314

iii) MIGA - Multilateral Investment Guarantee Agency

The principal objective of the Multilateral Investment Guarantee Agency, an affiliate of the World Bank, is to encourage foreign direct investment in developing countries by providing investors with political risk insurance. Like its counterpart OPIC, MIGA provides insurance to cover the risk of currency transfer, expropriation, war, civil disturbance, and breach of contract. The two agencies' insurances are similar, and they often cooperate on projects. Long term insurance is available for equity investments, shareholder loans, bank loans, loan guarantees, movable assets, technical assistance agreements and other contractual arrangements. A project must be registered with MIGA before the investment is made or irrevocably committed.

In order to be eligible for a MIGA guarantee, both the investor's country and the recipient's country must be members of MIGA. All of the countries of Central and Eastern Europe are members of MIGA, with the current exceptions of Bosnia Hercegovina and the Federal Republic of Yugoslavia.

Key contacts:

WASHINGTON
Leigh Hollywood, V.P. Guarantees (202) 473-6168
Edward Coppola, Manager: Eastern Europe (202) 473-5419
Fax: (202) 477-9886



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# PRIVATE BANKS

## PRIVATE BANKS

There are a number of Western banks, both commercial and investment, active in Central and Eastern Europe. The following compilation offers an indication of the scope of activity but it is not intended to be a comprehensive list. It will be updated on a regular basis as changes warrant. Brief remarks indicate the banks' current position relative to the region.

### i) Amerbank (Warsaw-Poland)

The bank is jointly owned by Bankers Trust, Morrison Knudsen, Time Warner, and Polish Oil and Gas. Amerbank loans carry terms of up to five years and are used for smaller projects of $1 to 2 million.

Key contacts:

WARSAW

| | | |
|---|---|---|
| Marek Gadomski, President | | (48-22) 248-505 |
| C. Gregory Curtis, V.P | Fax: | (48-22) 249-981 |

### ii) Bank of America

Although a leader in project and advisory services worldwide, the bank maintains a relatively conservative approach in the direct financing of projects in Eastern Europe. The bank is active, however, in providing advisory services to clients wishing to develop projects in the region, particularly in the infrastructure and power sectors in Hungary.

Key contacts:

LONDON

| | | |
|---|---|---|
| Kit Beer, Head of Project Finance | | (44-71) 634-4517 |
| Tim Treharne, Vice President | | (44-71) 634-4233 |
| Michael Mills, Vice President | | (44-71) 634-4904 |
| | Fax: | (44-71) 634-4798 |

### iii) Bankers Trust

Bankers Trust is very active in the Czech Republic, Hungary, and Poland with representative offices in each country. The bank is particularly active in advising clients and arranging funding. However, Bankers Trust will lend its own monies for a



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particularly attractive transaction or if a multilateral or bilateral institution is included in the financial package. Bankers Trust prefers financing activities with larger financial requirements.

Key contacts:

| | | |
|---|---|---|
| LONDON | Switchboard | (44-71) 982-2500 |
| Stephen A. Ferris, Managing Director | | (44-71) 982-2478 |
| | Fax: | (44-71) 982-2281 |
| BUDAPEST | | |
| Laslo Czirjak | | (36-1) 269-1133 |
| | Fax: | (36-1) 269-1270 |
| PRAGUE | | |
| Jane Somers-Kelly | | (42-2) 24 91 5677 |
| | Fax: | (42-2) 24 91 2271 |
| WARSAW | | |
| Stan Popow | | (48-2) 630-3366 |
| | Fax: | (48-2) 630-3377 |

iv) **Barclays de Zoete Wedd**

Through its offices in Budapest, Prague and Warsaw, Barclays has established a strong presence in the CEE region, particularly in the power and energy infrastructure area. The offices are listed here in descending level of current activity.

Key contacts:

| | | |
|---|---|---|
| LONDON | | |
| Chris Elliott, Director<br>Head of Project Advisory Unit | | (44-71) 956-3861 |
| David Clark, Director | | (44-71) 956-3460 |
| Corporate Finance | Fax: | (44-71) 956-2407 |
| WARSAW | | |
| George Storozynski | | (48-2) 635-0565 |
| | Fax: | (48-2) 635-9215 |
| BUDAPEST | | |
| Charles Kovacs | | (36-1) 266-0230 |
| | Fax: | (36-1) 266-0342 |



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PRAGUE

| | | |
|---|---|---|
| Jan Husek | | (42-2) 267-516 |
| | Fax: | (42-2) 267-529 |

v) **Chase Manhattan Bank**

Chase will open a banking subsidiary in Warsaw when the requisite approval from the Polish authorities is obtained. The Bank also has a representative office in Prague. Chase has confirmed its long term commitment to Central and Eastern Europe with the recent opening of a banking subsidiary in Moscow, which offers a full range of risk management, payment and trade finance services. Chase is offering a wide range of corporate finance services in the region, with special emphasis on trade finance and the energy sector.

Key contacts:

LONDON

| | | |
|---|---|---|
| Charles Mierzejewski, Manager, Eastern Europe | | (44-71) 962-5798 |
| Howard Lack, Project Finance, Eastern Europe | | (44-71) 962-5000 |
| Suresh Advani, Trade Products | | (44-71) 962-5305 |
| Andrew Moody, Capital Markets, Eastern Europe | | (44-71) 962-5000 |
| | Fax: | (44-71) 962-5154 |

PRAGUE

| | |
|---|---|
| Milos Vecara | (42-2) 232-7013/4 |

MOSCOW

| | |
|---|---|
| Sergei Boboshko | (7-095) 956-9393/9 |

vi) **Chemical Bank**

Chemical Bank is increasing its commitment to the region. It opened an office in Prague at the beginning of the year and plans to open an office in Warsaw later in the year. It has, in addition, a long standing office in Bucharest, as well as an interest in the Russian American Investment Bank in Moscow. The bank focuses on hard currency projects in the energy, power, telecommunications and mining sectors, as well as trade finance and foreign exchange transactions.



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Key contacts:

NEW YORK

| | | |
|---|---|---|
| Margaret Mudd, Managing Director | | (212) 270-7268 |
| | Fax: | (212) 270-4379 |

LONDON

| | | |
|---|---|---|
| Jeremy Thirsk, Group Head Project Finance | | (44-71) 777-4247 |
| Alasdair Saunders, Vice President Project Finance | | (44-71) 777-4272 |
| | Fax: | (44-71) 777-4754 |

PRAGUE

| | | |
|---|---|---|
| Stuart Wallace, Managing Director | | (42-2) 2423-4313 |
| Roger Kodat, Vice President | Fax: | (42-2) 2423-4314 |

BUCHAREST

| | | |
|---|---|---|
| Robert Dolan, Vice President | | (40-0) 312-0325 |
| | Fax: | (40-0) 312-1076 |

vii) **Citibank**

Citibank is selectively increasing its exposure in Central and Eastern Europe. All major corporate and project fund raising activities for the region are centered in London. The London office places a premium on projects that generate hard currencies. The offices in Prague, Budapest, and Warsaw concentrate on local business and smaller deals since they are limited by relatively modest capital bases. In the 1992-93 period it reportedly supported more transactions in conjunction with the U.S. Eximbank than any other U.S. financial institution, including the largest financing in the region for an energy project in the Czech Republic.

Key contacts:

LONDON

| | | |
|---|---|---|
| Claudio Fantoni, Vice President | | (44-71) 438-0392 |
| Dimitri Efimov<br>Assistant Vice President, Corporate Finance | Fax: | (44-71) 836-7832 |

BUDAPEST

| | | |
|---|---|---|
| John McGloughlin, General Manager | | (36-1) 138-2666 |
| Tony Fekete<br>Managing Director, Corporate Finance | | (36-1) 118-9477 |
| | Fax: | (36-1) 118-9694 |



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PRAGUE

| | | |
|---|---|---|
| Karl Swoboda, Managing Director | | (42-2) 333 4111 |
| | Direct: | (42-2) 333 4222 |

WARSAW

| | | |
|---|---|---|
| Allan Hirst, Managing Director | | (48-2) 635-8116 |
| | | (48-2) 635-5527 |
| | Fax: | (48-2) 635-5278 |

viii) **Credit Suisse First Boston (CSFB)**

CSFB is very active throughout Central and Eastern Europe, particularly in the Czech Republic and Hungary and, increasingly so, in Poland. All regional offices report to London. Seventy people serve the region, of which 63 are located in their respective countries. The bank views advisory work as a catalyst for generating other corporate finance activities and fees. It has a major equity sales and trading business throughout the region. CSFB also manages the Central European Growth Fund, a $210 million closed end investment fund which invests in shares of Central European companies. CSFB's commitments to the region have been recognized and, in 1992-1993, it was named Western Investment Bank of the year by Central European Magazine.

Key contacts:

LONDON

| | | |
|---|---|---|
| Charles Harman | | (44-71) 516-1616 |
| Managing Director | | (44-71) 516-1781 |
| | Fax: | (44-71) 516-3487 |

BUDAPEST

| | | |
|---|---|---|
| Janos Bartha | | (36-1) 201-4218 |
| | Fax: | (36-1) 201-4127 |

PRAGUE

| | | |
|---|---|---|
| Ivo Lurvink | | (42-2) 231-7005 |
| | Fax: | (42-2) 231-7456 |

WARSAW

| | | |
|---|---|---|
| Krzysztof Stupnicki | | (48-2) 630-5656 |
| | Fax: | (48-2) 630-6212 |



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ix) **Creditanstalt**

Creditanstalt, based in Vienna, regards the CEE region as its extended home market. Creditanstalt Vienna is very active in providing project finance support for economically viable infrastructure projects (e.g. telecommunications and energy sectors) and projects in the industrial sector in the CEE region. The bank's network of subsidiaries in the region allows for the provision of strong local support and a full range of banking and investment banking services.

Key contacts:

| | |
|---|---|
| NEW YORK | |
| Charles van Horne, Managing Director | (212) 856-1118 |
| VIENNA | |
| Edgar Rosenmayr, Director<br>Project Finance | (43-1) 53131, x8607 |
| Martin Frank, Project Finance | (43-1) 53131, x8603 |
| Alfred Groib, Project Finance | (43-1) 53131, x8602 |
| Heinrich Pecina, Investment Bank | (43-1) 53184, x11 |
| Werner Weihs-Raabi, Leasing | (43-1) 58808, x678 |
| Alexander Waldstein, AWT (Trading House) | (43-1) 53406, x212 |
| PRAGUE | |
| Alfred Svoboda | (42-2) 2481 1478, x270 |
| WARSAW | |
| Josef Bleckenwegner | (48-22) 267 070, x130 |
| BUDAPEST | |
| Katalin Somogyi | (36-1) 269 0812, x1020 |
| LJUBLJANA | |
| Barbara Bahovec | (386-61) 1321174, x269 |
| BRATISLAVA | |
| Peter Korvin | (42-7) 494 917 |
| SOFIA | |
| Nikola Totzev | (359-2) 7060 292 |



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MOSCOW
Charlotte Lechnitsky (7-095) 221 3478

x) **Internationale Nederlanden Bank (ING Bank)**

The Amsterdam based bank is very active in emerging markets worldwide, including Central and Eastern Europe, especially in areas such as trade and project finance. ING will lend its own funds for long term credits if the project meets specific commercial criteria. The bank frequently participates in co-financings with multilateral institutions such as the World Bank and EBRD.

Key contacts:

WARSAW
Stan Szczurek, General Manager (48-2) 625 00 40
Fax: (48-2) 630-72-67

PRAGUE
Jan Strutz, General Manager (42-2) 232 00 00
Fax: (42-2) 232 00 26

BRATISLAVA
Christopher Gans, General Manager (42-7) 316-716
Mrs Martha Holla, General Manager Fax: (42-7) 312-367

BUDAPEST
Tibor Rejto, General Manager (36-1) 268-0140
Fax: (36-1) 269-6447

BUCHAREST
Antoine van der Heijden, General Manager (40-1) 312-8944
Fax: (40-1) 312-8988

GDANSK
Cor Timmerman, Manager (48-58) 462 374
Fax: (48-58) 311 591

KOSICE
Christopher Gans, Contact Person (42-7) 314-462
Mrs Martha Holla, Contact Person Fax: (42-7) 312-367

MOSCOW
Maarten Pronk, General Manager (7-095) 244 9531
Fax: (7-095) 244 9539



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SOFIA

| | | |
|---|---|---|
| Jos de Wit, General Manager | | (359-2) 492 0183 |
| | Fax: | (359-2) 492 0182 |

xi) **J.P. Morgan**

J.P. Morgan is one of the world's leading financial institutions that has built its business, over 150 years, to serve the long term interests of clients with complex needs. Currently, J.P. Morgan's main focus in Eastern Europe is in Poland, Hungary, The Czech Republic and the former Soviet Union. J.P. Morgan offers a wide range of financial and investment banking activities, including corporate finance, advisory, securities and trading, investment management, trust agency and other sophisticated services. J.P. Morgan is ideally suited to assisting international investors interested in exploring the multiplicity of opportunities within the region.

Key contacts:

LONDON

| | | |
|---|---|---|
| Alfredo Gutierrez | | (44-71) 325-5730 |
| | Fax: | (44-71) 325-8297 |

FRANKFURT

| | | |
|---|---|---|
| Karl Heinz Kranich (Re: Czech Rep.) | | (42-2) 526-845 |
| | | (42-2) 524 738 |
| | Fax: | (42-2) 520 154 |

WARSAW

| | | |
|---|---|---|
| J.P. Morgan Representative | | (48-2) 630-7489 |
| | Fax: | (48-2) 630-7130 |

xii) **Lazard Brothers & Co. Limited**

This established investment bank is primarily active in the region in an advisory capacity both for governments and on behalf of clients. Areas of particular interest are The Czech Republic, Hungary, and Poland. A joint venture with Bank Handlowy in Poland has been formed.

Key contacts:

LONDON

| | | |
|---|---|---|
| Mario Gobbo | | (44-71) 588-2721 |
| Senior Executive Corporate Finance | Fax: | (44-71) 628-2485 |



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PARIS

| | |
|---|---|
| Jean Pierre Saltiel | (33-1) 130 111 |

xiii) **Morgan Grenfell**

Morgan Grenfell has been very active in Eastern Europe for the last 20 years, with substantial experience in Poland, Hungary, and Czech Republic. The bank offers skills in privatization, corporate finance, project finance and capital markets. As such, it is one of the top infrastructure project advisory firms in the world. It is very involved with advising and raising funds for projects that include both governmental organizations and international corporations, and it works closely with USAID, PHARE, and EBRD. Morgan Grenfell will consider investing its own funds in selective projects.

Key contacts:

LONDON

| | | |
|---|---|---|
| Anthony Price, Director | | (44-71) 826-7150 |
| Nicholas Kennedy, Director | | (44-71) 826-7156 |
| Julian Healy, Czech and Slovak Republic | | (44-71) 826-7054 |
| Csaba Nyerges, Hungary | | (44-71) 826-7023 |
| Matthew Hindbaugh, Poland | | (44-71) 826-7159 |
| | Fax: | (44-71) 836-7832 |

NEW YORK

| | |
|---|---|
| Andrew Seton | (212) 468-5600 |

WARSAW

| | | |
|---|---|---|
| Piotr Konwicki | | (48-22) 625-5295 |
| | Fax: | (48-22) 298-540 |

xiv) **Morgan Stanley**

Morgan Stanley has an active interest in the CEE region with its underwriting and advisory roles. Recently the headquarters for the region was moved from London to Frankfurt.

Key contacts:



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FRANKFURT

| | |
|---|---|
| Hans-Peter Peters<br>Managing Director | (49-69) 27661500 |

LONDON

| | |
|---|---|
| Mark Odescalchi, Executive Director | (44-71) 425-5750 |

xv) **N.M. Rothschild & Sons Ltd.**

Rothschilds has been active in the region since 1990, particularly in the field of privatization but also advising on inward investment, project finance and corporate finance. As well as a dedicated team in London, Rothschilds has an associated company, Access Limited, in Warsaw and a joint venture with Ceskoslovenska Obchodni Banka in Prague, Concilium s.r.o.. The focus is on Poland, The Czech Republic, Hungary and Slovakia, and elsewhere, for projects dealing with natural resources, infrastructure and utilities.

Key contacts:

LONDON

| | | |
|---|---|---|
| Michael Phair, Director | | (44-71) 280-5494 |
| | Fax: | (44-71) 623-3074 |
| John Brimacombe, Assist. Director | | (44-71) 280-5025 |
| | Fax; | (44-71) 623-3074 |
| Keith Palmer, Managing Director | | (44-71) 280-5359 |
| | Fax: | (44-71) 283-2427 |
| Christopher Cornforth, Director | | (44-71) 280-5150 |
| | Fax: | (44-71) 283-2427 |

WARSAW

| | | |
|---|---|---|
| Andrzej Szostak, Access Limited<br>Managing Partner | | (48-2) 628-8677 |
| | Fax: | (48-2) 621-4050 |

PRAGUE

| | | |
|---|---|---|
| Concilium s.r.o. | | (42-2) 2415-2224 |
| | | (42-2) 2415-2024 |
| | Fax: | (42-2) 2424-4505 |



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xvi) **Raiffeisen Zentralbank Osterreich AG**

Raiffeisen Zentralbank Osterreich (RZB), with its headquarters in Vienna, has traditionally oriented its international policy towards Central and Eastern Europe. In the last four years, RZB has established five fully licensed commercial banks in Budapest, Warsaw, Bratislava, Prague and Sofia. The banks in Hungary, Slovakia and the Czech Republic have already opened several branches. Raiffeisen Centrobank S.A. runs three representative offices in Gdansk, Poznan and Katowice. Raiffeisenbank (Bulgaria) D.D. began operations in October 1994, and operations in Croatia are expected in 1995. With representative offices in Moscow, Kiev and Bucharest, RZB has acquired extensive experience in solving financial, legal and organizational problems in the region. Through Raiffeisen Investment A.G. in Vienna, a 100% owned subsidiary, Raiffeisen provides advisory and investment banking services to companies and governments throughout the region. The bank was named Western Commercial Bank of the Year by Central European Magazine for 1992/93.

Key contacts:

| | |
|---|---|
| VIENNA [Raiffeisen Zentralbank Osterreich AG]<br>Eberhard Winkelbauer | (43-1) 71 707 1204 |
| BUDAPEST [Uniebank Rt]<br>Peter Felscuti, General Manager | (36-1) 266 28 21 |
| WARSAW [Raiffeisen Centrobank]<br>Frank Schoppe, General Manager | (48-39) 12 22 00 |
| SLOVAKIA [Tatra Bank]<br>Rainer Franz, General Manager | (42-7) 33 35 56 |
| CZECH REPUBLIC [Raiffeisenbank a.s.]<br>Pavel Strnad, General Manager | (42-2) 24 23 12 70 |

xvii) **Salomon Brothers**

Salomon is very active in the region as an advisor and underwriter, especially in Hungary, Russia and the Czech Republic. The group's interest is in telecommunications and energy projects, although they are active in a broad range of sectors.

Key contacts:



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LONDON
Douglas Rediker, Director (44-71) 721-3113
Fax: (44-71) 721-2803

BUDAPEST
Gabriella Gál (36-1) 268-0315
Fax: (36-1) 268-0310-8

PRAGUE
Laurie Spengler (42-2) 538-605
Fax: (42-2) 532-188

xviii) **Samuel Montagu**

Samuel Montagu is the London based European merchant bank within the HSBC Group. It is very active in advisory work in the region, particularly in Budapest, Prague and Warsaw where it maintains offices. Samuel Montagu has undertaken over 20 privatisation assignments in the region, advises western trade and financial investors, and is active in floating companies on the local stock exchanges. Samuel Montagu also has experience with advisory work in Russia.

Key contacts:

LONDON
Arnold Shipp, Executive Director (44-71) 260-9466
Tony Reading, Assistant Director Fax: (44-71) 260-9819

NEW YORK
Dean Miltimore, Managing Director (212) 808 3886
Fax: (212) 808 3895

WARSAW
Hubert Janiszewski, Director (48-39) 123 372
Fax: (48-22) 276 808

BUDAPEST
Zsigmond Jarai, Director (36-1) 138 2406
Fax: (36-1) 138 2017

PRAGUE
Jan Tauber, Director (42-2) 2495 1510
Fax: (42-2) 2491 2370



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xix) Schroders (J. Henry Schroder Wagg & Co. Ltd.)

Schroders is a major international investment bank with a leading position in Central and Eastern Europe. It has participated in privatization processes and the implementation of numerous investment projects of international companies in the region and has a full execution capability in Warsaw. For details of expertise and experience, please contact any of the individuals below:

Key contacts:

LONDON [J. Henry Schroder Wagg & Co. Limited]

| | | |
|---|---|---|
| Guy Harington, Director<br>Head of Central and Eastern Europe | | (44-71) 382-6235<br>Fax: (44-71) 382-3504 |
| Sriram Chari<br>Director | | (44-71) 382-6845<br>Fax: (44-71) 382-3504 |
| William Wells<br>Assistant Director | | (44-71) 382 61 75<br>Fax: (44-71) 382 35 04 |
| Tom Howe<br>Assistant Director | | (44-71) 382-6979<br>Fax: (44-71) 382-3504 |
| Andrew Whitehouse<br>Assistant Director | | (44-71) 382-6068<br>Fax: (44-71) 382-3504 |

WARSAW [Schroder Polska Sp. zo.o]

| | | |
|---|---|---|
| Matthew Olex-Szczytowski, Managing Director | | (48-2) 630 35 70<br>Fax: (48-2) 630 35 99 |
| David Thomas, Director | | (48-2) 630 35 80<br>Fax: (48-2) 630 35 99 |
| David Renton, Manager | | (48-2) 630 35 90<br>Fax: (48-2) 630 35 99 |



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xx) **S.G. Warburg**

S.G. Warburg's primary role in CEE is as an advisor on corporate finance matters, project financings, privatizations and Government advisory work. Geographically, most CEE work is centered in Russia and Poland, with increasing interest in other countries in the region, including the Czech Republic and Hungary. Central Asia is also an area of growing activity.

Key contacts:

LONDON

| | | |
|---|---|---|
| Christopher Clement-Davies, Project Finance | | (44-71) 395-2531 |
| Paul Knight, Project Finance | | (44-71) 395-2606 |
| | Fax: | (44-71) 860-0901 |

NEW YORK

| | |
|---|---|
| Mark Lewisohn | (212) 459-7150 |

WARSAW

| | |
|---|---|
| Jan Ledochowski | (48-2) 625 17 38 |
| John Morgan | (48-2) 12 17 11 |

MOSCOW

| | |
|---|---|
| Nick Wirubov | (7-503) 258 5034 |

xxi) **Union Bank of Switzerland**

This is a major bank with regard to project financing throughout Europe. The London office focuses its activities in the U.K. and Northern Europe, while financing decisions for continental Europe, including CEE, are handled by the head office in Zurich.

Key contacts:

LONDON

| | | |
|---|---|---|
| David Shepherdson, V.P., Project Finance | | (44-71) 901-4779 |
| | Fax: | (44-71) 901-1903 |

ZURICH

| | | |
|---|---|---|
| Paul Barbian | | |
| First V.P., Project Finance | | (41-1) 234-2395 |
| | Fax: | (41-1) 234-4488 |



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# PRIVATE INVESTMENT FUNDS AND ADVISORY SERVICES

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## PRIVATE INVESTMENT FUNDS AND ADVISORY SERVICES

This group includes entities that provide advisory services and raise funds for clients. Some may also provide their own funds on a selective basis as noted.

### i) Capital Group, London

The Capital Group is an employee-owned investment management organization whose various subsidiaries manage $150 billion in assets. Capital began investing in emerging markets in 1986, and presently manages several such funds with a total of over $8 billion in assets. The group believes the reconstruction of CEE offers a historic opportunity for economic growth and investment.

The New Europe East Investment Fund ("NEEIF") is one Capital Group fund that is capitalized with $130 million. Its shareholders include pension funds of large companies, EBRD, and the IFC. NEEIF will invest in either privatized companies or newly-established ventures, *preferably if they are managed by a Western industrial company,* but not exclusively so. The Fund can take up to 20% of each issuer's securities, and typical investments are in the $5 to $15 million range.

Key contacts:

LONDON

| | | |
|---|---|---|
| Lam Nguyen-Phuong, Vice President | | (44-71) 257-6700 |
| William E. Parker, Investment Analyst | Fax: | (44-71) 257-6767 |

### ii) CARESBAC

CARESBAC is a Washington-based not-for-profit development organization which provides technical assistance and financing to small and medium size private enterprises in CEE countries and other emerging economies. CARESBAC invests on a commercial basis through locally-registered subsidiaries, generally in amounts of between $50,000 and $300,000, principally through minority equity participations and combinations of debt and equity. Investee businesses must be majority locally-owned. Priority areas include agro-food sector, light manufacture for export, and essential business products and services such as printing, packaging and information management. CARESBAC'S two investment subsidiaries in CEE are:



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CARESBAC Polska

Key contacts:

| | | |
|---|---|---|
| Bert van der Vaart, Director General | | (48-22) 87-70-83 |
| Piotr Kalaman, Investment Officer | | (48-22) 87-84-43 |
| | Fax: | (48-22) 27-58-04 |

CARESBAC Bulgaria

Key contacts:

| | | |
|---|---|---|
| Robert Bose, Director General | | (359-2) 881-430 |
| Hristo Mihaylovski, Investment Officer | | (359-2) 802-167 |
| | Fax: | (359-2) 802-167 |

iii) **Central European Telecom Investments (CETI)**

An investment fund, located in Budapest, established by the former principal economist of the IFC's telecom sector. The IFC and Creditanstalt have substantial investments in the fund which has an initial capital of $40 million (with an ultimate goal of $80 million). The primary activity of the fund is to invest in viable telecom projects up to $4 million, with an emphasis in The Czech Republic, Hungary and Poland.

Key contacts:

BUDAPEST

| | | |
|---|---|---|
| Tim Nulty, Managing Director | | (36-1) 118 95 94 |
| Beth McAtee | | (36-1) 118 98 23 |
| | Fax: | (36-1) 137 79 48 |

iv) **Company Assistance Ltd., Warsaw**

Company Assistance has performed consulting and investment advisory activities in Poland since 1991, and has formed a strategic partnership with Vienna based European Privatization and Investment Corporation (EPIC) with operations in Hungary, the Czech Republic, the Slovak Republic, and other Central and East European countries. Key employees from Company Assistance have also, in conjunction with OPIC, established (in 1994) Poland Partners L.P., a $60 million venture capital fund with a focus on Polish enterprises that are (1) start ups, (2) expansions, and (3) companies undergoing privatization.



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Key contact:

Jim Van Bergh, Managing Director (48-2) 635-8944
(48-2) 635-8650
Fax: (48-22) 31-79-20

v) **Covent Industrial Venture Investment Co., Ltd., Budapest**

Founded in 1990 by the Ministry of Industry and Trade in a venture with Corvinbank, the company has a share capital of HUF 617 million and divides its operations into three divisions: Technical Innovation Division, Corporate Investment Division and Financial Engineering Division. In accordance with the founder's objectives, the company aims to participate in the innovation and high tech financing structure as a venture investor, by supporting original Hungarian technical innovation development and technology transfer projects. Its strategic objective is to provide financial support to medium sized and small enterprises, primarily in industry or in any other promising sector. The range of investments is between 5 and 50 million Forint, with an average of 15 million Forint. In corporate start ups and turnarounds, majority control is desired with 20% being the upper limit with more mature companies.

Key contact:

Janos Bolyky, General Manager (36-1) 155 2493
Fax: (36-1) 156-8496

vi) **Environmental Enterprises Assistance Fund, Inc.**

Environmental Enterprises is a non-profit venture capital fund whose goal is to provide long term risk capital and management assistance to environmentally beneficial businesses in developing countries, including Bulgaria and Poland.

The industries that Environmental Enterprises is most interested in are environmentally beneficial product or service companies who have been most active in alternative energy, energy efficiency and ecotourism. Other environmental businesses, including pollution control and abatement, recycling, and sustainable agriculture/ forestry, will also be considered. Through affiliation with Winrock International, Environmental Enterprises has access to technical expertise in alternative energy, carbon offsets and new electricity generation technologies.



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Instruments to be utilized under this Fund include senior loans, subordinated loans, convertible debt, preferred stock and common stock investments, with a minimum deal size of $50,000, and a maximum of $250,000.

Key Contact:

Brooks Browne, President (703) 522-5928
Fax: (703) 522-6450

vii) **Eurocorp International Finance, Budapest**

Eurocorp is a Hungarian registered corporate finance house. It was established in 1992 by international investment bankers and Hungarian financiers. Eurocorp advises foreign companies looking to purchase Hungarian enterprises, bidding for concessions or pusuing other investments in the country. Eurocorp has an active role in the Hungarian privatisation advisory business and also offers general financial advisory and capital raising services for its Hungarian and foreign clients. Main areas of interest include the financial institutions, telecommunications and utilities sectors.

Key contact:

Dr Wolfgang Sietz, Chairman (36-1) 269-6868
Rupert Mingay Fax: (36-1) 269-6892
Zoltan Aldott

viii) **Euroventures Hungary B.V., Budapest**

Euroventures Budapest is part of a Netherlands based venture capital network. In addition to its Hungarian office, there are sister funds in Benelux, France, Germany, Italy, Switzerland, and the Nordic countries. Most investments range between $500,000 and $1 million. The group has an interest in ventures with good growth potential and normally takes a minority position. It looks for strong local management often in combination with a western partner.

Key contacts:

András Geszti, Managing Director (36-1) 212-1980
Ed Sanborn, Investment Advisor (36-1) 212-1978
Fax: (36-1) 155-1367



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ix) **First Hungary Fund, Budapest**

The First Hungary Fund targets industries that can be expected to grow substantially faster than the Hungarian economy as a whole. This strategy encompasses a broad range of investments, from start-ups to former state-owned enterprises, and includes telecommunications projects. The equity fund, capitalized at $120 million, takes positions in the range of $2 - $15 million.

Key contacts:

| | | |
|---|---|---|
| Michael Carter, Managing Director | | (36-1) 266-4021 |
| | Fax: | (36-1) 117-7182 |

x) **Franco Lewis & Company, Inc.**

With offices in New York and Prague, Franco Lewis & Company, Inc. ("FLCI") provides investment banking and financial advisory services to companies operating in North American and European markets. Specifically in Central Europe, FLCI assists corporate clients in identifying, structuring, negotiating and financing purchases of companies and assets in the Czech Republic and to a lesser extent Slovakia, Hungary, Poland and the Ukraine. FLCI will also occasionally co-invest its own capital.

Key contacts:

| | | |
|---|---|---|
| NEW YORK | | |
| Trevor Lewis | | (212) 227-8110 |
| | Fax: | (212) 619-6825 |
| PRAGUE | | |
| Edmond Franco, Principal | | (42-2) 231-8963 |
| | Fax: | (42-2) 231-1382 |

xi) **Global Environment Emerging Markets Fund, L.P.**

The Global Environment Emerging Markets Fund, capitalized at $70 million, invests in environmentally oriented companies and projects in the high-growth markets of Asia, Latin America, Eastern Europe and Africa. In particular, the Fund focuses on environmental infrastructure related to delivery of clean energy, potable water, wastewater treatment and solid waste management, as well as other areas of pollution prevention. The Fund seeks significant minority positions in operating companies or projects with demonstrated cash flows, significant long term revenue growth potential and



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high anticipated profit margins. Investments may be up to $ 10 million. The Fund is partially capitalized by the proceeds of notes guaranteed by OPIC.

Key contacts:

H. Jeffrey Leonard, President (202) 789-4500
Fax: (202) 789-4508

xii) **Invesco, London**

This investment advisor, through the East Europe Development Fund, manages $100 million for both private and public equity investments in the region. A further $50 to $75 million is currently being raised. In addition to investments in light manufacturing, foods, beverages, healthcare and distribution, it has supported construction projects and is open to viable projects in all industries with a preference for projects that offer growth in domestic markets. It will consider projects both for domestic groups as well as those in joint venture with foreign partners. Investments are normally in the $500,000-$5 million range with a maximum ownership limit of 51 percent of the venture's share capital.

Key contact:

Roy Bracher, Managing Director (44-71) 454-3545

xiii) **Multinova Ltd., Budapest**

This company will invest its own funds in projects between 5 and 15 million Forint. It will make loans in exceptional cases to businesses in which it previously invested its own funds. Evaluation of proposals is made by a committee set up among the company's managers and owners. Decisions on acceptance of a project for due diligence are usually made within one week. There is no sector preference, however, there is an interest in innovative technologies. The owners are exclusively Hungarian entities and include the National Committee for Technical Development and the Hungarian Bank for Investment and Development Ltd.

Key contact:

Istvan Keresztes, Managing Director (36-1) 268-0226
Fax: (36-1) 268 0221



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xiv) **Pioneer Poland Fund, Warsaw**

This company is in the process of forming a $50 million fund to invest in unlisted companies in Poland. The fund will invest principally in medium sized private companies, as well as privatizations. Investments are intended to be significant minority positions and will range from $500,000 to $5 million, with the average investment being $3 million, including follow-on investments. Priority sectors include food processing, textiles and construction, as well as developing industries such as telecommunications, environmental services, distribution, retailing and software. The company is a subsidiary of the Pioneer Group and an affiliate of the Pioneer First Polish Trust Fund Company, which manages Poland's first mutual fund.

Key contacts:

David Hartford, Executive Vice President (48-2) 635-9908
Fax: (48-2) 635-6976

xv) **Renaissance Partners**

This Boston based venture capital fund has $40 million to invest in worthwhile projects in Poland. It's primary focus is start-ups covering a broad range of industries. There are no pre-set minimum nor maximum equity or investment amounts. However, as it expects to target 20 investments with its initial capital, this averages $2 million per investment.

Key contact:

Robert J. Lepkowski, Managing Partner (48-22) 22 82 34/35
Fax: (48-22) 22 22 24

xvi) **Riverside Budapest, RT., Budapest**

Founded in 1988, Riverside, Rt. was one of the first established and is one of the most active investment and merchant banking firms in Hungary. Riverside is a 50/50 joint venture between The Riverside Company, a New York City based merchant banking boutique specializing in leveraged acquisitions, and Riverside Rt.'s General Director, who is a Hungarian citizen. In Hungary, Riverside Rt.'s primary business is providing corporate finance advisory services to Hungarian companies and buyers and sellers of such companies. Riverside Rt. has begun to make small principal investments for its own account and is exploring the possibility of raining a fund for investment in private (i.e., unquoted) equity. The fund will consider controlling interest and an active management



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role in each portfolio company. Areas of interest include retailing, consumer services, light manufacturing, engineering, environmental services, media and communications, and food processing.

Key Contact:

HUNGARY
Dr. Ferenc Vidovszky, General Director (36-1) 269-3089
(36-1) 269-3046

NEW YORK
Mr. Bela Szigethy, President (212) 332-1592
Fax: (212) 332-1599

xvii) **Schooner Capital Corporation, Warsaw**

Schooner aims to provide direct management assistance, raise capital and provide advisory services to clients in the emerging markets of Eastern and Central Europe. It will invest its own funds in selected projects. The Boston based company also operates Schooner Trading Corporation for international commodities and product trading services.

Key contacts:

Paul Brennan (48-22) 26-91-42
Vice President & Chief Financial Officer (48-22) 26-89-79
Fax: (48-22) 26-91-36

xviii) **Somerset Venture Management, Budapest**

Established in 1992, this company is a small investment advisory firm working with investors in Hungary, and with Hungarian companies seeking finance, or providing related consultancy. It assists clients with business plans, including financial projections, to facilitate finance with selected financial institutions. The group has carried out rapid financial reviews for investors and provided facilitation for several transactions and approaches to local and international venture capital sources. The minimum level of consideration for intervention is the Forint equivalent of US$50,000.

Key contact:

Stuart Till, Investment Director (36-1) 156-8987
Fax: (36-1) 156-8987



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xix) **Venture Capital Hungary B.V., (VCH), Budapest**

Established in 1990, the shareholders of this group are primarily Dutch and include ABN-AMRO Bank, Holland Venture Holdings, Westerheide, - no private investors, and Posta Bank and Savings Bank of Hungary. VCH invests by purchasing new shares in privately owned Hungarian firms. The investment is negotiated with a prospective firm and generally will not be less than $50,000 or exceed $250,000 Forint equivalent. Higher amounts might be supplied in combination with one or more of VCH's shareholders or third parties. In addition to investment, VCH will also consider participation in the firm as a partner and actively support the management. Privately owned Hungarian companies may qualify for investment consideration if they are active in manufacturing, trade or service industries.

Key contact:

Karoly Szigeti, Representative Director (36-1) 176-06 56
(36-1) 176-08 56
Fax: (36-1) 176 1414



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# HOST COUNTRY SUPPORT

## HOST COUNTY SUPPORT

A number of countries in the region provide financial and other support for projects such as those involving the environment. Some potential sources are listed below:

CZECH REPUBLIC

i) Czech Export Guarantee and Insurance Corporation (EGAP), Prague

The Export Guarantee and Insurance Corporation (EGAP) is the export credit agency of the Czech Republic, founded in 1992 to promote exports through export credit insurance. Commercial and political export credit insurance, as well as bid bond insurance, production risk insurance and buyers credit insurance, is available to local exporters. All export insurance activities are carried out in accordance with principles of the Bern Union Understandings. Short term commercial risk insurance activities are carried out on EGAP's own account; long term commercial risk insurance and all political risk insurance activities receive Government backing. The Czech Export Bank is a subsidiary of EGAP which offers medium and long term export financing credits to Czech banks and exporters.

Key contact:

Mr. Pavol Parizek, Director (42-2) 389 21 00
Fax : (42-2) 37 44 88

Czech Export Bank (CEB), Prague

The Czech Export Bank is a subsidiary of EGAP which offers medium and long term export financing to Czech banks and exporters. The CEB was created in 1994 with the backing of the Czech government and will raise funds in the international capital markets to provide low interest long term export financing in accordance with OECD Consensus standards. It is expected that export financing and refinancing activities will commence around mid-1995.

Key contact:

Thomas Revesz (42-2) 389-3606
Fax: (42-2) 374-488



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ii) **Czech-Moravian Guarantee and Development Bank (CMZRB), Prague**

The Czech-Moravian Guarantee and Development Bank (CMZRB) was founded in 1992 to support the development and growth of small and medium sized enterprises in the Czech Republic. The bank has a universal banking license with a limited foreign exchange permit. It provides loan guarantees through a network of 40 banks for starting entrepreneurs, existing small and medium sized businesses, and special target groups. The bank can arrange for a state grant in the form of a contribution to cover a portion of interest on bank credits. The bank also works with consultants that can help entrepreneurs formulate business plans and apply for support from the CMZRB. There are currently 11 guarantee programs available which include support for entrepreneurial activities with less than 10 employees, small and medium size businesses of up to 500 employees, companies expanding or locating in underdeveloped sections of the country, medical professionals establishing new ambulant care facilities, start up businesses located in historical districts or towns, and firms providing information, consulting or educational services for small and medium sized businesses.

Key contacts:

| | | |
|---|---|---|
| Ladislav Macka, Managing Director | | (42-2) 242 30 734 |
| Lubomir Rajdl, Director, Bank Policy and Marketing | Fax: | (42-2) 260 621 |

iii) **Czech National Environmental Fund**

The Czech Republic has established an environmental fund which is designed to assist with financing environmental projects. The fund receives money from fines and fees levied at the local level. Money from the fund is awarded as direct grants, low interest loans, or guaranteed loans from state banks.

*Czech Ministry of the Environment*

| | | |
|---|---|---|
| Mr Suchanek | | (42-2) 73 88 59 |
| Director of International Relations Dept. | | |
| Ing. Trojan | | (42-2) 73 14 52 |
| Director of International Projects | Fax: | (42-2) 73 13 57 |

*Ministry of Industry & Trade*

| | | |
|---|---|---|
| Ing. Vokrohlik | | (42-2) 285 2202 |
| Director of Environmental Issues | Fax: | (42-2) 231 1970 |



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iv) **A/Central Targeted Grant (CTG)**

The source of the grant is the Central Budget. This grant is awarded to municipalities only and limited to sewage treatment and water supply projects. The location and the value of the projects are limited according to policy priorities. Every municipality applying for a grant and satisfying the required administrative conditions has to receive support of up to 30 to 50 percent of the total cost, as determined by the law. The managing organization is the MTTWM and the Ministry of the Interior jointly.

v) **Central Aimed Grant (CAG)**

This grant is created for those municipalities and/or projects not included in the potential applicants of CTG. The source of funding and the management are the same as for CTG, however, all applications are evaluated and decisions on awards are made on the merits of each individual proposal.

Contact: Ministry of the Interior
1055 Budapest, Kossuth L, ter 4.
Mrs. Kusztosne (36-1) 138-2068
Dr. Edit Nyitrai, General Dir. Fax: (36-1) 118-1349

vi) **Central Environmental Protection Fund (CEPF)**

Considerable sources for this fund originate from environmental fines, environmental product charges, tax revenues foregone by the central budget, international aids and grants, the direct central budget allocation and the PHARE sources administered separately. Money from the Fund is awarded as grants and interest-free loans to pay off the interest of bank loans and loan guarantees. The Fund supports projects generally related to improving the environment, and the high priority target areas and allocations are determined each year in the Annual Program for Support.

Contact: Central Environmental Fund Secretary
Ministry of Environment and Regional Policy (MERP)
H-1011 Budapest, Fo u. 44-50
P.O.B. 351, Budapest 1394 (36-1) 201-4173
Mr. Sandor Hargitay, Director Fax: (36-1) 201-3653



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vii) **Hungarian Bank for Investment and Development (MBFB)**

The state owned entity was founded in 1991 with the basic objective of promoting long term investment of its own and external funds. The goal is to assist in recovery and development of the Hungarian economy, through economic restructuring and infrastructure modernization.

The bank's activities include the following: accepting deposits, granting loans and credits, bank guarantees, public securities issues, loan and money transaction mediation, and corporate finance related transactions and consultancy services aimed at promoting privatization.

Key contacts:

BUDAPEST

Hungarian Bank for Investment and Development (36-1) 153-0023
International Directorate

viii) **National Water Management**

Operates similarly to CEPF in water related areas (sewage treatment, drinking water production, etc.). Municipalities and enterprises can apply for supports. The Ministry of Transportation, Telecommunication and Water Management (MTTWM) is responsible for the operation.

Key contacts:

National Water Authority
1012 Budapest, Marvany u.1 (36-1) 201-1729
Mr. Bela Fenyvesi, General Director Fax: (36-1) 201-9332

POLAND

ix) **Bank Ochrony Srodowiska S.A.**
(previously listed as the Environmental Protection Bank)

The bank operates as a full service bank but its primary mission is to support ecologically sound projects (44.4 percent ownership belongs to the National Fund for Environmental Protection and Water Management). The bank will not provide more than 50 percent of funding for any one project, and the maximum amount is approximately $2.5 million. The bank does co-finance projects with the World Bank.



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Key contacts:

| | | |
|---|---|---|
| Josef Kozoi | | (48-22) 32-46-44 |
| President of the Executive Board | Fax: | (48-22) 32-52-49 |
| Jolanta Bledowska | | (48-22) 32-46-44 |
| Manager, Correspondent Banking Dep. | Fax: | (48-22) 32-52-49 |

x) **Ecofund**

The Ecofund emanates from the Paris Club agreement concerning 50 percent reduction of Poland's debt, including a provision that allows a 10 percent reduction in exchange for environmental protection. There are four areas of concentration: sulphur dioxide and nitrogen oxides emission, Baltic clean-up, greenhouse gases, and biodiversity conservation. These funds are dispersed in the form of grants, and are limited to 30 percent of total project costs for commercial projects (50 percent for municipalities, 80 percent for NGO's in biodiversity area). Grants vary significantly by project ($2,000 to $3.5 million). Funds are only available at the investment stage (except nature protection), which means that feasibility studies and project support are not eligible for assistance.

Key contacts:

| | | |
|---|---|---|
| Maciej Nowicki, President | Phone/Fax: | (48-22) 400-901 |
| Andrej Czyz, Deputy President | | (48-22) 400-942<br>(48-22) 400-950 |

xi) **National Fund for Environmental Protection and Water Management Warsaw, Poland**

The fund provides support for environmentally-linked projects either as a joint venture partner or through loans, grants, bonds issuances and related activities. The fund is also a major investor in the Warsaw based Bank Ochrony Srodowiska S.A.

Key contacts:

| | | |
|---|---|---|
| Kazimierz Chlopecki, President | | (48-22) 25-05-03 |
| Jerzy Kędzierski, V.P. | | (48-22) 25-29-82 |
| | Fax: | (48-22) 25-45-99 |



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## xii) Slovak Guarantee Bank

The Slovak Guarantee Bank was established in 1992 to stabilize the Slovak economy and to assist in the creation and development of small and medium sized private enterprises and to support the restructuring and privatization of existing companies. The bank provides credit guarantees for loans through financial institutions when a firm has insufficient collateral to secure the lending risk. Privately owned small and medium sized companies may request this assistance through their local bank.

Key Contacts:

| | | |
|---|---|---|
| Gabriela Sedlakava, Credit Director | | (42-7) 836 976 |
| Gabriela Miklosova, Ing. | | (42-7) 836 770 |
| | Fax: | (42-7) 836 909 |

## xiii) Slovak National Fund

The Republic of Slovakia has established an environmental fund which is designed to assist with financing environmental projects. The fund receives money from fines and fees levied at the local level. Money from the fund is awarded as direct grants, low interest loans, or guaranteed loans from state banks.

Key Contacts:

BRATISLAVA

*Slovak Ministry for the Environment*

| | | |
|---|---|---|
| Jozef Skultety | | (42-7) 49 25 32 |
| Director of Foreign Relations | Fax: | (42-7 31 13 68 |

*Slovak Fund for the Environment*

| | | |
|---|---|---|
| Mr.Vozar, Director | | (42-7) 72 49 09 |



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# APPENDIX (A)
# PRIVATE BANKS

## APPENDIX (A)

# *PRIVATE BANKS*

## REGIONAL COUNTRIES OF INTEREST

| CZECH REPUBLIC & THE SLOVAK REPUBLIC | HUNGARY | POLAND | TYPE OF FINANCING |
|---|---|---|---|
| | | Amerbank | Limited local financing |
| | Bank of America | | Project finance and advisory |
| Bankers Trust | Bankers Trust | Bankers Trust | Advisory and sourcing funds |
| Barclays de Zoete Wedd | Barclays de Zoete Wedd | Barclays de Zoete Wedd | Project finance and advisory<br>Infrastructure, power & energy |
| Chase Manhattan Bank | | Chase Manhattan Bank | Advisory and project finance |
| Citibank | Citibank | Citibank | Local lending by subs |
| Credit Suisse First Boston | Credit Suisse First Boston | Credit Suisse First Boston | Advisory and sourcing funds<br>Large projects |
| Internationale Nederlanden Bank (ING) | ING Bank | ING Bank | Project finance and advisory |
| J.P Morgan | J.P. Morgan | J.P Morgan | Advisory and sourcing funds |
| Lazard Brothers & Co. | Lazard Brothers & Co. | Lazard Brothers & Co. | Advisory services |
| Morgan Grenfell | Morgan Grenfell | Morgan Grenfell | Advisory and sourcing funds |
| N.M.Rothschild | N.M.Rothschild | N.M.Rothschild | Advisory and sourcing funds<br>Energy |
| Raiffeisenbank a.s./Tatra Bank | Uniebank Rt. | Raiffeisen Centrobank | Limited local financing |
| Salomon Brothers | Salomon Brothers | | Advisory and sourcing funds |
| Samuel Montagu | Samuel Montagu | Samuel Montagu | Advisory and sourcing funds |
| | | S.G.Warburg | Advisory and sourcing funds<br>Telecom. and energy |

# APPENDIX (B)
# GOVERNMENTAL SOURCES

APPENDIX (B)

# *GOVERNMENTAL SOURCES*

| NAME | LOCATION | SPONSOR | INDUSTRY | TYPE OF ASSISTANCE |
|---|---|---|---|---|
| OPIC | All of CEE | US Govt. | All | Loans & Guarantees, Insurance, Feasibility Grants |
| Enterprise Funds | Bul, Czech, Hun, Pol, Slov | US Govt. | All | Loans & Equity for Small & Med. Private Co's |
| TDA | All CEE | US Govt. | All | Feasibility Study $ to Host Govt.'s |
| Eximbank | All CEE | US Govt. | All | Loans & Guarantees to Buy US goods. |
| IFC | Central Europe | World Bank | All | Loans & Equity to Private Sector Companies |
| MIGA | C&S, Pol, Hun | World Bank | All | Political Risk Insurance |
| EBRD | All CEE | OECD | All | Loans & Equity to Private and Public Sectors |
| CZ Export Guarantee & Insurance Corp. | | CZ Govt. | Export Support | Export Credit Insurance |
| CZ Moravian Guarantee & Dev. Bank | | CZ Govt. | All Industries | Full Service Bank to support SMEs. |
| CZ National Environmental Fund | | CZ Govt. | Environment | Grants and Loans |
| A/Central Targeted Grant | | Hung. Govt. | Environment | Grants to municipalities for sewage treatment & wastewater projects. |
| Central Aimed Grant | | Hung. Govt. | Infrastructure | Municipal grants for infrastructure projects. |
| Central Environmental Protection Fund | | Hung. Govt. | Environment | Grants and Loans |
| Hungarian Bank for Investment Dev. | | Hung. Govt. | SME | Investment through regional development centers. |
| National Water Management | | Hung. Govt. | Environment | Grants and Loans for water related projects. |
| Bank Ochrony Srodowiska S.A.* | | Polish Govt. | Environment | Full Service Bank to support ecologically sound projects. |
| Ecofund | | Polish Govt. | Environment | Debt for Nature Swaps |
| Nat. Fund for Env. Protect/Water Mgmt. | | Polish Govt. | Environment | JV Partner, Loans and Grants |
| Slovak Guarantee Bank | | Slovak Govt. | SME | Loan Guarantee program for SMEs through commercial banks |
| Slovak National Fund | | Slovak Govt. | Environment | Grants and Loans |

* previously listed as the Environmental Protection Bank

# U.S. and Other Financial Institutions Active in Eastern Europe

Date: July 1993

Eastern Europe Business Information Center
Room 7412
U.S. Department of Commerce
Washington, D.C. 20230
Tel: (202) 482-2645
Fax: (202) 482-4473
Flashfax: (202) 482-5745

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# U.S. Financial Institutions Active in East/West Business

**Amerbank (Warsaw-Poland)**
Warsaw, Poland
Tel: (48-22) 248-505
Fax: (48-22) 249-981

**Bank of America**
1 Alie Street
London, England E18DE
Tel: (44-71) 634-475
Fax: (44-71) 634-4320

**Bank of New York**
One Wall Street
New York, NY 10015
Tel: (212) 635-8130
Fax: (212) 635-8936

**Banker Trust**
1 Appold St.
Broadgate
London, England EC2
Tel: (44-71) 982-2500
Fax: (44-71) 982-1550

**Bear, Stearns & Co., Inc.**
245 Park Avenue
New York, NY 10167
Tel: (212) 272-3597
Fax: (212) 272-3088

**Chase Manhattan**
Woolgate House
Coleman Street
London, England EC2F
Tel: (44-71) 726-3240
Fax: (44-71) 726-5929

**Chemical Bank**
277 Park Avenue
New York, NY 10172
Tel: (212) 310-5370
Fax: (212) 688-3911

**Citibank**
P.O. Box 200
Cottons Center, 4th Fl.
Hays Lane
London, England SE1 2QT
Tel: (44-71) 234-2712
Fax: (44-71) 234-2923

**Comerica Bank**
International Department- European Group
500 Woodward Avenue
Detroit, MI 48226
Tel: (313) 222-3236
Fax: (313) 222-7421

**Credit Suisse First Boston**
London, England
Tel: (44-071) 516-1616
(44-071) 516-1781
Fax: (44-071) 516-3487

Budapest, Hungary
Tel: (36-1) 201-4218
Fax: (36-1) 201-4127

Prague, Czech Republic
Tel: (42-2) 231-7005
Fax: (42-2) 231-7456

Warsaw, Poland
Tel: (48-22) 269-307
(48-22) 269-303
Fax: (48-22) 264-897

**First National Bank of Chicago**
Mail Suite 0361
One First National Plaza
Chicago, IL 60670
Tel: (312) 732-7111
(312) 407-7122
Fax: (312) 732-3885

**Hungarian Finance & Trade Corp.**
520 Madison Ave.
New York, NY 10022
Tel: (212) 715-5279
Fax: (212) 715-2337

**J.P. Morgan**
London, England
Tel: (44-71) 325-5815
(44-71) 325-5343
Fax: (44-71) 325-8292

New York, United States
Tel: (212) 648-7235

**Manufacturer's Hanover**
270 Park Avenue
New York, NY 10022
Tel: (212) 270-3314
Fax: (212) 696-4662

**Manufacturer's Bank**
100 Bank Tower, Level 2
Renaissance Center
Detroit, MI 48243
Tel: (313) 222-3158
Fax: (313) 567-8177

**MG Emerging Markets, Inc.**
520 Madison Avenue
New York, NY 10022
Tel: (212) 715-5288
Fax: (212) 715-2375

**MG Trade Finance Corporation**
520 Madison Avenue
New York, NY 10022
Tel: (212) 715-2366
Fax: (212) 826-5512

**Morgan Stanley International**
London, England
Tel: (44-71) 513-8000

**Nations Bank**
700 Louisiana St.
Houston, TX 77002-1712
Tel: (713) 247-7320
Fax: (713) 247-6443

**Northwest Bank**
Northwest Center
Sixth and Marquette
Minneapolis, MN 55479
Tel: (612) 667-7957
Fax: (612) 667-5185

**Philibro Energy, Inc.**
600 Steamboat Rd.
Greenwich, CT 06386
Tel: (203) 625-6961
Fax: (203) 625-6993

**Salomon Brothers**
London, England
Tel: (44-71) 721-3895
Fax: (44-71) 731-4225

Prague, Czech Republic
Tel: (42-2) 261-568

Budapest, Hungary
Tel: (36-1) 268-0315
(36-1) 268-0316

**Society National Bank**
127 Public Square
Cleveland, OH 44114
Tel: (216) 689-3684
Fax: (216) 689-3683

**SouthTrust Bank of Alabama**
420 N.20th Street
Birmingham, AL 35302
Tel: (205) 254-5218
Fax: (205) 254-5656

This list is for informational purposes only. The financial institutions listed are in no way endorsed by the U.S. Government.

## ADDITIONAL PRIVATE BANKS WITH ACTIVITIES IN EASTERN EUROPE

**Barclays de Zoete Wedd**
London, England
Tel: (44-71) 956-3861
(44-71) 956-3460
Fax: (44-71) 956-2407

Warsaw, Poland
Tel: (48-2) 635-0565
Fax: (48-2) 635-9215

Budapest, Hungary
Tel: (36-1) 266-0230
Fax: (36-1) 266-0342

Prague, Czech Republic
Tel: (42-2) 267-516
Fax: (42-2) 267-529

**Creditanstalt**
Vienna, Austria
Tel: (43-1) 5313-84
Fax: (43-1) 532-9260

**International Nederlanden Bank (ING Bank)**
Warsaw, Poland
Tel: (48-2) 625-0040
(48-2) 625-7447
Fax: (48-2) 630-7267

Prague, Czech Republic
Tel: (42-2) 232-9552
Fax: (42-2) 232-0955

Bratislava, Slovakia
Tel: (42-7) 314-462
Fax: (42-7) 312-367

Budapest, Hungary
Tel: (36-1) 269-7800
Fax: (36-1) 269-7814

**Morgan Genfell**
New York, United States
Tel: (212)468-5600

London, England
Tel: (44-71) 826-7472
(44-71) 826-7150
(44-71) 826-7156

**N.M. Rothschild & Sons Ltd.**
London, England
Tel: (44-71) 280-5000
(44-71) 280-5150
Fax: (44-71) 283-2427

**Raiffeisen-Centrobank**
Vienna, Austria
Tel: (43-1) 71707

Warsaw, Poland
Tel: (48-2) 625-0440

**Samuel Montagu**
London, England
Tel: (44-71) 260-9466
Fax: (44-71) 260-9819

New York, United States
Tel: (212) 808-3880
Fax: (212) 808-3895

Warsaw, Poland
Tel: (48-22) 268-985
(48-22) 268-739
Fax: (48-22) 276-808

Budapest, Hungary
Tel: (36-1) 138-2407
Fax: (36-1) 138-2017

Prague, Czech Republic
Tel: (42-2) 2145-1508
(42-2) 2145-1510
Fax: (42-2) 203-970

**Schroders (J. Henry Wagg & Co Ltd.)**
London, England
Tel: (44-71) 382-6914
(44-71) 382-6979
Fax: (44-71) 382-3949
(44-71) 382-3504

**S.G. Warburg**
New York, United States
Tel: (212) 459-7150

London, England
Tel: (44-71) 860-0335
(44-71) 860-0374
Fax: (44-71) 860-0374

**Union Bank of Switzerland**
Zurich, Switzerland
Tel: (41-1) 234-6772

London, England
Tel: (44-71) 901-2913
Fax: (44-71) 901-1903

**West Merchant Bank**
Duesseldorf, Germany
Tel: (21-1) 826-2697

London, England
Tel: (44-71) 623-8711
Fax: (44-71) 626-1610

New York, United States
Tel: (212) 527-0733

## Private Investment Funds and Advisory Services

**Barclay Catalyst**
New York, United States
Tel: (212) 421-8946
Fax: (212) 421-8948

Prague, Czech Republic
Tel: (42-2) 2424-7078
Fax: (42-2) 250-801

**Capital Group**
London, England
Tel: (44-71) 236-3514
(44-71) 236-7101

**Caresbac**
Warsaw, Poland
Tel: (48-22) 27-70-83
Fax: (48-22) 27-58-04

**Company Assitance Ltd.**
Warsaw, Poland
Tel: (48-2) 635-5406
Fax: (48-22) 31-7920

**Eurocorp International Finance**
Budapest, Hungary
Tel: (36-1) 269-6868

**Euroventures**
Budapest, Hungary
Tel: (36-1) 156-9041
(36-1) 135-1767

**Franco Lewis & Co**
New York, United States
Tel: (212) 227-8110
Fax: (212) 619-6825

Prague, Czech Republic
Tel: (42-2) 231-8963
Fax: (42-2) 231-1382

**Global Environment Emerging Markets Fund**
Washington, D.C., United States
Tel: (202) 466-0529
Fax: (202) 466-6564

**First Hungary Fund**
Budapest, Hungary
Tel: (36-1) 137-8720
Fax: (36-1) 117-7182

**Pioneer First Polish Trust Fund Company**
Warsaw, Poland
Tel: (48-2) 635-6202
Fax: (48-2) 635-8145

**Schooner Capital Corporation**
Warsaw, Poland
Tel: (48-22) 26-9142
Fax: (48-22) 26-9136

# East European Government Sponsored Financial Groups

**National Fund for Environment Protection and Water Management**
Warsaw, Poland
Tel: (48-22) 25-05-03
(48-22) 25-29-82
Fax: (48-22) 25-45-99

**Environment Protection Bank**
Tel: (48-22) 32-46-44
(48-22) 32-46-44
Fax: (48-22) 32-52-49

**Ecofund**
Tel/Fax: (48-22) 43-44-94

**Czech and Slovak National Funds**
Prague, Czech Republic
*Czech Ministry of the Environment*
Tel: (42-2) 73-88-59
(42-2) 73-14-52
Fax: (42-2) 73-13-57

*Czech Ministry of Industry & Trade*
Tel: (42-2) 285-2202
Fax: (42-2) 231-1970

Bratislava, Slovakia
*Slovak Ministry for the Environment*
Tel: (42-7) 49-25-32
Fax: (42-7) 31-13-68

*Slovak Fund for the Environment*
Tel: (42-7) 72-49-09

# U.S. Companies Operating in Eastern Europe

EEBIC
U.S. Department of Commerce
Washington, D.C.
Tel: (202) 482-2645
Fax: (202) 482-4473
EEBIC Flash: (202) 482-5745
November 1994

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## U.S. Companies Operating or Investing in Bulgaria

Abbott Diagnostics
Dr. Hristinetta Stancheva
8 Vassil Levski Blvd., Floor 1
Tel: (359-2) 656-996, 661-167, 664-352
Fax: (359-2) 664-352

Allen-Bradley
Mr. Boris Chernev
15 B Denkoglu Str.
Tel: (359-2) 815-024, 898-493

American Auto Imports
Mr. Vance Petrunoff
40 Vassil Levski Str.
Tel: (359-2) 669-287, 659-287

American Continental Cars
Mr. Rashko Angelinov
9 Aksakov Str.
Tel: (359-2) 888-140, 888-294
Fax: (359-2) 813-970, 888-243

Arthur Andersen
Mr. Marcus DeLouche
1, Bulgaria Square, P.O. Box 120
Tel: (359-2) 546-181
Fax: (359-2) 523-392

AT & T
Mr. Emil Popov
8 Totleben Blvd.
Tel: (359-2) 889-437
Fax: (359-2) 878-452

Coca-Cola
Mr. Ben Counter
1 Fritiof Nansen Blvd.
Floor 3 Apt. 5
Tel: (359-2) 541-024
Fax: (359-2) 544-743

Computerland
Mr. Dancho Pavlovsky
42 Ivan Denklogu Str.
Tel: (359-2) 875-958
Fax: (359-2) 818-477

Continental Information Ltd.
Mr. Philip Bay
32 Skobelev Blvd.
Tel: (359-2) 519-203, 511-484

Curtis/Balkan
Mr. Khristo Prodanov
126 Tsar Boris III Blvd.
Tel: (359-2) 552-141
Fax: (359-2) 801-833

Cyanamid
Mr. Dimitur Dimitrov
P.O. Box 22, 1606 Sofia
2 Baba Iliitsa Str., Bl. 80A,
Floor 10, Flat 37/38
Tel: (359-2) 541-208, 541-307
Fax: (359-2) 543-369

DeLoitte & Touche
Mr. Nic Gerra
135A Rakovsky Str.
Tel: (359-2) 888-643, 888-683
Fax: (359-2) 888-769

DHL
Mr. Carolina Pope-Savovva
10 Momina Cheshma Blvd., Druzhba-2
Tel: (359-2) 793-790, 427-022
Fax: (359-2) 793-731

DOW
Mr. Plamen Angelov
23 Tsarigradsko Shosse
Tel: (359-2) 443-481, 443-912, 443-180

ECD-BUL
Mr. Emil Minkov
21 Vassil Levski Str.
Tel: (359-2) 874-921
Fax: (359-2) 801-207

EKKO Ltd.
Mr. A. Arnaudov
54, G.M. Dimitrov Blvd.
Tel: (359-2) 705-428, 709-197

Eli Lilly & Elanco
Mr. James Connelly
World Trade Center, Block B, Room 412
Tel: (359-2) 709-161, (71) 463-181
Fax: (359-2) 730-500

Ernst & Young
Mr. John M. Ayerst
6 Gurguliuat Str.
Tel: (359-2) 543-005, 518-616
Fax: (359-2) 542-908

Ford Moto-Pfohe
Mr. Boris Marekov
15 Denkoglu Str., Entr. A
Tel: (359-2) 815-554
Fax: (359-2) 874-683

Honeywell
Mr. Tihomir Toshkov
14 Iskursko Shosse
Tel: (359-2) 794-027, 792-198
Fax: (359-2) 794-090

International Bank for Investments and Development (IBID)
Mr. Gabriel Labbad
10 Graf Ignatiev Str.
Tel: (359-2) 088-881

Jef Trading
Mr. Joseph Feghali
34 Khristo Botev Blvd.
Tel: (359-2) 541-145, 541-154
Fax: (359-2) 542-874

Johnson & Johnson
Mr. Plamen Zelenkov
Interpred-WTC 36 Dragan Tzankov Blvd.
Block B, Room 708
Tel: (359-2) 709-306, (71) 463-552
Fax: (359-2) 708-581

Kodak
Mr. Ivo Khadzhimishev
41-A Graf Ignatiev Str.
Tel: 877-859

KPMG
Mr. Branimir Milev
World Trade Center
36 Dragan Tsankov Blvd.
Tel: (359-2) 704-024, (71) 463-537
Fax: (359-2) 708-281

Lanier-Bulgaria
Ms. Valentina Pencheva
Living Quarter "Motopista"
Georgi Izmirliev Str., Block 1A , Entr. A
Tel: (359-2) 581-168
Fax: (359-2) 523-075

Maria Stoeva Ltd.
Mr. Barrie Stephenson
54 G.M. Dimitrov Str.,
Tel: (359-2) 731-263
Fax: (359-2) 732-574

Microcom International Ltd.
Mr. Ilia Bojinov
6-12 Buntovnik Str., Entr. A
Tel: (359-2) 661-822
Fax: (359-2) 661-822

Monsanto
Boyana, Panoramen PUT 26
Tel: (359-2) 573-034, 570-307
Fax: (359-2) 572-137

Novecon Bulgaria Ltd.
19 Vitosha Blvd.
Tel: (359-2) 880-186, 800-708
Fax: (359-2) 800-708

Oracle-Bulgaria
Mr. Pavlov
117 Trakia Blvd.
Tel: (359-2) 700-160
Fax: (359-2) 769-247

Pepsi (represented by Agrima)
Mr. Spartak Jarov
99 Kniaz Boris I Blvd., Floor 2
Tel: (359-2) 661-836, 888-097
Fax: (359-2) 668-975

Price Waterhouse
Mr. Bert Damstra
10 Stefan Karadja Str., 1000 Sofia
Tel: (359-2) 880-122, 879-710, 814-755

Rimex Engineering (J. I. Case)
Mr. Rumen Lazarov
54 A, Peachevich Str.
Tel: (359-2) 463-434

Ronics Ltd.
Mr. Stanislav Stanev
61 Vitosha Blvd., P.O. Box 188
Tel: (359-2) 885-022
Fax: (359-2) 885-037

S. C. Johnson (Hellas)
Ms. Khristina Khristova
21 Tsar Osvoboditel Blvd., Floor 3
Tel: (359-2) 443-069, 441-222
Fax: (359-2) 443-069

Sheraton Hotel
Mr. James Munro
5 Sveta Nedelya Square
Tel: (359-2) 876-541

Sprint-BTC
Mr. Ray Mazurek
55 Chapaev Str.
Tel: (359-2) 707-242, 73-551, Ext. 230
Fax: (359-2) 706-153

Texaco
Mr. John Kovacs
Interpred, Block B, Office 711
Tel: (359-2) 709-378

Unisys
Mr. Peter Grogan
36, Dragan Tsankov Blvd., World Trade
Center Suite 602A
Tel: (359-2) 708-351
Fax: (359-2) 720-825

Upjohn
Mr. Evgeny Atanasov
35-A Dimo Khasjidimov Str.
Tel: (359-2) 543-383
Fax: (359-2) 541-049

Westinghouse
Mr. Boyan Sechensky
40-A Graf Ignatiev Str., Floor 3
Tel: (359-2) 879-942
Fax: (359-2) 879-942

Xerox
Mr. Georgi Nikolov
17 Ernst Telman Blvd., Floor 3
Tel: (359-2) 801-747
Fax: (359-2) 803-970

Source: U.S. Embassy Sofia
Fall 1993

**U.S. Companies Operating in the Czech Republic**
November 1994

21st Century Enterprises
3M s.r.o.
ABC News
Able Electric Liberec
Acanthus Corp./BEEDNET Praha
Adnet
Advis
Advanced Combustion Technologies
Affordable Luxuries
Agentura Kocar
Agronom CS
AHP Inc.
Albertina Income s.r.o.
Alier, spol. s.r.o.
Alexander & Alexander
AlphaBio International Ltd.
Allen Bradley Research Center Prague, Ltd.
Allen Bradley/SPEL spol. s.r.o.
Altheimer and Gray
AmCek Corp.
American Appraisal s.r.o.
America At Your Service
American Breeders Service
American Business Consultants
American-Central European Ventures, Ltd. (ACE)
American Chamber of Commerce in the CR
American Cooperative Enterprise Center
American Exchange
American Express, s.r.o.
American Hospitality Center
American Life Investment Corp.
American Moravian Business Group Ltd.
American Rainbow
Americka Stavbni s.r.o.
AmeriCzech, s.r.o.
Andersen Consulting, Inc.
Andover Management Group
Angličtina Express
Anixter
Anvil s.r.o.
APP Group
Apple Computer, Inc./TIS
Apro

ARA-Praha/New York
Architects Atelier International, Inc.
Ark Communications International
Arthur Andersen & Company
Arthur D. Little
ASSE (American-Scandinavian Student Exchange)
Associated Press
AST Europe/Compartners s.r.o.
AT Kearney
AT&T-BCS
At Your Service, s.r.o.
Atkins & Langford Development
Atwood Richards ČSFR, s.r.o.
Avon Cometics CS, s.r.o.
B&T Airspace Technologies s.r.o.
Bailey and Wechsler
Baker & McKenzie
Balirny/Douwe Egberts (Sara Lee)
Bankers Trust Prague
Becker & Poliakoff, P.A.
Bell Atlantic International
Bell Helicopter/Textron
Benson Oak, Inc.
Robert Berend
Bio-Rad
Black & Decker
Bloomsberg Business News
Blue Sky Graphics
Bohemia Group
Bohemia House, International s.r.o.
Bomed
Booz, Allen & Hamilton
Brighten & Co., International
Bristol-Meyers Squibb/IBI
British-American Club
Brobeck Hale & Dorr, International
Brown & Root Skoda s.r.o.
Bulger & Associates
Leo Burnett
Burson-Marsteller CS
Business Media Intl. (BMI)
Business Systems Applications
Cabarrus Corporation
California Company
Castle Deli
Catalyst

CBS
CCT International
CEBA Group
Center for Applied Management
Center for Democracy and Free Enterprise
Centerlink Group
Central European Advisory Group
Central European Capital Investors [CECI]
Česká Sedgwick Risk Services, a.s.
Chase Manhattan Bank Overseas Corporation
Chek Group International Ltd.
Chemical Bank
Chepos a.s.
Chicago's Famous Pizza
Chicago Trade Dynamics
Chiquita Banana Co. BV
Christian Science Monitor TV
CIMCOOL Industrial Products
CIM Prague
Citibank
Citizens Democracy Corps
Civic Education Project
Civic Partnership
Cable News Network (CNN)
CNTS (TV Nova)
Coca-Cola Amatil
Coherent s.r.o.
Colgate-Palmolive, s.r.o.
Colliers International
Comco Martech
Communication Design
Computer Help
Control Data
Coopers & Lybrand
Copy General
Corporate System Consulting
Corum Business Services Ltd.
CPC Food s.r.o.
Credit Suisse First Boston, Ltd.
Crimson Capital
Crown International CS, s.r.o.
Cutisin a.s./Teepak
Culligan CSFR
Czech-American Enterprise Fund
Czech California Investment Co./CORUS
Czech Connection

Czech Equity Disclosure Corporation
Czech-Ogden Airhandling s.r.o.
Czech & Slovak Investment News
Czech-InterAmerican Chamber of Commerce
Czechoslovak Management Center
Dale Carnegie
DCC
DDB Needham Worldwide, a.s.
Debevoise & Plimpton
Deleeuw Health Products
Dell Computers
DeLoitte & Touche/DRT International
Delta Airlines
Detroit Diesel
Dewey Ballantine-Theodore Goddard
DHL International CR, s.r.o.
Digital Equipment CS, s.r.o.
DMB & B
Dow Chemical Company
Dow Corning/ Silicom
Dun & Bradstreet s.r.o.
Dupont-Conoco CS
Earth Resources
East European News
Edward Callan Interests
Eimco Process Equipment
Einhorn Associates
EkoPrinter
Elco Freigh/Drusped Lagermax
Elixir Technologies
Entrepreneur Foundation
Ernst & Young CS Consulting
Esso CR
Eternity
European Bank for Reconstruction and Development
European Community Imports, Ltd.
Euro-Invest Inc.
Euromedical/Atlantico Trading
Eurotel Praha
Europ-Ventures Ltd.
Ewing & Associates
FCS Forum, s.r.o.
Fantastik Marble
Federal Express
Ferox Decin
Fieldstone Private Capital Group

Financial Media Ltd.
First Czech-American Realty Co.
First Czechoslovak Investment Co.
Fleet Sheet/E.S. Best
Ford Motor Company
Ford Climate Control Division/Autopal
Franco, Lewis & Company, Inc.
Fridman Enterprise
G & L Lloyds/Laundry King
G.E. -Medical Systems
GJW Government Relations
General Electric
General Motors Czech Republic
Gillette Czechoslovakia
Global Ameritech Co.
The Globe
The Gloswood Investment Group
Gould & McCoy
H.N. Gorin International Inc.
Grace
Greater Prague Real Estate
Groves Int'l. Corp.
GTech Corporation
H&K
HV, s.r.o.
Halliburton NUS Corporation
Kristie Hansen
The Hartswood Group
Harley Davidson
Havlik Commodities Assistance
Hermans Communication Consortium
Hewlett-Packard, s.r.o.
Hibernia
Hill and Knowlton
Hiram Walker/Makers Mark Distilleries
Hogan & Hartson
Hollywood Classic Entertainment s.r.o.
Honesty International
Honeywell
Horizon Realty Company, s.r.o.
HSA s.r.o.
Michael L. Humiston
IBI
IBM
IDG
Inco Ltd.

InterCzech s.r.o.
International Publishing s.r.o.
ITC International
ITM Realty
ITT Automotive/PAL, a.s.
Informix Software Ltd.
Infosen USA Inc.
Ingersoll Rand/PB Air
Institute for East/West Studies (IEWS)
Interczech Group
Integrated Systems International (ISI)
Interdiam
International Advisory Services Group
International Business Advisors Ltd.
International Business Services Prague/ The Rendon Group
International Executive Service Corps.
International Finance Corp.
International Valuation Services, Ltd.
Inter SUB
Interest Praha
Intrinsic Marketing
Investment Strategies
IVAX
J.B. Trade & Finance Praha Ltd.
JMB Film & TV Production, s.r.o.
JOK Instruments s.r.o.
Jewish Telegraphic Agency
Johanek International
SC Johnson
Johnson Controls Int'l.
Johnson & Johnson s.r.o.
Jonas, Lobkowicz & Co.
The Journal of Commerce
J.P. Morgan
KFX-Atlantic Partners
KNO Worldwide
KPMG Reviconsult
Gary Kashefska
Keramicke Zavody Teplice American Standard
Kirchman Corp.
KMart CR a.s.
Knorr Foods/CPC Europe s.r.o.
Kodak Ltd.
Konektel
Kraft General Foods
Kroger/Mecca

L.E. Holdings, spol, s.r.o.
Leo Burnett Advertising, s.r.o.
Levi Strauss Praha, s.r.o.
Lexxus People and Places
Lighthouse, s.r.o.
LinkAmerica
Little Caesar's Restaurants
Loctite Roees
Los Angeles Times
MC2 International spol. s.r.o.
MCS Industries Inc. CS
M.I.S. Services
MLC S.A. (Multinational Liaison Counsels)
Macsource
Mandak & Zabrodska
Mansfield Services Ltd.
Marine Equipment/OMC
Mark/BBDO
Marsh & McLennan
Mass
Masterfoods CR/ Mars
McCann-Erickson
McDonald's CR s.r.o.
McDowell CPA PC
McHugh International
Medcor Europe s.r.o.
Media Direction
Mediatel
Merck, Sharp & Dohme Idea
Mertis/J. Walter Thompson, a.s.
Metis/HTP s.r.o.
Microsoft
M.I.S. Services Inc. of Europe
Mimitec
Mininberg & Associates
Mobil Oil CSFT s.r.o.
Mobilkom, a.s.
Modra Musa Publishers
Monsanto Europe
Most Marketing
Motorola Czech Republic
Muscanto
NPD Trading
Nalco Chemie
National Medical Care
National Public Radio

The New York Times
Nicholson International
Nicodom/Nicolet Instrument
Nielsen Prag
Ocean Enterprise Group
Ogilvy & Mather
Opinion
Windows
Otis/Tranza a.s.
Otto Dvorak Architects Boston
PAI Group
PHP spol. s.r.o.
P.M. Equities International Ltd.
PRC Environmental Management Inc.
Palamar International s.r.o.
Paper Mountain
Paragon Trade
Party Servis Golem, s.r.o.
Pepsi-Cola International
Perkins & Perkins, P.A.
Personnel Select
Pfizer International Inc.
Philip Morris/Tabak a.s.
Phoenix-Zeppelin s.r.o.
Pivorama Enterprises
PlanEcon, Inc.
Platinum
Posam Praha
Power International spol. s.r.o.
Pragma Communications
Prague Consulting Group/New Europe Consulting
Prague Investments
Prague Post/Lion's Share Group
Prague Realty Service
Prague Suites
Pragusa Corp.
Praha Trading International
Pray and Associates
Precision Translations
Price Waterhouse
Prington a.s.
Proactive
Proctor & Gamble
Prognosis
Proreg Controls, s.r.o.
Prvni Americko-ceska pojistovna/AIG

Radio Free Europe
Ralston Bateria s.r.o.
Rank Xerox
Readers International Prague
Recreation Management Group
Red Hot & Blues s.r.o.
Renaissance Partners
Resources, s.r.o.
RCC (Resources Conservation Company)
ROCC Computers s.r.o.
Rockwell Automotive Body Systems/RABS Liberec
Rockwell/J.S. Consulting
Ross Roy Inc.
Rovexx Ltd.
Russell Czechoslovakia
RUZEK Associates
St. Louis Cultural Center
Sanitas
Sanborn International/E+ET
The San Francisco Chronicle/Marketplace Radio/Communication Week Int'l.
Schering-Plough
Sea Land
Semoned Ltd.
Shell Realty Corporation
Silver Service
Skadden, Arps, Slate, Meagher & Flom
Solimar
Sonauto/Chrysler
South Shore Realty Development
Spectronex, s.r.o.
Spectrum Development
Spectrum Marketing Praha (CA Marketing)
Spectrum Pictures
Sport-Link, s.r.o.
Sprint Czech Republic s.r.o.
Squire, Sanders & Dempsey
Stanley Tool
Starman Bohemia
Steelcase Strafor
Stratus Computers
Carla Sugarman
TBTT Restaurants s.r.o.
Tambrands CS, s.r.o.
TEC (Telecommunications Electronics Consortium)
Technologyh Marketing (TM & M Consultants)
Telemundi Czechoslovakia

Tenneco Europe
Tessek Ltd.
Texas Instruments
Time Magazine
Timex s.r.o.
Tona Stanley, a.s.
TRW Autoelektronica, s.r.o.
Union Carbide
Unisys
UPI/US News and World Report
UpJohn
UPS (United Parcel Service)
USFI/Prague Communication Center
USA Builders s.r.o.
U.S. Business School in Prague, Inc. (Rochester Institute of Technology)
Vector Consulting
VOCA Prague
Voice of America
The Wall Street Journal
Walmsley Enterprises International
Warner Home Video, s.r.o.
Warner Lambert
Weil, Gotshal & Manges
Western Union Financial Services, International
Westinghouse CR s.r.o.
Westinghouse Electric, s.a.
White & Case
White Corporation
Willis Corroon
WLS a.s.
Wood & Co.
WorkPlus
World Colours s.r.o.
Wrigley, s.r.o.
York International
Young & Rubicam

Source: U.S. Embassy Prague
Date: November 1994

## U.S. Companies Operating or Investing in Estonia

AALPHA International
A. Braun Company
ACETO Corporation
Amalgamated Sugar
Amarillo Hardware Company
American-Baltic Technology Corporation
American Data Systems
American-Estonian International Development (AMEST)
American Homes
American International Insurance Group
Apple Computer
Argus Associates
Ashley Furniture Industries, Inc.
Association of Home Appliance Manufacturers
Association for Manufacturing Technology-European Branch
Atlantic Veneer
Atlas Cement L.P.
Auto Radiator Sales
Avnet Inc.
A.V. Olsson Trading Co., Ltd.
Bancroft Group
Bell Helicopter
Best Western Hotels
Black & Veatch Engineers/Architects-BV Umwelttechnik
Borland
Brackett Imports, Inc.
Brexon, Inc.
Burkavage Design Associates
California International Trading Company
Capital Motor Company
Caterpillar World Trading Corporation
Chrysler
Coca-Cola
Columbia Cascade Company
Communication Control Systems of New York, Ltd.
Coopers & Lybrand
Coronet/MTI International-Simon and Schuster Secondary Education Group
CPC International, Inc.
Dawe's Laboratories USA
Deloitte and Touche
Digital Equipment Corporation
Direct Micro
Domicor, Inc.
Dow Chemical Company
D. Peter Hochberg Company, L.P.A.
Eagle Marketing International, Ltd.
Eastern Credit Ltd.
Eastern Europe, Inc
Economic Development Council of Northern Vermont, Inc.
Emery, Will, & McDermott
Environmental Tectonics Corporation
Federal-Mogul Corporation World Headquarters
Ford Motor Company
G-Tech
General Glass
General Motors
George Mason University
Haws Drinking Faucet Company
Health Care Development International, Inc.
Hewlett-Packard
HL Pharmaceuticals
Horizon Partnerships
Hornton Company, Ltd.
Hurst International
IBM
IMAR Export/Import Trading Co.
Incotrade, Inc.
Intergraph Corporation
Interlink International, Inc.
International Enterprises, Inc.
International Telephone Services Co.
International Vac Services, Inc.
KPMG Peat Marwick
Larry Connell International
Linguist Services, Inc.
Marco Polo Ltd.
Maxtor
McDonalds Central Europe GbmH
Michigan Trading Company
Microsoft

Milk Maid, Inc.
Motorola
Opthalmic Instrument Company
Ostermans Aero AB
Overseas Exports Consulting, Inc.
OY International Business Machines AB
PACOR, Inc.
Pepsico Food International
Pitney Bowes
Price Waterhouse
Raytheon Company
Seatrex Logistics
Sheraton Hotels
Smithkline-Beecham
Sports Depot
State of Ohio European Office- Energy and Environmental Research Corporation
T. Kennedy Associates
Teledyne GMBH
Telerate, Dow Jones Global Information
Terrile Export & Import Corporation
Tower Group International, Inc.
UBAF Arab-American Bank
Unisys Corporation
United Commerce International
United Parcel Service
Upjohn AB
Visa
Warner Institute for Slavic, East European, Eurasian and Baltic Affairs
Weidmann Associates, Inc.
Widagri Consultants Ltd.

Source: U.S. Embassy, Tallinn, Estonia
November 1994

## U.S. Companies Operating or Investing in Hungary

Accounting, Business Advisory& Management Consulting Firms
Amerecon International
American Appraisal Hungary Co. Ltd.
Arthur Andersen & Co. Kft.
Aston Bradley Group, Inc. Hungary
Booz Allen & Hamilton
Coopers & Lybrand Kft.
DeLoitte & Touche Konyvizsgalo es Tanacsado Kft.
Dun & Bradstreet Hungaria Ltd.
EER Systems Corporation
Hay Menedzsment Tanacsadok Kft.
HBIC LLC
HPR LLC
IID Valuation Research Kft.
International Executive Service Corp.
International Valuation Services Magyarorszag Kft.
Investorg LLC
Inwest Kft.
Kittlex Uzletszervezo es Kulkereskedelmi Magyar-Amerikai Bt.
Korn/Ferry International Budapest
KPMG Reviconsult
Line LLC
LJM International
McFerren Holding GMBH
New Era Invest Ltd.
Price Waterhouse Budapest Kft.
Public Access Inc.
Sanborn Capital Management
Semcor Europe Kft.
State of Illinois Hungary Office
State of New Hampshire Trade Office
Syncom Marketing
Wallis USA Inc.

Advertising and Public Relations
Burson-Marstellar Ltd.
DDB Needham Worldwide Advertising Agency
DMB & B Budapest
GCI Tabori LLC
Leo Burnett Budapest Ltd.
McCann-Erikson Interpress
Ogilvy & Mather Budapest Rt.
Promoter American-Hungarian Public Relations Ltd.
TopReklam/BBDO
Young & Rubicam Hungary

Aerospace
Aeroplex of Central Europe Kft. (Lockheed)
McDonnell Douglas Helicopter Co.

Agriculture & Agro-Business
Agribusiness & Investment Center Co. Inc.
Agrokomplex Ltd.
Babolna-Arbor Acres Poultry Breeding Ltd.
Califrance Corporation
Cargill-MAG
Chemonics International
ConAgra Hungary
Holstein Genetika Kft.
Hungarian Agricultural Publishing LLC
Indian Rice Ltd.
Pioneer Hi-Bred Magyarorszag Ltd.
Purina-Hage Ltd.

Architecture & Construction
Atlantic Ingatlan Kft.
Beczkay-Farago LLC
Blue Danube LLC
Colliers International (Hungary) Ltd.
Emory Roth & Sons LLC
Express Signs International LLC
Flat Ltd.
Group '92
Hungarian-American Constructors, Inc.
Izobau LLC
Loranger Ipari Ingatlanfejleszto es Hasznosito Rt.
Pakava International Ltd.
Pascall Company
Planett Kft.
Savany & Partners, Architects
Szestai Mernoki Iroda Ltd.

Thermosca Kereskedelmi es Hotechnikai Kft.
Transagent Kft.
Unicent Kft.

Automobiles
Escade Kft.
Ford Hungaria Manufacturing & Sales Ltd.
General Motors Hungary
GMI LLC
Goodyear Magyarorszag Informacios es Serviz Iroda
Hunguard Float-Uveg Kft. (Guardian Glass
Loranger Ipari Kft.

United Technologies Automotive Hungary Kft.

Banking, Investment & Other Financial Services
American Express Hungary Ltd.
Antra Ltd.
Bankers Trust Rt.
Citibank Budapest Rt.
COHFIN Kft.
EurAmerica Capital Corporation Ltd.
First Hungarian Investment Advisory Rt.
General Banking & Trust Co. Ltd.
Hemingway Financial Consulting
Hemingway Holding AG
Hungarian-American Enterprise Fund
Rediker International Capital, Ltd.
Riverside Budapest Rt.

Broadcast, Media & Printing/Publishing
Babits Ltd.
Barbarossa Bt.
Budapest Business Journal
Copy General
HTD Printing and Data Processing Ltd.
Hungarian Agricultural Publishing LLC
IBID Kft.
IDG Hungary Ltd.
International Management Group Hungary Ltd.
JLX Manager Kft.
Kabelkom Kft. (HBO)
New Europe Media Ltd. - the Budapest Post
Printosh
Puski Publisher Kft.
Reader's Digest Kiado Kft.
RKO Pictures

Business/Office Services
Business/Express Kft.
Copy General
IBID Kft.
INWEST Kft.
Korn/Ferry International Budapest
Manhattan Magyar-Amerikai Munkakozvetito Kft.
Manpower
Planett Kft.
Transtrade Kft.

Chemicals
Auto Hid Rt.
Chemol Kereskedelmi Rt.
Columbia Tiszai Carbon, Ltd.
Continental PET Technologies Hungary
Dow Hungary Chemicals Ltd.
DuPont- Gonoco Hungary Ltd.
Escade Kft.
Nalco Kemiai, Ipari, Kereskedelmi Kft.
Navix Hungary Biochemical R&D Co. Ltd.
Pangus Ltd.
Pangus Rubber Corporation
Polichem Kft.
Qualipack Kft.
Qualiplastic Rt.

Computer Hardware/Software
3M Hungaria Kft.
Advanced Management Information Systems Kft.
Digital Equipment (Hungary) Ltd.
Duna Elektronika Adatrendszer Kft.
EER Systems Corporation
Eurocomp Rt.
Graphicad Kft.
Hemingway Computing Kft.
Hewlett Packard Hungary Ltd.
IBM Hungary
Intergraph Hungary Ltd.
Micronetics Europe Rt.
Motorola Informacios Iroda
Paqart Design Ltd.
Pentacomp Ltd.
Pirelli Cables

Sun Microsystems Intercontinental
Unisys/Sysland
US West International, Budapest
Vitro Software & Applied Science Ltd.
Vultron Trade Ltd.
Walton Networking Ltd.
Westel Radiotelephone Ltd. (US West)

Consumer Goods
3M Hungaria Kft.
Americade Kft.
American Alutech Industrial & Commercial Services
Amway Hungarian Marketing Kft.
Avon Cosmetics Hungary Ltd.
Basket Ltd.
Carrier-Budapest
Colgate Palmolive Magyarorszag Kft.
Estee Perfumery Retail Kft.
Hasbro Magyarorszag Kft.
Highland Import Corporation (Rockport Shoes)
IZI Budapest Altalanos Kereskedelmi es Termelo Kft.
Kodak Fenykepeszeti Kereskedelmi es Szolgaltato Ltd.
Mattel Toys Kft.
Proctor and Gamble Hungary Kft.
Quittner Kft.
R.H. Macy Product Development Budapest Office
Rigler Electronics
Schwinn (USA)- Csepel Bicycle Co. Ltd.
Singer
Tungsram Co. Ltd. (General Electric)
Vultron Trade Ltd.
Whirlpool

Educational
Institute of International Education
Soros Foundation

Energy
Auto Hid Rt.
Esso Hungaria Kereskedelmi Kft.
Mobil Oil Hungary Kft.

Environmental Consulting & Pollution Control Equipment
Comco Martech Hungary
Ecology and Environment Budapest Ltd.
Gibb Tanacsadasi Ltd.
Global Environmental Technologies Kft.
Viking-Veiki Environmental & Power Engineering Co Ltd.

Export/Import Trading
Allcom Trading Inc. Ltd.
Atwood Richards Information Office
Aurimpex Technologies Inc.
Business Express Kft.
Exim International
Intercooperation (Getz Brothers)
Izi Budapest Altalanos Kereskedelmi es Termelo Kft.
Line LLC
Opicio Ltd.
Quittner Kft.
R.H. Macy Product Development-Budapest Office
Rimi-MS Security Kft.
Wallis USA

Food Processing & Equipment
Egri Dohanygyar Kft. Philip Morris
Fusion Investments Company Ltd. (Burger King)
Hargita Holding Befektetesi es Kulkereskedelmi Bt.
Jacobs Suchard (Philip Morris)
Magyar Foods Ltd. (Heinz)
Master Foods Hungary
McDonald's System of Hungary
New England Machinery, Inc.
Orient Ltd.
Pepsi Cola International
Qualipack Kft.
R. J. Reynolds Tobacco Hungary Kft. (marketing)
R. J. Reynolds Tobacco Rt. (production)
Wente Brothers
Zalaegerszegi Hutoipari Kft.

Insurance
Concordia Biztositasi Broker Ltd.
First American Hungarian Insurance Co. (AHICO)
Marsh & McLennan Budapest Kft.

Legal
Arent Fox Europe
Arnold & Porter
Baker & McKenzie Budapest Representative Office
Debevoise & Plimpton
EastEuropeLaw Ltd.
McDowell, Rice & Smith]
Seward & Kissel Representative Office
Shearman & Sterling
Skadden, Arps, Slate, Meagher & Flom
Squire, Sanders & Dempsey
Strook & Strook & Lavan
Weil, Gotshal & Manges
White & Case Budapest

Machinery
Caterpillar Hungary Components Rt.
Goker Ltd.
Magnetek-Evig LLC
New England Machinery, Inc.
Otis Felvono Ltd.
Qualipack Kft.
VSZM-Moldkraft Kft.

Medical & Scientific Equipment and Instruments
Kurt J. Lesker Company Central European Representative Office
Medicontour Kft.
Medtechker Kft.
Rosemount Ag Informacios es Szerviz Iroda

Pharmaceuticals
Abbott
Baxter
Bionavion LLC
Johnson & Johnson Kft.
Lilly Hungaria Kft.
Merck Sharp Dohme Idea Inc.
Navix Hungary Biochemical R&D Ltd.
N.V. Upjohn S.A. Hungarian Direct Commercial Representation
Pfizer Biogal Ltd.
Schering-Plough USA
Syntex Tudomanyos Informacios Iroda

Primary Metals
Alcoa-Kofem Kft.
Elcometal LLC

Real Estate
Atlantic Ingatlan Kft.
Beczkay-Farago LLC
Blue Danube LLC
Colliers International (Hungary) Ltd.
Flat Ltd.
Group '92 Kft.
Hemingway Holding AG
Loranger Ipari Ingatlanfejleszto es Hasznosito Rt.
Pakava International Ltd.
Stewart Information International-Hungary
Transagent Kft.
Unicent Kft.

Restaurants
Fusion Investments Company Ltd. (Burger King)
Hargita Holding Befektetesi es Kulkereskedelmi Bt.
Hemingway Holding AG (Pizza Hut, Kentucky Fried Chicken, Dunkin' Donuts)
McDonald's System of Hungary
Orient Ltd.

Safety & Security Equipment
3M Hungaria Kft.
Comp-Safe Kereskedelmi es Szolgaltato Kft.
Rimi-MS Security Kft.
Sensormatic Kft.

Telecommunications
3M Hungaria Kft.
Aurimpex Technologies Inc. Magyarorszag
Duna Elektronika Rt.
Hungaro Digitel
Motorola Informacios Iroda
Pirelli Cables
Rigler Electronics
US West International, Budapest
Westel Radiotelephone Ltd. (US West)

Textile & Apparel
Cathy Kft.
Levi Strauss Ltd.
Irha-Shearling LLC
Liz Claiborne Foreign Holdings
Martin LLC
Trewex Ltd.
Za-Ko Trade Ltd.

Tourism & Travel
American Express Hungary Ltd.
Delta Airlines Inc.
Eurolimo Kft.
Getz International Travel Inc.
Tradesco Tours

Transport & Shipping
Aeroplex of Central Europe Kft.
(Lockheed)
Decent Travel Agency
Euroamerica Transport Kft.
Rogerson Aircraft Corporation
Sealand Service & Information Office
Trio-Market
UPS Kereskedelmi Kepviselet

Source: U.S. Embassy Budapest
November 1994

# U.S. Companies Operating in Latvia

November 1994

American Airlines
American Fried Chicken
American Express
Arthur Andersen
Avis
Baker & McKenzie
Baltcom Ltd.
Baltec Associates
Baltic Business Report
Baltic International Airlines
Baltic Trade International
Baltic Ventures
Carroll, Burdick and McDonough
Coca-Cola
Costa Ltd.
Coopers and Lybrand
Copley Pharmaceutical
East-West Consulting and Management
Eli-Lilly
Ernst & Young
Ford Motor Company
Gateway International
Haag Industries
Hertz
Hewlett-Packard
International Business Machines
Johnson & Johnson
Kelloggs
Klavins and Slaidins
Kliners
Lanier
LatHaag
Latvian Management Partners
Motorola
Polar Bek International
Riga-American Ltd.
Squire, Sanders & Dempsey
Stanislavska, Malouf, Lepins and Luhaar
Verdins Bakery

Source: U.S. Embassy Riga, Latvia

# U.S. Companies Operating in Lithuania

November 1994

American Airlines (AMR)
Baker & McKenzie
Brown & Sharpe
Coca-Cola
Computerland
Fluor Daniels
Foster Wheeler
GIC Trade, Inc.
Hewlett-Packard
H & R Strategies
IBM
KPMG Peat Marwick
Konceptual Design Associates Inc.
Lanier
McDermott, Will and Emery
Nida Corporation
Penn International
Pitney-Bowes
Robert J. Ralis Law Office
Stone & Webster
U.S. West
V. Paulius & Associates
Westinghouse

Source: U.S. Embassy, Vilnius, Lithuania

# U.S. Companies Operating in Poland

November 1994

3M POLAND LTD.
A.M.F. PLUS GROUP LTD.
ABK
AIRCO-HELEX AG
ALCAT COMMUNICATIONS WARSAW LTD.
ALCON PHARMACEUTICALS LTD.
ALEXANDER & ALEXANDER
ALTHEIMER & GRAY LAW OFFICES
ALUMAX POLSKA
AMERICAN.AIRLINES
AMERICAN APPRAISAL POLAND LTD.
AMERICAN BANK IN POLAND
AMERICAN BUILDING PRODUCTS
AMERICAN COMPUTERS & GAMES LTD.
AMERICAN EXPRESS POLAND
AMERICAN TRAVEL ABROAD
AMOCO POLAND
AMPLICO LIFE S.A.
AMR SERVICES
AMROP INTERNATIONAL POLAND
AMWAY CORPORATION
ANGLO-AMERICAN CORPORATION LTD.
APPLE MACINTOSH-SAD LTD. APPLE IMC POLAND
ARTHUR ANDERSEN
AT&T BUSINESS COMMUNICATION SYSTEMS POLSKA
AT&T SECURE COMMUNICATIONS SYSTEMS
AT&T TELFA S.A.
ATWOOD RICHARDS INC.
AVIS- CAR RENTAL
B.F. TRADING-SIGNTECH E.E.
BAKER & MCKENZIE
BANKERS TRUST COMPANY
BATES POLAND
BAXTER POLAND
BBDO WARSAW
BCH ENTERPRISES
BDO BINDER
BECKMAN INSTRUMENTS INTERNATIONAL
BELOIT POLAND S.A.
BOEING COMMERCIAL AIRPLANE GROUP
BONAIR USA
BSB SAATCHI & SAATCHI MC
BUDGET RENT-A-CAR
BURGER KING-INTERNATIONAL FAST FOODS POLAND

BURSON-MARSTELLER
BUTLER
CALIFORNIA COMPUTER CORPORATION
CAMPBELL SOUP CO. (BRANDS INTERNATIONAL)
CAPITAL DEVELOPMENT & CONSULTING LTD.
CARESBAC-POLSKA, SMALL BUSINESS ASSISTANCE CORP.
CARGILL ENTERPRISES LTD.
CARRIER
CENTERTEL
CITIBANK
CLASS COMPANY S.A.
COCA-COLA POLAND SERVICES LTD.
COLEMAN CABLE SYSTEMS, INC.
COLGATE-PALMOLIVE
COMCO MARTECH POLSKA
COMMODORE POLAND LTD.
COMPANY ASSISTANCE LTD.
COMPAQ POLAND
COMPUTER SOLUTIONS INT'L/ COMPUTER ASSOCIATES
COMPUTERLAND POLAND LTD.
CONAGRA/IBA CORP.
COOPERS & LYBRAND
CROSSCOMM POLAND LTD.
CULLIGAN-EUROPE-KREVOX LTD.
CURTIS ART PRODUCTIONS/ HANNA-BARBERA PRODUCTIONS
CURTIS INTERNATIONAL
CYANAMID-OVERSEAS CORPORATION
D'ARCY, MASIUS, BENTON & BOWLES
DALLAS MEDICAL
DDB NEEDHAM WORLDWIDE WARSZAWA
DELL COMPUTER POLAND
DELOITTE & TOUCHE
DELTA AIRLINES
DEWEY BALLANTINE- THEODORE GODDARD
DHL INTERNATIONAL- CUSTOMER SERVICE
DHL INTERNATIONAL POLAND LTD.
DICKINSON, WRIGHT, MOON, VAN DUSEN & FREEMAN
DIGITAL EQUIPMENT POLAND
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MICROSOFT
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STIFEL FINANCIAL CORPORATION
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WYSE TECHNOLOGY, INC.
YORK INTERNATIONAL
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ZIMEX AUTOMATION

Source: U.S. Embassy Warsaw
November 1994

# U.S. Firms and Multinationals Operating in Romania

(When not otherwise stated, addresses are in Bucharest)
November 1994

AMERICAN CHAMBER OF COMMERCE

James W. Haylett, President
Mihaeia Iosif, Secretary
Str. Gen. Ghe. Manu (Lemnea), 9
Tel: (40-1) 659-36-00: 659-37-00; 659-38-00/39, 46

BANK BRANCHES

Chemical Bank

Robert Dolan, Vice President and General Manager
Blvd. Carol 16
Tel: (40-1) 312-03-25; 312-35-84; 312-04-70; 312-13-92
Fax: (40-1) 312-10-76
Telex: 11572

Credit Bank

Marcel Ivan, President
Steriu Popescu, Vice President
Constantin Postolea, Director General
Str. Jean Louis Calderon 70
Tel: (40-1) 610-62-34/125

REPRESENTATIVES' OFFICES

American Business Concepts International SRL

A. Al. Safi, President
Aleea Terasei 5, B1.A1, Ap. 7
Tel: (40-1) 684-76-15
Fax: (40-1) 684-76-15

Amero Ltd. (Hotel development)

Gavin Ruotolo, President
Paul Bailey, Manager
Blvd. Magheru 9, Sc.3, Et.4, Ap.103
Tel: (40-1) 613-94-25
Fax:: (40-1) 312-08-54

Amoco

James W. Haylett, President
Jerry Mungel, Admin. Manager
Hotel Diplomat, Str. Sevastopol/Room 201
Tel: (40-1) 312-46-13; 311-18-14; 311-14-26
Fax: (40-1) 312-46-03

Alaska Distributing SRL
Ben Collins, President
Sos. Colentina 2C, Bl. 4, Sc. C, Et. 8, Ap. 124
Tel: (40-1) 688-97-72
Tel/Fax: (40-1) 312-87-94

Applied Research Laboratories G.M.B.H.
Zambori Zoltan, Local Representative
Str. Edgar Ouinet 1, Ap. 27
Tel: (40-1) 614-48-85
Telex: 10187

Arthur Andersen (Auditing & Business Advisory Services)
Michael Sprague, Managing Director
St. Batistei 1-3, Et. 7, Ap. 12A
C.P. 22-164
Tel: (40-1) 613-82-25
Fax: (40-1) 312-52-05

ASEA Brown Bovery (Engineering)
Ivo Broglia, Country Manager
Mirela Petrovici, Director
Blvd. Balcescu 16
Tel: (40-1) 613-36-32; 312-03-62; 312-46-40
Fax: (40-1) 312-03-63

Boeing
Barry A. Kornett, Customer Manager
Otopeni Airport
Tel: (40-1) 312-97-63
Cell Tel: 01-860-0023
Fax: (40-1) 312-97-71

Brown and Williamson Romania (Kent Cigarettes)
Alex Van Breemen, Director
Beatrice Bontu, Assistant
Blvd. Unirii 23, Bl. 13, Sc. 1, Et. 3, Ap. 9
Tel: (40-1) 312-11-29; 616-74-58
Fax: (40-1) 312-07-96

Centrade (An Affiliate of BSB Saatchi & Saatchi Advertising)
Radu Florescu, Managing Director
Clark Williams, Business Development Manager
Pta. C. A. Rosetti 3, Apt. 3
Tel: (40-1) 312-68-68; 613-83-47
Fax: (40-1) 312-14-97

Caterpillar/Bergerat Monnoyeur-IPSO
Jean Pierre Gratzer, Director General
Roxana Avram, Representative
Anca Gheorghiu, Chief of Promotion Dept.
Str. Popa Soare 40
Tel: (40-1) 620-22-21; 620-21-18
Fax: (40-1) 323-48-14

Christine Valmy
Adriana Toma, Director
Str. Ion Cimpineanu 26
Sala Palatului, Et. 3, Room 303
Tel: (40-1) 615-66-99; 613-05-45

Coastal Petroleum N.V.
Joe Mazzei, Executive Manager
Camelia Badarau, Assistant
Intercontinental Hotel, Suite 405/406
Tel: (40-1) 312-51-27
Fax: (40-1) 312-51-28

Coopers & Lybrand
Jerome Muriaux, Tax Lawyer
Str. Hristo Botev 28
Tel: (40-1) 312-09-79; 312-36-00; 312-36-02
Fax: (40-1) 312-09-78

Corstjens Bucharest Movers (Representative of United Van Lines)
Cees Corstjens, President
Magda Balint, General Manager
Hotel Carpati, St. Matei Millo 16, Room 102
Tel: (40-1) 614-88-81
Tel/Fax: (40-1) 312-14-54

Countertrade International
Dumitru Ghimus, President
Calea Plevnei 16, Ap. 6 and Ap. 10 [home]
Tel: (40-1) 614-60-55 (home)
Fax: (40-1) 312-21-45 (home)
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Tel: (40-1) 312-76-34
Fax: (40-1) 679-47-87

DA Rom SRL (Consumer goods)
Florin Badinici, Director
Str. Nuferilor 47
Tel: (40-1) 614-12-29;
Fax:(40-1) 613-60-37
Telex: 10897

Delta Airlines
Steve Bingham, Director
Frank Meditz, Marketing Director
Blvd. Unirii 33 A
Tel: (40-1) 323-44-65; 323-44-58
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Glen R. Riley, Chairman of the board and CEO
Str. Obedenaru 23
Tel: (40-1) 614-88-82
Tel/Fax: (40-1) 312-54-09

Digital Equipment
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Str. Eminescu 124, Corp B-2, Et. 6, Ap. 20 & 21
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Fax: (40-1) 210-55-59

Dow Europe S.A. (Chemicals)
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Melania Seciuianu, Sales Customers
Bucuresti Hotel, Sc. D2, Et. 1, Ap. 3
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Telex: 11326

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Virgil Popescu, Director General
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Bucuresti Hotel, Sc. D2, Et. 2, Ap. 6
Tel: (40-1) 615-44-55; 312-44-62; 312-27-89
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Telex: 92512

DRT-Touche-Tohmatsu
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Eric Olcott, Managing Partner
Blvd. Unirii 10, Bl. 7B, Sc. 2, Et. 2, Ap. 29
Tel: (40-1) 311-01-25; 311-01-35; 631-39-92
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Dynatek SRL (Design and Development of advanced technology)
Vladimir Rosca, Director General
Calea Floreasca 167 bis
Tel: (40-1) 633-00-69/135

Eastern Services and Products
Marika Sebsow, President
Dumitru Pohus, Director
18 Dr. Ernest Juvara St.
Tel: (40-1) 638-65-38
Tel/Fax: (40-1) 311-31-85

Elco Imports, Inc.
Gabriel Negrea, Local Rep.
Str. Edgar Quinet 1, Ap. 7
Tel: (40-1) 615-85-82

Eli Lilly and Elanco (Pharmaceuticals and chemicals)
Nicolae Voiculescu, Manager
Anca Feifer, Local Rep. of Elanco
Str. Edgar Quinet 1
Tel: (40-1) 615-26-38; 311-00-42; 311-00-85
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Telex: 92528

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Dan Vinesiu, Director
Blvd. Maresal Averescu 8-10
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Tel/Fax: (40-1) 312-87-03

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Armand Artinian, Manager
Catalina Aldea, Local. Rep.
Hotel Palas, Room 104
Tel: (40-1) 613-67-35/104
Telex: 11958

FMC
Simona Burducea
Str. Fagaras 16, Et. 2
Tel: (40-1) 312-52-97; 642-99-72; 637-28-42

General Electric Trading Company
Gheorghe Nicolaescu, Director
Dan Ionescu, Deputy Manager
Earl Benzal, GE Technical Personnel
Bucuresti Hotel, Sc. D2, Et.3, Ap. 9
Tel: (40-1) 615-03-75; 312-13-10
Fax: (40-1) 613-37-29; 312-01-18
Telex: 10437

Glaxo Eastern Europe Limited (Pharmaceuticals)
Dr. Aurelia Cruceanu, Manager
Hotel Bucuresti, St. Luterana 2-4, C2, Ap. 10
Tel: (40-1) 615-70-66; 312-20-81
Fax: (40-1) 312-13-08

Hill International (Executive search)
Dana Galesanu, Rep.
Dana Zidarescu, Manager
P.O. Box 10-15
Blvd. Unirii 7, Bl 1C, Sc. 2, Et. 4, Ap. 32, Sector 5
Tel: (40-1) 613-30-64
Tel/Fax: (40-1) 312-24-18

Honeywell (Homes and Building Automation, Industrial Automation, Aviation and Space)
Stefan Cristescu, Manager
Str. Aurel Vlaicu 147, Sc.2, Ap. 62
Tel: (40-1) 611-06-74
Fax: (40-1) 312-33-75

Hughes (Adisam Telecom & Associates Ltd.)
Adrian Viad, General Manager
Bibescu Voda 2, B1. P5, Sc.D, Apt. 44
Tel/Fax: (40-1) 312-50-99

Hytorc Service Romania
Str. T. Vladimirescu P50/14
4700 Zalau
Tel/Fax: (40-99) 61-7915

IBM (Romanjan Business Systems)
Dan Roman, Director
Vladimir Aninoiu, Marketing Director
Ghoerghe Olteanu, Service Manager
Str. Bibescu Voda 1
Tel: (40-1) 614-39-29; 615-82-67
Fax: (40-1) 615-62-59

ICEC (Fertilizers and raw materials for chemical industry)
Dumitru Nicolaescu, Director
Dana Georgescu, Deputy Director
Stirbei Voda 17, Et. 6, Ap. 17
Tel: (40-1) 613-34-51
Tel/Fax: (40-1) 312-58-57; 311-01-90
Telex: 10068 ICEC R

Ingersoll-Rand
Costin Nestor, Director
Str. Plantelor 32
Tel: (40-1) 615-67-18; 613-76-83
Fax: (40-1) 312-06-53
Telex: 10371

IMS- International Management Services
Michael Katz, Director
John Sulzbach, President
Calea Victoriei 218
Tel: (40-1) 659-25-11
Fax: (40-1) 312-95-47

Leventis Romania (Coca-Cola)
Bill Dohiny, General Manager
Joe A. Perez, Managing Director
Str. Stefan Greceanu 8, Apt. 3
Tel: (40-1) 610-78-12; 210-50-20; 210-50-21
Fax: (40-1) 210-50-22

Liberty Trading Co. (Import/Export)
Doru Mladin, President
Hotel Bucuresti, Sc. D-2, Et. 6
Tel: (40-1) 614-66-69; 614-37-63
Fax: (40-1) 312-01-15

Logic SRL (Computers, SprintNet Franchise)
Sorin Marpozan, President
Banica Marian, General Manager
Calea Grivitei 136
Tel: (40-1) 617-63-33; 617-63-74
Fax: (40-1) 312-84-43

3M
Valentin Popescu, Local Rep.
Str. General Berthelot 101
Tel: (40-1) 614-58-35
Telex: 11484

Medtechnica (Picker, Heromed)
Alexandru Koran, President
Valentina Petrosanu, Local Rep.
Str. Tudor Arghezi 6
Tel: (40-1) 312-32-54; 614-13-82
Fax: (40-1) 312-32-56

Michael Kammrath & Co. (Communications)
Michael Kammrath, Director
Str. Barbu Delavrancea 3A
Tel: (40-1) 617-30-05; 617-03-71; 617-54-09
Fax: (40-1) 312-74-94

Miami Trading Co. SRL (Importer of electronic products)
Hassan Awdi, President
Str. Arcului 14
Tel: (40-1) 312-48-00; 611-48-80; 211-24-31/5/6
Fax: (40-1) 210-08-12

Monsanto (Chemicals)
Ioan Sabau, Manager
Roxana Simiras, Local Representative
Bucuresti Hotel, Strada Luterana 2-4, Sc. D2, Ap 12.
Tel: (40-1) 614-78-47
Tel/Fax: (40-1) 312-46-69; 312-00-76
Telex: 10785

Moody International Trading, Inc. (Import/export of pharmaceuticals and medical equipment)
Adrian Lazea, Vice President
Str. Constantin Mille 18
Tel: (40-1) 615-99-22; 613-50-78
Fax: (40-1) 312-05-71
Telex: 11603

Motorola (Radio-Telephone)
Samuel Heskia, President
Blvd. Magheru 1-3, Et. 4
Tel: (40-1) 312-40-35; 312-40-51; 614-46-39; 614-50-25
Fax: (40-1) 312-05-04
Telex: 11753

NCS/ICIA (Leisure industry projects)
Ray Arco, President
Nana Cretu, Director
Str. Stribei Voda 162, Bl. 22-A, Ap. 5
Tel/Fax: 637-46-74; 637-35-46

O.F.C./D.M.B.&B. (Advertising & business development)
Alana Perez, President and CEO
Str. Aviator Mircea Zorileanu 26
Tel: (40-1) 312-40-33; 312-66-80
Fax: (40-1) 312-66-75

Omnilogic
Gabriel Marin, Director
Str. Poligrafiei 3
P.O. Box 18-33
Tel: (40-1) 312-71-75; 617-46-50
Fax: (40-1) 312-71-64

O.V. Aviation Ltd.
Intr. Calea Victoriei, 63-81, Sc. E, Ap. 15
Tel/Fax: (40-1) 311-05-10

Pars-Rona SRL (Consumer goods)
Yahya Afshari
Blvd. Balcescu 26
Tel: (40-1) 615-74-49

Phibro Energy
Irina Ivan, Director
Bucuresti Hotel, Str. Luterana 2-4, Sc. D2, Ap. 10
Tel: (40-1) 312-00-55; 614-98-57
Fax: (40-1) 614-57-70
Telex: 10981

Pfizer Products Co.
Corneliu Petre Cosareanu, Manager
Str. Brezoianu 13
Tel: (40-1) 312-23-85
Fax: (40-1) 311-18-26

Philip Morris
Graham Davidson, Manager for Romania
Violete Molodetiu, Admin. Assistant
Str. Eroii Sanitari 19
Tel: (40-1) 311-29-00; 311-29-02
Fax: (40-1) 311-29-01

Pioneer Overseas
Manuel Coronado, Director
Tom Urban, Manager
Alex Lazaroiu, Local Rep.
Hotel Bucuresti, Str. Luterana 2-4, Sc. D1, Ap. 1
Tel: (40-1) 613-19-58
Fax: (40-1) 615-33-26; 312-06-47
Telex: 10656

Price Waterhouse
Phil Makris, Senior Manager
Blvd. Eroii Sanitari 23
Tel: (40-1) 311-24-55
Tel/Fax: (40-1) 312-52-75

Rank Xerox
Marian V. Popa, Manager
Georgiana Iupceanu, Assistant
Str. Nuferilor 27
Tel: (40-1) 615-18-87; 615-22-20
Fax: (40-1) 312-00-53
Telex: 10291

R.J. Reynolds Tobacco International, Inc.
John Smith, Director
Ioana Negoita, Jr. Administrator
Str. Gazelei 27
Tel: (40-1) 312-25-18
Fax: (40-1) 312-55-32
RadioTel: (40-1) 638-40-60/280

Romagram
Joey De Alvare, President
Str. Spatarului 1, Ap. 11
Tel: (40-1) 613-44-48; 613-46-25; 613-43-41
Fax: (40-1) 312-13-04

Snelling (Personnel Services)
Jerry Dauteuil, Manager
Diana Anghel, Assistant
Blvd. Iancu de Hunedoara 2, Bl. H6, Et. 7, Apt. 27
Tel: (40-1) 311-02-26; 311-06-72; 650-49-75
Fax: (40-1) 312-20-69

T.A.T. Co. Ltd. (Trading and Advertising)
George Badea, Director
Octavian Moarcas, Deputy Director
Blvd. Nicolae Balcescu 32-34
Tel: (40-1) 614-25-03; 615-19-01; 615-17-03
Fax: (40-1) 312-00-90

Tektronix (Technical Assistance)
Alexandru Lazeanu, Sales Manager
Eva Lazeanu, Counselor
Str. Uranus 98, Bl. U8, Sc. 2, Et. 5, Ap. 36
Tel: (40-1) 631-68-78
Tel/Fax: (40-1) 312-20-13

The Crispin Company (Metals)
Nicloae Sota, President
Calea Mosilor 211, Ap.3
Tel: (40-1) 610-28-50; 619-16-13
Fax: (40-1) 312-01-79

The Line of the Spirit Ancient and Modern Design
Richard Enzer, President
Str. Stefan cel Mare 73
Salonta, Bihor
Tel: (40-93) 66-11-85

The UpJohn Company (Pharmaceuticals)
Ileana Verona
Hotel Bucharest, Sc. C2, Ap. 19
Tel: (40-1) 613-46-30; 614-21-77

Titco S.A. (International Barter Co., Inc.) (Consumer Goods)
Fathi Taher, President
Dona L. DeVito, Manager
Ion Voicu, Local Representative
Bucuresti Hotel, Sc.D1, Ap. 2
Tel: (40-1) 312-11-06; 312-09-52
Fax: (40-1) 613-60-37

Transammonia AG (Fertilizers)
Paul Dumitrescu, Director
Str. Luterana 1
Tel: (40-1) 613-71-12; 613-28-39
Fax: (40-1) 613-75-82
Telex: 11813

TTI (Technical Transactions International)
Jan D. Hilgen, President
Cristian Ionescu, Director
Bucuresti Hotel, Sc. D1, Et. 2, Ap. 8
Tel: (40-1) 615-22-12, 312-05-77; 312-05-78
Fax: (40-1) 312-05-76
Telex: 10643

UOP Process International Inc.
Lucia Grecu, Local Rep.
Dr. Ing. Matache Voicu
Blvd. Unirii, Nr. 8, Bl. 7A, Ap. 22
Tel: (40-1) 312-60-78; 312-34-56
Fax: (40-1) 631-21-58

Velco (Chemical Products)
Matthew Gelchion, Vice President
Radu Grigore, Manager
Str. Bacalogu, Hotel Batiste, Room 19
Tel: (40-1) 312-09-12; 614-25-87; 614-08-80
Fax: (40-1) 615-81-73; 312-09-12
Telex: 11744

Joint Ventures

Able Com. S.R.L. (Raw material export/import)
Robert Havrincea, President
Szegy Istvan, Vice President
Pintye Istvan, Vice President
Str. Transilvaniei 11, Bl. AN 7, Ap. 32, Oradea
Tel: (40-91) 39-148; 60-189
Fax: (40-91) 18-147

Abtech SRL (Computers)
Mihai Nicolae, President
Paul Constantinescu, Director
Str. Pitar Mos. 2-4
Tel: (40-1) 614-81-70
Tel/Fax: (40-1) 312-27-84

Acme Products Com. S.R.L.
Emil & Anca Mesaru, Director
Str. Cuza Voda, 15C, Ap. 2
Tel: (40-1) 641-38-22; 641-08-12
Fax: (40-1) 312-75-44

Agros International Ltd. (Import/export of agricultural and food products)
Ioan Precup, President
Mariana Bucur, Vice President
Paul Precup, Vice President
Str. Toamnei 47
Tel: (40-1) 310-01-71; 610-57-78; 611-57-66
Fax: (40-1) 210-01-58

Airmet S.R.L. (Parts for aviation industry)
Florin Marinescu, Director
Str. Zapada Mieilor 16-18
Tel: (40-1) 633-10-25; 633-03-44; 633-37-43; 633-26-96
Fax: (40-1) 679-52-90; 312-77-14

Alliance Group (Publicity)
Adrian Cioaba, President
Dan Enescu, General Manager
Str. Stirbei Voda 4, Bl. 2, Et. 5, Ap. 61
Tel/Fax: (40-1) 615-06-33

Alltrom S.R.L.-All Trading Romania (Computers)
Gabriel Popoviciu, General Director
Mihai Mateescu, Director
Calea Mosilor 209, Sector 2
Tel: (40-1) 619-31-24; 210-18-19; 210-33-96
Fax: (40-1) 210-18-19; 210-27-91; 618-53-01

Alpha Development Group, S.R.L. (Marketing, management, and consulting)
Joseph Childs, President
Misu Manolescu, Vice President
Str. Libertatii 32, Oradea
Tel: (40-91) 34243
Fax: (40-91) 11983

Almark International Construct S.R.L. (Construction)
Robert Jacobs, U.S. President
Florentina Isfan, Vice President
Str. Abrud 140, Bl/ C-12, Sc. A, Ap. 4
Tel: (40-1) 666-25-87
Fax: (40-1) 312-55-18

American Muscel (Automotive)
Catalin Tutunaru, President
Cezar Lascarescu, Director
Str. Cimpineanu 25
Tel: (40-1) 613-38-86
Fax: (40-1) 311-06-34
Tel/Fax: (40-1) 613-02-07

American Popcorn S.R.L.
Jianu Vlagea, Director
Calea Victoriei 135, Et. 4, Aripa Lemnea
Tel: (40-1) 659-61-43; 659-20-13
Fax: (40-1) 312-96-59

American Romanian Technology Exchange Inc.
Brian Voss, President
Mihai Panciu, Vice President
Ion Popovici, Marketing Director
Str. Fabricii de chibrituri 5-11, Cluj
Tel: (40-95) 13-07-65
Fax: (40-95) 13-20-22
Telex: 31222

American Technofrig DoBario (Beverage Dispensing/Bottling Equipment and Food Processing Machinery)
Radu Dobariu, President
Mihai Panciu, Vice President
Ion Popovici, Marketing Director
Str. Fabricii de Chibrituri 5-11, Cluj
Tel: (40-95) 13-07-65
Fax: (40-95) 13-20-22
Telex: 31222

American Traders Inc. (Textiles, electronics, telephones)
Florentina Badoi, Director
Str. Frumoasa 28, Ap 1
Tel: (40-1) 650-66-82; 688-68-38

Angelic Company S.R.L. (Import/export consumer goods, art studio)
Ioan Marinescu, Director
Angela Marinescu, Vice President
Comuna Aninioasa, Cimpul Lung, Jud. Arges
Tel: (40) 976-60

ASA Company Ltd. (Non-destructive testing, trade, building, art, and publicity)
Alexandru Aposteanu, President
Nicolae Palea, Technical Director
Nicolae Picu, Director for Constructions
Carmen Magalie, Commercial Director
Str. Luca Stroici 15
Tel: (40-1) 611-84-54; 611-77-10
Fax: (40-1) 210-15-88
Telex: 11939

ATARO S.R.L. Atalanta Corp. (Food and beverage products)
Stelian Constantin, President
Ion Teveloiu, Director General
Str. Maior Alexandru Cimpeanu 66, Bl.37, AP. 18
Tel: (40-1) 617-01-34
Fax: (40-1) 610-29-39
Telex: 11958

Audley Group USA/I.P.C.M. Romania
Ronald Ostezan, Marketing Director
Romulus Nanca, Director
Calea Victoriei 218
Tel: (40-1) 650-20-94
Fax: (40-1) 312-95-47

Bel-Ami Group (Concrete masonry units)
Nick Forsea, General Manager
Alba Iulia, Romania
Tel: (40-92) 15-32-65

Blue Ridge International (Computers)
Bob Denton, President
Dorin Stana, Director
Blvd. M. Eminescu 115
Tel: (40-1) 610-43-55; 610-28-24; 610-26-67
Fax: (40-1) 312-44-02; 312-08-64

Boardking (Cardboard)
Dumitru Ghimus, President
Dan Stefan, Rep.
Blvd. Aviatorilor 86
Tel: (40-1) 312-21-45; 614-60-55
Fax: (40-1) 312-76-34

Circle Systems International (Computers)
Nicolae Rotileanu, Director
Str. Cimpina 39
Tel: (40-1) 613-89-60

Coca-Cola Services Romania Ltd. (Beverages)
Nic Constantinescu, Director General for Coca-Cola
Ion Stamanichi, Director, Bottling Enterprise
Brian Hutton, Financial Director
Ion Josceanu, Director, Packaging
Ioan Farcasiu, Technical Director
George Parashiv, Sales Manager
Splaiul Unirii 80
Tel: (40-1) 675-39-32; 675-30-58; 312-35-85
Fax: (40-1) 312-35-87

Colgate Palmolive (Cosmetics, consumer goods)
Carlos Velasquez, Director General
Tel/Fax: (40-1) 312-87-58

Computerland (MBL Computers S.R.L.)
Nicolae Badea, General Director
Cornel Florin Tudor, Commercial Director
Calea Dorobanti 152
Tel: (40-1) 633-32-27; 633-37-06; 633-25-97
Fax: (40-1) 633-37-06; 312-40-32
Telex: 11059

Cosmos Development S.R.L.
Marcel Nicula, Office Manager
P.O. Box 22-256
Tel: (40-1) 311-07-08
Tel/Fax: (40-1) 650-25-04

Data Plus Communications, S.R.L. (Digital Systems-PBX MITEL)
David Albeanu, President
Ted Azimioara, Director
Str. Pitar Mos 2-4
Tel: (40-1) 613-77-88
Fax: (40-1) 789-26-01

Dental Supply International S.R.L.
Dr. George Danciu, President
Dr. Vasile Anca, Director
Str. Rahovei, Bl. 8, Ap. 56, Roman, Jud. Neamt
Tel: (40-37) 30512

De Vealle Corporate Services (General contractor for construction, personnel placement, fitness center)
Loy Veal, Manager
James Cunningham, Director
Str. Enachita Vacarescu 17A
P.O. Box 42-103
Tel: (40-1) 623-79-59
Fax: (40-1) 312-24-11

DHL International Romania S.R.L. (International Courier)
John Lucas, General Manager
Veronica Savanciuc, Sales and Marketing Manager
Hotel Bucurest, Str. Calea Victoriei 63-81, E1
Tel: (40-1) 312-26-61/2/4; 312-84-88
Fax: (40-1) 312-84-89

Dynatek S.R.L. (Design and development of Advanced Technology)
Vladimir Rosca, Director General
Calea Floreasca 167 bis
Tel: (40-1) 633-00-69/135

Elicom S.R.L. (Computers)
Gabriel Dogaru, President
Blvd. Nicolae Titulescu 105, Bl. 7, Ap. 30
Tel: (40-1) 618-12-63
Fax: (40-1) 618-53-01

Elon S.R.L. (Aromatic Chemicals)
Constantin Palade, Director
Str. Cauciucului 1, Onesti, Jud. Bacau
Tel: (40-33) 21380; 21070

Elor S.R.L. (Aromatic Chemicals)
Lucia Negoita, Local Rep.
Hotel Dorobanti, Room 206
Tel: (40-1) 312-05-97; 611-45-95
Fax: (40-1) 611-79-02
Telex: 11939

Elsin (Antitumoral medical drugs)
Ioan Botez, Director
Blvd. 1 Mai 11
Tel: (40-1) 650-37-71
Fax: (40-1) 650-33-20

Eurotherm (Heating and related equipment)
Ioan Mateesco, Director
Str. Armeneasca 28 A
Tel: (40-1) 611-52-59

FEM Inc. -Food Equipment Marketing (Represented by Heka S.R.L.)
Horst Herbert, President
George Predescu, Director
Str. Matasari 64
Tel: (40-1) 642-94-03
Fax: (40-1) 312-78-43

Freedom Trading (Clothing)
Victor Kasatchko, Director
Calea Mosilor 268
Tel: (40-1) 650-74-87

Garom S.R.L. (Import, export and development)
Loy Veal, Manager
Blvd. Libertatii, Bl/ 20, Et. 6, Ap. 34
Tel: (40-1) 614-65-85; 312-12-14

General and Company (Consumer Goods)
Marius Stoean, Director General
Piata Amzei 13
Tel: (40-1) 650-64-76
Fax: (40-1) 659-62-47

Graffiti (Advertising)
Ronen Petreanu, President
Paul Radu, Manager
Piata Rosetti 5, Hotel Banat, Room 202
Tel: (40-1) 312-14-86; 312-12-63; 312-34-04
Fax: (40-1) 312-23-39

Grand Hotel Enterprise (Radisson Hotels)
Charles Spry, American Interest Rep.
Nicolae Trandafir, Director General
Blvd. Magheru 7
Tel: (40-1) 614-69-14; 312-14-92; 614-51-60/164

HPSYS- High Performance Systems S.R.L. (Hewlett-Packard)
Ilie Ionescu, President
Tatiana Diamandopol, Assistant
Hotel Bucuresti, Str. Luterana 2-4, Sc. C. Ap. 4
Tel: (40-1) 312-67-51; 312-67-52
Fax: (40-1) 312-67-53

Info Team
Robert Jacobs, U.S. Director
Mircea Constantinescu, President
Str. Banu Manta 16, Bl. 27, Sc. A, Et. 10, Ap. 51
Tel: (40-1) 617-40-24
Fax: (40-1) 312-1008

Inter-Am-Trading S.R.L. (Import of industrial raw materials and accessories for the textile industry)
Pompiliu Creiveanu, President
Iulia Anastasiu, Director
Str. Dr. Zaharia Petrescu 7
Tel: (40-1) 637-56-16; 637-16-30
Fax: (40-1) 312-20-75

Interhold, Ltd.
Ray Arco, General Director
Florin Dorobat, Director
Tel: (40-1) 647-16-42
Fax: (40-1) 666-57-39

IPTANA-Search S.R.L. (Road Design)
Michael Stanciu, President
Blvd. Dinicu Golescu 38 (Ministry of Transportation)
Tel: (40-1) 312-38-04

Jaro international S.A. (civil aviation and tourism)
Mirica Dumitrescu, Director General
Cristian Mihalache, Deputy Director
Aeroportul Baneasa
Tel: (40-1) 633-00-30/207; 212-22-73/75; 312-97-58
Fax: (40-1) 679-74-15

J.I.L. Chimtex S.R.L. (Chemical products and equipments)
Scantee Lidia, Director
Scantee Cristian, Technical Director
Sos. Oltenitei 30, Bl. 5A, Ap. 23
Tel: (40-1) 623-17-20

J & P Inc. (Trading Company)
Charles Jahno, President
Peter Rothbart, Vice President
Str. Bibescu Voda, Bl. T4, Et. 4, Ap. 12
Tel/Fax: (40-1) 781-61-20; 312-23-27

Labtam Open Systems (Computers)
Gheorghe Costache, Director
Str. Batistei 11, Ap. 25
Tel: (40-1) 611-83-14
Fax: (40-1) 312-23-27

Mihai Morris Lahman Advisors S.A. (Investment)
Seymour Morris, Jr., President
Calea Victoriei 133-135, Et. 6, Ap. 8-9
Tel: (40-1) 312-96-54
Fax: (40-1) 659-44-84

Mar Music Production (Musical Products)
Horia Moculescu, Director
Str. Brezoianu 57 A, Et. 1, Ap. 4
Tel: (40-1) 613-06-13
Fax: (40-1) 613-87-82
Telex: 10367

MKS Elektronik Ltd. (Publicity, communications, TV Channel II)
Gabriel Salom, General Manager
Blvd. Mihail Kogalniceanu 12
Tel: (40-1) 613-71-56; 614-74-16
Fax: (40-1) 312-05-62

Nicom International Communication (AT&T Authorized Distributor)
Sorina Iacob, Office Manager
Carmelo Iliescu, Senior Vice-President
Str. Stirbei Voda 99, Bl. 25D, Et. 1, Ap. 3
Tel: (40-1) 675-94-34; 637-55-86
Fax: (40-1) 613-42-75

Optinova S.R.L. ( Optics and Optometry)
Adi Milstin, Manager
Blvd. Splaiul Independentei 17
Tel: (40-1) 312-07-28
Fax: (40-1) 312-07-27
Blvd. Unirii 3
Tel: (40-1) 631-35-22
Fax: (40-1) 631-34-96

Pepsi
Ioan Bucurescu, Manager (Certa S.R.L.)
Tel/Fax: (40-1) 623-59-20; 760-73-32
Constantin Babiceanu, Technical Consultant
Str. General George Lupu 14
Tel: (40-1) 623-89-70; 623-82-53; 623-21-10/113
Eliakim Davidai, Director General (Sitaco S.R.L.)
Constantin Greceanu, Director
Sos. Viilor 55
Tel: (40-1) 312-32-69
Fax: (40-1) 312-32-71

Proctor and Gamble Marketing Romania S.R.L.
Derek Thurbin, Director
Str. Grigore Alexandrescu 42
Tel: (40-1) 659-56-94; 312-66-85
Fax: (40-1) 312-66-84

Radiotel S.R.L. (Radio-communications, joint-venture with Motorola)
Adrian Grancea, Director
Sos. Orhideelor 27-29
Tel: (40-1) 638-61-77
Fax: (40-1) 638-59-89

R.I.C. Impex S.A. (Industrial products)
Constin Francu, President
Radu Lupu, Vice President
Iulian Herscovici, Vice President
Str. Stirbei Voda 170, Bl. 10G, Et. 8, Ap. 30-31
Tel: (40-1) 637-64-42; 637-64-68; 312-11-39; 312-12-17
Fax: (40-1) 637-64-68
Telex: 11948

RomAmerican Color (Photo Products)
Calin Zamfirescu, Director
Str. Pompiliu Manoliu 2, Bl. P-1, Ap. 9
Tel: (40-1) 621-04-63

RomAmerica International Trading Co. S.R.L. (DAF Trucks)
Charles Spry, President
Cristina Dogaru, Vice President
Catalin Ghita, Sales Manager
Str. Luterana 14, Et. 3
Tel: (40-1) 614-69-14; 614-40-10; 615-78-01; 615-86-94; 312-33-68
Fax: (40-1) 312-14-92

Romanian Computer System (Apple Computers)
Iulian Rosengren, President
Constantin Petrescu, Vice President
Anca Molnar, Marketing Manager
Str. Luca Stroici 2
Tel: (40-1) 312-39-20; 312-39-27

RomControl Data (Computers)
Ovidiu Calugarescu, Director General
Str. Fabrica de Glucoza 15
Tel: (40-1) 312-88-17; 688-40-95; 688-35-15
Fax: (40-1) 312-88-18
Telex: 11848

Rom- Ku S.R.L.
Reese Palley, Chairman
Kenneth Blatt, Co-Chairman
Adrian Draghici, President
Hotel Dorobanti, Camera 111
Tel: (40-1) 312-20-69; 611-98-96; 611-99-87; 611-08-60
Fax: (40-1) 312-20-69
Telex: 11770

Rominter S.A. (Chemical products and cement)
Joey De Alvare, President
Str. Spatarului 1, Et. 5, Ap 11
Tel: (40-1) 613-43-41; 613-46-25
Telex: 13367

Romtronics S.A. (High power laser technology)
Christian Vahab, President and Chairman
Ion Aldulescu, Director
Calea Buziasului 11 A, Timisoara
Tel: (40-61) 85100, 83268
Telex: 71326

Rosbad S.R.L. (General merchandise)
Gheorghe Stanescu, President
Georgeta Herescu, Director
Calea Mosilor 209
Tel: (40-1) 610-62-82

Smarion Company S.R.L. (Import/Export)
Ionel Gheorghiu, President
Smaranda Gheorghiu, Director
Sos. Pantelimon 358-362, Bl. 15 a BC, Sc. A, Ap. 12
Tel: (40-1) 627-08-47

Scaiglass (Industrial glass)
Nick Burke, President
Str. N. Constantinescu 13, Sc. B, Ap. 19, Bucharest
Tel: (40-1) 679-16-59 (Bucharest)
Tel: (40-71) 12202 (Ploiesti)
Scaieni-Ploiesti: (40-71) 44422; 44522

Scop (IBM, EVEREX) (Computers)
Ion Coltan, Director General
Dragos Stan, Director
Str. Zarii 10
Tel: (40-1) 638-33-45; 637-59-97; 312-28-33; 638-32-84
Fax: (40-1) 312-41-99
Telex: 11948

Snowcap Export S.R.L. (sweater exporters)
Thomas M. Murray, Manager
Horia Flitan, Local Representative
St. Nicolae Iorga 17, Ap. 10, Sector 1
Tel: (40-1) 650-23-61

Technical Division
Alexandru Visan, Director
Str. Barbu Vacarescu 162
Tel/Fax: (40-1) 312-99-89

Tele-Communications Romania, S.R.L.
Phil Ison, Chief Executive Officer
Ruxandra Munteanu, Director
Str. Tg. Neamt 18, Ap. 7
Tel: (40-1) 726-36-56

The Boston Company (Import/Export)
Kristin Eckberg, President
Tel: (40-1) 312-32-33
Fax: (40-1) 312-74-94

The Mega Company (motor oil)
Salah Turkmani, President
Cristina Patru, Representative
Tel: (40-1) 312-36-55; 312-55-51

The Transion (De Hondol Enterprises)
Ion C. De Hondol, Director General
Blvd. Dinicu Golescu 38
Tel: (40-1) 37-60-75
Fax: (40-1) 638-52-93
Telex: 11606

Transatlantic Shipping and Trading (Transportation)
Ion Nan, Director
Bucuresti Hotel, Sc. C2, Ap. 2
Tel: (40-1) 659-46-71, 659-38-05
Fax: (40-1) 312-01-08
Telex: 92529

Uniaxis S.R.L. (Radio Communications)
Gurkan Gokce, President
Lucica Serban, Director
Blvd. Unirii 35, Bl. A-3, Sc. 2, Ap. 34
Tel: (40-1) 620-38-10; 620-38-94
Fax: (40-1) 312-52-17

Vidracom S.R.L. (Construction)
Radu Abagiu, President
Johan Pinkert, Director
Nicolae Piciorus, Deputy Director
Nicolae Nicolae, Deputy Director
Str. Varnali 20, Sector 1 (Piata Buzesti)
Tel/Fax: (40-1) 659-30-34

Voreap (Financial and Investment consultants)
Str. Allea Parva 2, Nr. 22, Sector 6
Tel/Fax: (40-1) 777-67-74

Westech (Office equipment, medical/laboratory equipment)
Radu Eugene Ivan, President
Laura Poenaru, Local Representative
Str. Dr. Georgescu 20
Tel: (40-1) 620-62-87; 620-20-65
Tel/Fax: (40-1) 323-27-47

Worsham Group Romania
Alan N. LeBlanc, President
Evelyn C. Worsham, Assistant to the President
Laura Popa, Manager
Blvd. Libertatii 20, Bl. 103, Sc. 2, Et. 6, Ap. 34
Tel: (40-1) 614-65-85
Fax: (40-1) 312-12-14

**Source: U.S. Embassy Information Office and the Foreign Commercial Service (Bucharest)**

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# U.S. Companies Operating in Slovakia

November 1994

Adventure International Travel
Agbe International
Agotrans
Alfa UMI
AMEX
American Oil and Automotive
Amido GmbH
Amtex
APP Systems
APRC- International
Atlantic Trade Company
Austin Bratislava
Balvan Trading
Blesymex
Bonita Fashion
Brako
Brilliant
Bytovi Partneri
Cabs
California Connection
California Impex
City University, Bellevue, USA
Codea
Comco Martech
Comet
Computer Pro
Connect Communication Systems
CSA A EBO
CSL. Konzultacna Skupina Bratislava
CSA Systems
C.T.R. International Inc.- New York
Czecho-Slovakian Appraisal Group
Danube Mold and Die
Dekoplast
Dinger Trading Co.
Dow Elanco
ECO Monitoring
Espe International
Eurotel Bratislava
Euro-U.S. Venture Group
Farah
FSB
Futures International a Spectral
Future Producer International
Gama-Trading

Global
Global Corp.
Globus International
Hollywood Cosmetics
Honeywell
HWK
Ibec Trading
IBM Slovakia
IESC
Interama
Intercontinental D and H
International Marketing Services
International Motor Corporation
International Trading Corporation
Interparent
Istrocera
Jubeko
Karleton-Gaspar
Kesa
KMart
Kopa
Kratt
Latigas
Lato
Leader Gasket of Slovakia
Mag Market
Marbach
Maxus Bratislava
MERI
MH Kontrakt
Minimart
Mozitex
Muller
Nicholson and Associates
Ollarek
Paul Bordas
Pekaren u Peska
Penta
Peter Stojka P.S. Metal Products
Petetibo
Pioneer Overseas GmbH
Pipeco
Pivovar Saris
PoMa
Prospekta
Pyramida
Pyro Kontrol
R.A.C.
Radix
R.C.C.

Richard
Rimi-S.C.
Seka
SDK Enterprises
S.H.A. Incorporated
Signal Telecom
Simpex Invest
Slovex
Sloving
Slvakable Slovakia
Squire, Sanders, Dempsey
Strom
Suntrop
T. Cartledge PLC Bratislava
Tcherko
Trade Bigg Idea
Trans-Actions
Tribad
TRSR Mineral Spas
Turano
Tyma
Unifon
Vellas
Venta International
Vico-Slovakia Distributing
Virginia
Vlamax
Westec
World of Colors Corp.

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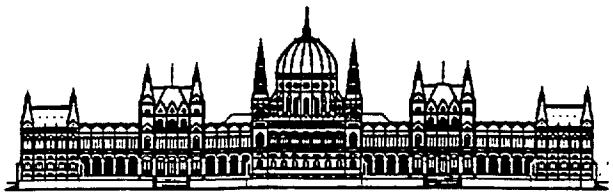

# Hungarian economy at a turning-point

May 1995

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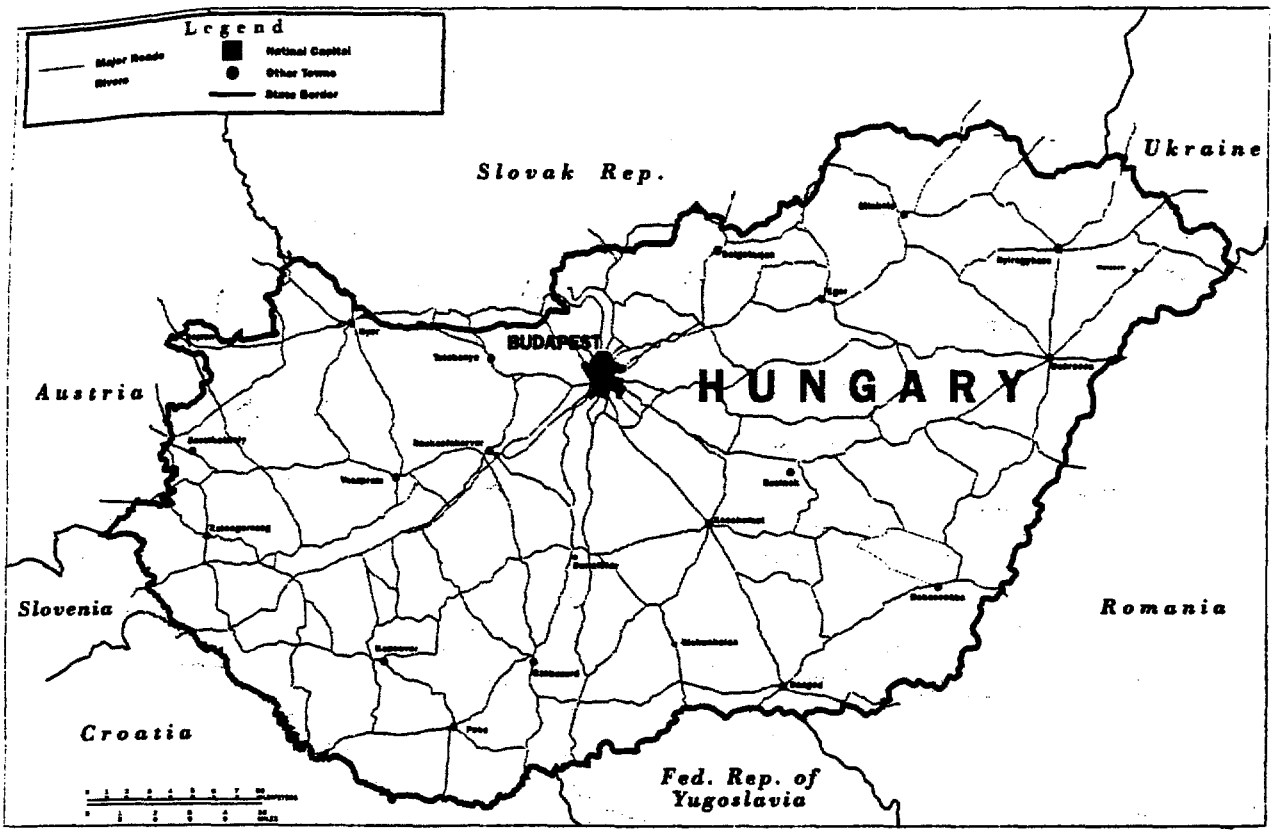
# Hungary

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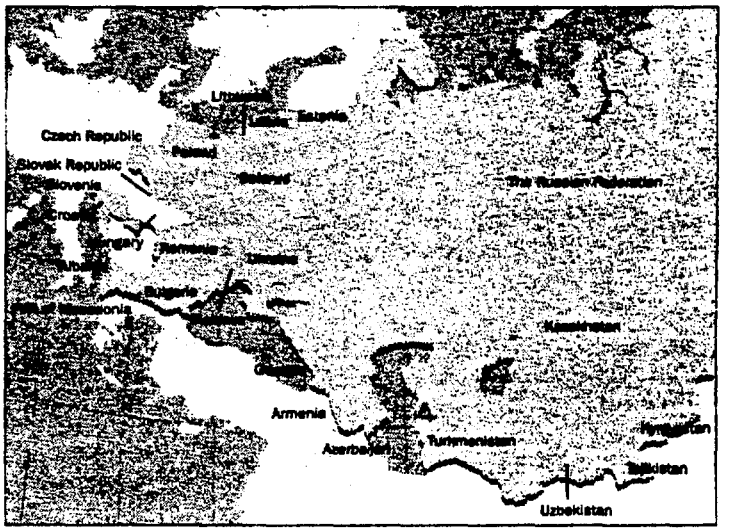

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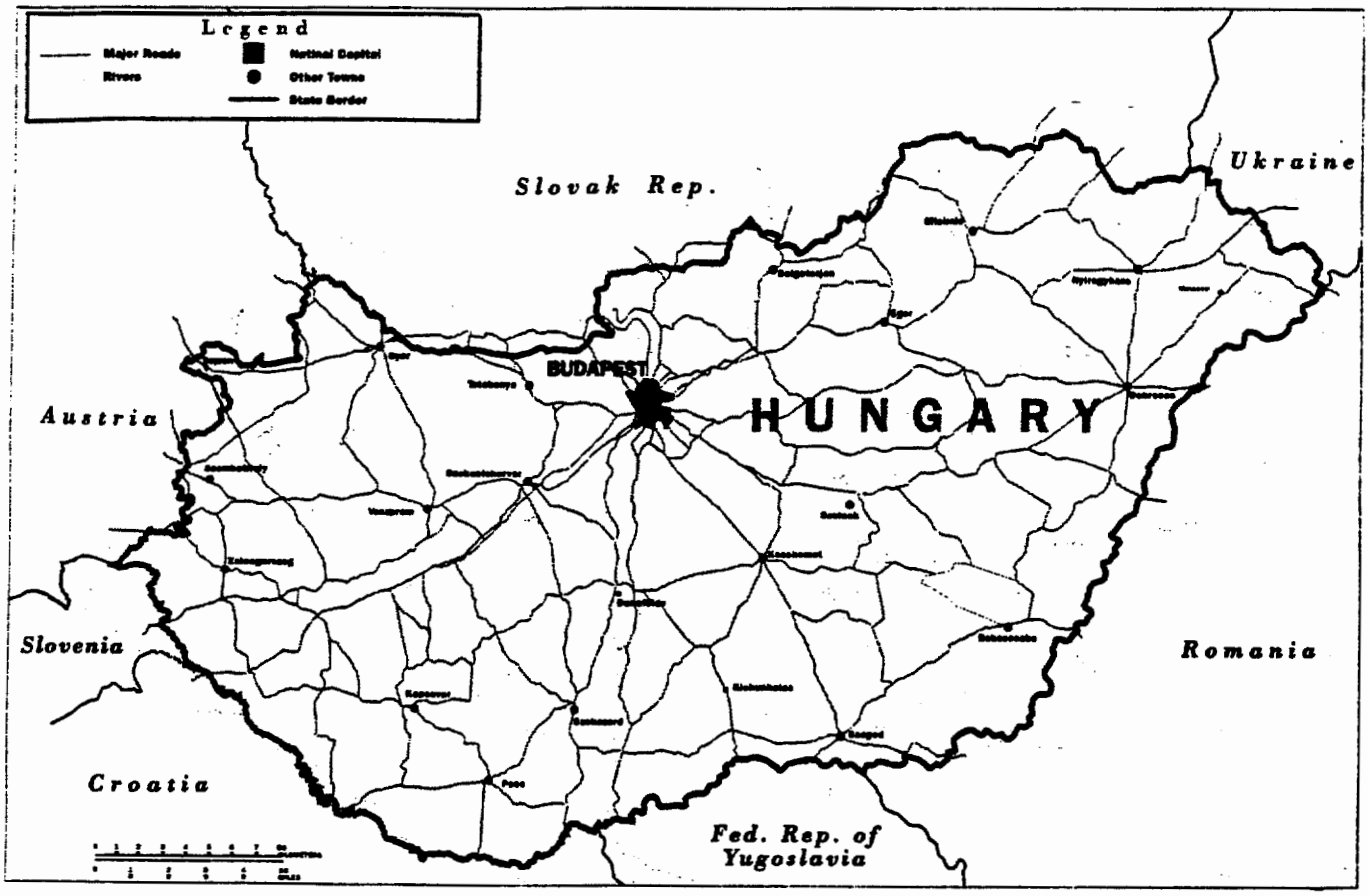
# Hungary

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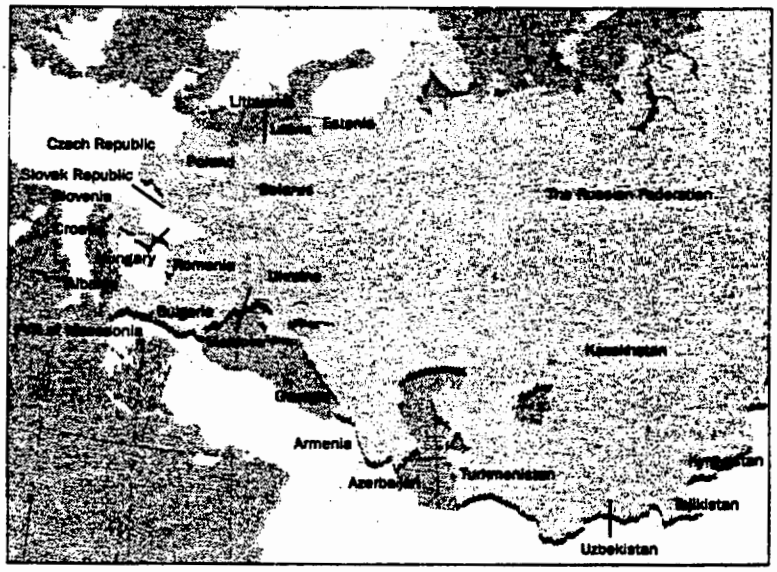


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# Chapter 1

## Transition to a Market Economy

### 1.1. Development of Democracy

- Hungary is committed to the principles of democracy, pluralism and market economy system.

- Since 1990 the **new parliamentary democracy** has taken strong root in Hungary. The national elections held in 1990 and 1994 were free and fair.

- Hungary has excelled itself in Eastern Europe by the virtue of its **internal political stability** over the past five years. The second democratic elections, held in May 1994, led to the creation of a coalition government of the Hungarian Socialist Party (HSP) and the Alliance of Free Democrats (AFD).

- The stability of the Hungarian democracy is demonstrated by the following:

  - Hungary is the only country in Central and Eastern Europe where the first democratically elected coalition government could stay in office for its full term of four years.

  - The second free elections have led to a clear majority for one party, and with 72% the coalition formed from two parties has a majority great enough to pass all laws. Thus, an important precondition is fulfilled for the implementation of measures which are unpopular but necessary for a successful modernisation.

  - The fact that the socialists, despite their absolute majority, from the beginning advocated a coalition with the free democrats demonstrates a high degree of democratic political culture.

  - Like other countries, Hungary has minor extremist groups, both left and right. As showed in the last election of May 1994 the Hungarian people has rejected any kind of extremism.

- Hungary, as a signatory to the **Association Agreement with the European Union**, has designe ! a strategy to cope with the tasks of adjusting its legal environment, state subsidies and competition policies to mach those pursued by the European Union and to reach a full membership by the year 2000.

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## 1.2. Development of Market Institutions

- Institutional changes reflect Hungary's arrival at **an advanced state of transition.**

- Our **legal and institutional environment** has developed steadily and arrived close to meet the requirements of a market economy. The new legislation introduced since 1990 particularly affects the competitive environment including the Law on Prohibition of Unfair Market Practices, the Concession Law, the Telecom Law, the Electricity Law, the Banking Law, the Bankruptcy Law and the Accounting Law.

- As regards **liberalization**, 92% of import has been liberalised; the exports are fully liberalised except for agricultural and some other products, our price regulations are liberal by international standards (only 8% of products are centrally regulated).

- **State subsidies** to enterprises have been dropped to a level acceptable in a market economy (from 13% to 5% of the GDP).

- There are 42 **banks** in Hungary. Since the Law on Commercial Banks has imposed on the Hungarian **banking system** the Basle-defined standard for capital adequacy, state-owned banks have benefited several times from state-financed initial capitalisation and further re-capitalisation. The 6 largest banks, which represent only 40 per cent of the capital of the banking sector, have 71 per cent market share; the 20 banks owned partially or totally by foreign investors have a 16.5 per cent market share, but hold 41 per cent of the capital.

- The Hungarian securities market is mainly concentrated in the **Budapest Stock Exchange** (BÉT), which was founded in 1990. The total turnover of the stock exchange was HUF (Hungarian Forint) 112.28 billion in 1994. A total of 130 securities are traded at the BÉT, including stocks, compensation vouchers, government securities and company bonds. Trading at the exchange is done partly by open auction, while 13 of the 130 securities traded at the exchange are in an automated trading system, whereby offers are matched automatically by computer.

- The **Budapest Commodity Exchange** (BÁT) was founded in 1989. The total turnover of this market was HUF 35.3 billion in 1994.

- In 1993, the National Bank of Hungary, the Budapest Stock Exchange and the Budapest Commodity Exchange established the **Central Clearing House and**

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**Depository Co. Ltd.** (KELER), which was registered as a clearing house with a limited banking licence.

### 1.3. Restructuring of Enterprises

- There were systematic efforts to improve efficiency of enterprises by restructuring.

- The restructuring efforts encompassed

  - breaking up highly concentrated structures to increase competition;

  - separating core and non-core activities or activities of different nature (e.g. in the oil and gas sector, postal services/broadcasting/telecom; tracking and rural bus transport);

  - sizing down sectors in trouble and with limited market prospects (e.g. coal; steel; aluminium; building; meat-processing) by phasing out state subsidies or closing down unprofitable entities by the state as owner;

  - leaving restructuring to a real, private owner.

- Hungary's **Law on Bankruptcy**, first enacted on 22 October 1991, was substantially amended in September 1993 to soften the impact of two very controversial elements of the original version of the law: namely (i) a provision obliging companies to file for bankruptcy if they were unable to pay any liabilities that were more than 90 days overdue, and (ii) in order to avoid liquidation a restructuring plan must be approved by all creditors elected to participate in the restructuring negotiations. The original version of the law had been criticised for pushing potentially profitable companies into liquidation by making it virtually impossible to satisfy the requirements for a restructuring plan. In the new version of the law, companies with overdue liabilities are no longer forced to file for bankruptcy and a qualified majority of creditors can decide on a restructuring plan against the will of minority creditors.

- In the recent years (1993-95) government **bail-out** was limited to a modest (less than 20) number of enterprises in trouble, on the basis of individual government and/or Parliament decisions. The enterprises were selected on the basis of their strategic importance to the economy, for their indispensable services (e.g. railways); unemployment considerations in very depressed areas (e.g. 2 ferrous metallurgy companies in the Borsod region with failed privatisation attempts). Labor considerations were taken into account also in case of the other 12 manufacturing or basic material processing companies

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that likely have long-term market prospects if they are allowed to recover from the transformation shock.

### 1.4. Privatisation

- Privatisation in Hungary has been underway since 1990. Privatisation practice is built on a **commercial basis**. Therefore, the Hungarian practice features mandatory property valuation and sell-off, often by bidding and public offering, in which organizations as well as entrepreneurs can participate and become owners. Participation by foreign investors in large scale is also typical.

- The **share of the private sector in the production of GDP** has been steadily increasing. This share was estimated to fluctuate around 20% in 1989, 44% in 1992 and **55%** in 1995. It is estimated that approximately 50% of the Hungarian state property had been privatized by the end of 1994.

- When the **State Property Agency** (SPA) was founded in 1990, the number of enterprises it held was 1848. In the past four years the SPA privatized more than a third of 653 enterprises to the full. At the end of December of 1994 the state property to be sold by the SPA represented 642 economic associations and 23 state-owned enterprises yet to be transformed into corporations.

- In October 1992 the **Hungarian State Holding Company** (HSHC) was founded. The main task of SPA is privatisation, while the HSHC is in charge of managing long-term state property with the added task of privatizing part of it. When the HSHC was founded it held 184 economic entities. The transformation of these entities has basically been finished.

- Privatisation is most advanced in retail, food, building, paper and tobacco industries. High priority has been placed on telecommunications and banking sectors. In December 1993 the HSHC sold 30% of MATÁV (Hungarian Telecommunication Company). A German-American consortium paid USD 875 million for it. In July 1994 Bayerische Landesbank acquired a 25.01% stake and the EBRD a 17% stake in the Hungarian Foreign Trade Bank.

- In May 1995 **new privatisation bill** was adopted by the Parliament. The new privatisation bill focuses on accelerating the privatisation process and preferring the purchase in cash and decreasing the amount of permanently state-owned property. In the privatisation of large corporations (Hungarian Electricity Works, Hungarian Oil Company, the remaining part of MATÁV, Antenna Hungaria, regional gas distribution companies, etc.) and banks, the role of foreign investors will be very important while in the case of medium- and small-sized enterprises a bigger role will be given to domestic investors,

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and the management and employment buyout will be encouraged. The legislation continues to employ privatisation techniques currently in use, such as payment in installments, leasing, Existence loans, employee and management buyout.

### 1.5. Convertibility

- As an integral part of the development of a market economy, in order to gradually eliminate the existing foreign exchange restrictions, new legislation has been prepared on the convertibility of the Hungarian Forint to the extent acceptable to international organisations as well.

- The **new Bill on Foreign Exchange** is built on the following basic principles:

  - For the purposes of their current payments entrepreneurs and organisations as well as natural persons may freely purchase foreign exchange for their business activities and for tourism or other personal requirements, respectively;

  - Transfer of capital for outward direct investment shall be free, while financial investments shall be carried out under specific permits issued by the foreign exchange authority;

  - Foreign exchange received or otherwise obtained by residents must be transferred to Hungary. Such residents are free to dispose of such amounts in Hungary: natural persons may keep it at their disposal, put it into foreign exchange accounts or convert it into HUF, while enterprises and organisations may put it into foreign exchange accounts or convert it into HUF.

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# Chapter 2

## Structure of Economy

### 2.1. Gross Domestic Product

- Although Hungary had 20 years of experience in practicing market-style economic management, the **social costs of the transition process** are enormous. Declining real GDP, rising unemployment and inflation are inevitable concomitants of the transition. In this respect, the worst seems to be over in Hungary: after four years of declining output real GDP has grown by 2-3% in 1994.

- The following figures present the **real GDP growth rate** for the recent years:

| Real GDP Growth Rate | | | |
|---|---|---|---|
| 1991 | 1992 | 1993 | 1994 |
| -11.9% | -3 % | -0.8% | 2-3% |

Source: Central Statistical Office

- In 1994 the Hungarian economy produced a gross domestic product of about 4330 HUF billion or USD 41 billion. This represents a **per-capita GDP** of about USD 4000, a figure which is one of the highest in the region. (For several reasons the per-capita GDP data should be used with care. The GDP data are still strongly undervalued in the countries of transition, due to insufficient data collection for the service sector).

- **Industrial output** continues to represent a significant share of GDP. The industrial and construction sectors accounted for 29.6% of total GDP in 1994 compared to 27% in 1991 and 27.8% in 1993. Although historically being an important sector in the economy, **agricultural production** continues to decline mainly due to protracted drought and the transformation of land ownership. At the same time, the importance of **other sectors** is growing due to Hungary's geographical location at the crossroads of Central Europe, its tradition of hospitality as well as its well-educated labor force to provide conditions for the growth of the **service sectors including the tourism**.

### 2.2. Industry

- The volume of total industrial production grew by 4% in 1993, for the first time in the sector since 1989. During 1994 total industrial production grew by

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9.2%. The growth was the most dynamic among smaller scale economic units, thus the share of units under 21 employees in the growth of the industrial production increased from 13% to 15%. Industrial export sales were up by 20.6%. **Construction** grew by 19.5% in 1994.

- Manufacturing production and sales representing 85% of industrial production, exceeded 1993 level by 8.6%; domestic sales rose by 4.8% and export sales were up 18.9% in this area. Outputs increased the most in metallurgy and in engineering driven by both domestic and foreign demand. In addition to these two sectors, exports increased by more than 20% in the wood and paper industry, while the exports of the food industry, the textile and clothing industry and the chemical industry rose by more than 10%.

## 2.3. Agriculture

- Due to its favorable geographical conditions and historically accumulated know-how, for many years Hungarian agriculture and forestry has played an important role in the economy.

- In 1994 the gross output of agriculture increased by 2% in comparison to 1993. This growth was due to the 12% growth in agricultural crop production. However, animal husbandry declined by 9%.

## 2.4. Telecommunications

- The Hungarian Government, recognizing the need to improve significantly the outmoded telecommunications system, places high priority on the telecommunications sectors.

- One of the most significant factors in the development of Hungarian production infrastructure is the increase in number of telephone lines. In this field, an actual revolution has taken place in recent years. The telephone lines in Hungary increased from 1.1 to 2.5 million in the 1990s and Hungary has been able to move much closer to the standards of advanced countries.

## 2.5. Transport

- A priority of the Government's current strategy is to improve the highway, railways and road-network of the country. With the increased use of automobiles and rise in tourism in recent years, the density of highways needs to be improved. As a first step in May 1994, a consortium led by Bouygues, a French construction group, won a concession for the USD 350 million project to finance, upgrade, extend and operate Hungary's M5 toll motorway.

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- Major projects which started in 1993 - for instance, the linkage of the Hungarian and Austrian electric energy grid, the modernization of the Budapest-Hegyeshalom railway line, the contructions of the Budapest-Hegyeshalom expressway, the construction of the beltway around Budapest, the construction of two new Danube bridges, and improved border crossings - will considerably reduce the backwardness and formerly one-sided geographical orientation of Hungarian transport infrastructure.

## 2.6. Energy

- Hungary's primary energy needs are covered up to nearly 50 per cent by domestic production. Whereas the coal and crude oil production declined by about 4%, the natural gas and electricity production increased by about 2-3% in 1994 compared to 1993.

- More than 55 per cent of the production of electric energy has been generated by nuclear power stations. The primary energy imports has originated mainly from the countries of former Soviet Union.

- In 1994 the total energy consumption of the Hungarian economy was 1038 PJ, 1.9% less than in the previous year.

## 2.7. Foreign Direct Investment

- Hungary continues to count on the participation of **foreign direct investment** both in the process of privatisation and in "green-field capital investments".

- The legal and economic environment aiming to attract foreign direct investment is considered to be very favourable and liberal in Hungary even under international standards. Hungary was the first in the Eastern European region to introduce a new legislation in 1972 to allow for the foreign investments in its territory.

- The Act on foreign investments provides **national treatment** to the investors. In accordance with this economic associations with foreign participation are classified as domestic entities and, basically, the same regulations apply to them as to those owned fully by domestic investors. Furthermore, the Act provides for some fundamental **guarantees** with respect to the security of foreign investments. It is established that the investments should receive full protection and security. The Act provides an indemnity obligation for the State to fulfil for the damage occurring as a result of expropriation, nationalization or legal measures alike. The indemnification shall be made in the currency of

the investment and at the actual value. According to the Act profits and capital can be freely repatriated.

- In addition to the principle of **national treatment** the economic associations with foreign participation enjoy other incentives specially designed for them. The contribution in cash made in convertible currency by the foreign party to the capital of the corporation can be held on foreign exchange accounts and used for purchasing capital goods, materials, parts etc. necessary for the operation. The capital assets so purchased can be imported without tariffs.
  The economic associations with foreign participation can buy or lease real property necessary for carrying out their business activities.

- In accordance with the 1995 Amendment of the Act on Corporate Tax the **tax rate** has been decreased from 36 to 18 per cent. The intention of introducing the new tax rate is to stimulate business activities. An additional tax of 23 per cent is imposed on dividends. In case no dividends are distributed this tax shall not be paid. The Act encourages by this way the reinvestment of profits. However, in the case of foreign investors the taxation of dividends is limited by the agreements on double taxation (in these agreements Hungary largely follows the OECD Model Convention). We believe that the generally low corporate tax rate is also advantageous for the foreign investors.

- According to the U.S.-Hungarian double taxation treaty dividends distributed by Hungarian corporations and received by U.S. residents may be taxed in Hungary only at a rate of 5 per cent if the recipient has at least 10 per cent ownership in the corporation and 15 per cent in all other cases. As a result, in the event that a U.S. corporation ownes 10 per cent in a Hungarian corporation the income derived from the latter is taxed at 18 per cent (corporate tax) and the dividend distributed at 5 per cent. The total tax burden on the income is less than 22 per cent. Moreover the tax on dividend so paid and the corporate tax itself can be credited against U. S. tax liability.

- **Hungary could be an obvious choice** for an American intending to set up his or her business in Europe since

  - production costs are low in comparison with those of Western Europe;
  - the labour force is well educated and relatively cheap;
  - operative and fast developing infrastructure is available (telecommunication, banking);

- having an Association Agreement with the EU, products of Hungarian origin have access to European Single Market under favourable conditions;

- our companies have traditionally good relations with their counterparts in the CIS countries, our experts have good knowledge of the markets there;

- through Hungary's central location transportation to the markets of Western and Eastern Europe can be really cost effective;

- our taxation and accounting legislation is in accordance with Western standards, we have an experience of several years in operating them;

- of all the countries in the region Hungary has the largest network of double taxation treaties offering excellent opportunities to corporations having multilateral business relationships;

- in Hungary the protection of intellectual property rights is secured by law in accordance with the requirements of the developed countries, it is also covered by a bilateral agreement between Hungary and the U.S.A.;

- Hungary is a member of MIGA and eligible for investment insurances offered by OPIC;

- wholly foreign owned enterprises to carry out foreign trade exclusively between third parties and rendering services to abroad are entitled to a tax credit of 85 per cent;

- in the region of Central and Eastern Europe market economy and the protection of foreign investments have a long time tradition in Hungary, accordingly the institutions of market economy are built up to the greatest extent.

– For the foreign investors the Investment Promotion Fund has given so far support. From this year on it will be replaced by the **Economic Development Fund** designed to encourage the investment of foreign and domestic capital possibly into manufacturing industries.

– In the light of these liberal regulations foreign entities show a definite interest in investment opportunities in Hungary underlined by the influx of some **USD**

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**9 billion** into the economy and the fact that the **number of associations** founded by foreigners or with foreign participation is around **30,000.**

- The **breakdown by country of origin** of the total volume of foreign capital invested in Hungary is as follows:

| | |
|---|---|
| United States of America | 36-38% |
| Germany | 19-20% |
| Austria | 13-14% |
| France | 7% |
| Italy | 7% |

- The existence of favourable investment environment is very much evidenced by the fact that of all the foreign direct investments in Hungary (USD 9 billion in total) the U.S.A. has made USD 3.2-3.4 billion, i.e. its participation/share is close to 40 per cent. The U.S.A. is the largest foreign investor in Hungary. The number of companies with U.S. participation is now more than 300 including AMERITECH, General Electric, U.S. West, General Motors, Alcoa, Pepsi Co. Inc., Guardian Glass, Ford, Sara Lee, Philip Morris or Columbian Chemicals.

- It should be specifically mentioned that the share of joint ventures **in exports** has shown a steady and dynamic increase. According to surveys, joint ventures accounted for **50-55%** of the total volume of exports.

## 2.8. Competitiveness of the Export Trade

- Between 1989 and 1992 Hungary won and lost market shares in the European Union and the former COMECON, respectively. Especially in the German and Austrian markets the Hungarian economy proved to be competitive. In contrast with earlier hypotheses, this trend was not a result of the increase of the so-called sensitive goods (like farm products, textiles or steel) but that of high-quality machines and electrical goods. In the period mentioned the Hungarian market share in Germany rose from 0.53% to 0.73% (for textiles from 1.43% to 1.78%, for shoes from 1.99% to 3.17%, for metal goods from 0.77% to 1.77%, for electrical goods from 0.40% to 0.80% - for farm products by comparison only from 0.97% to 1.14%).

- The increased Hungarian competitiveness is the result of various factors acting at the same time s ch as the opening of markets in EU and other OECD countries, greater flexibility of Hungarian companies, institutional changes in the export trade, foreign investment activities and also an increased need for

export, due to the shrinking domestic demand and the collapse of the COMECON as well as the insolvency of the successor states of the former Soviet Union.

- The total value of **trade between Hungary and USA** exceeded USD 873 million in 1993 out of which the Hungarian export made USD 373 million. The US-related Hungarian export has a continuous trend of growth particularly in materials, components, semi-manufactures and machines, investment goods. The U.S.A. is our largest trade partner outside Europe while it represents only 4.2% of Hungarian export in total.

# Chapter 3

## Priorities of Economic Policy

### 3.1. Stabilization Package

- In March 1995, the Hungarian Government recognised that major policy changes were necessary. Although, the 1994 GDP has increased by 2-3%, **the twin deficits** have increased as well.

  - In 1994, the current account deficit was USD 3.9 billion, equivalent to 10% of the GDP, while

  - the **General Government's deficit**, excluding privatisation receipts, was 9% of the GDP.

- In order to significantly improve external and internal balances to create favourable conditions for enterprises and international competitiveness leading to **sustainable economic growth**: the Hungarian Government has decided on the implementation of a **major policy package**. This package is in line with the intention of creating a well-functioning market economy.

- The main elements of the package are:

  - First, a 9% **devaluation** of the Forint together with the introduction of a **preannounced crawling peg exchange rate arrengement** and that of an **import surcharge** for a transitional period of two years.

  - Second, a range of measures **to cut the fiscal deficit** including the rationalization and targeting of social transfers and the reduction by 15% of the number of central administration employees, while increasing revenues, especially by the broadening of the base for social security contributions and by improving the efficiency of tax collection. By these measures we have decided to shatter a 45-year old taboo.

  - Third, an intensification of **efforts to control wages** in the public sector.

- The **expected effects** of these measures are as follows:

  - The reduction of the **current account deficit** to USD 2.5 billion in 1995 against 3.9 in 1994.

- The reduction of the **General Government's deficit** to 5.9% in 1995, against 9% in 1994, a further reduction to less than 5% in 1996, and a nearly balanced position of the state budget in 1997. Consequently, the **crowding out effect** of public finances will be first reduced, and then eliminated. It is generally accepted that this is the basic condition of the economic stability necessary to create financial funds for economic growth.

- On the long run, the forced **temporary negative impacts** such as the falling private consumption (-4.5% in 1995 against +1.5% in 1994) and increasing inflation (CPI: 28% in 1995 against 18.8% in 1994) will be gradually eliminated.

### 3.2. Towards Sustainable Growth

– Beyond stabilization the package will also improve the **conditions of business activity**.

- The recently adopted Privatisation Act will accelerate privatisation.

  - A new privatisation organisation will be formed.
  - The privatisation of large state-owned public utilities and banks will accelerate.
  - The privatisation of a second tranche of the Hungarian Telecommunications Company has already been announced.

- The government strengthens **financial and tax discipline**, and leads an active campaign against corruption and **illegal economy**.

- If these measures bring expected results, **taxes on business activity** could be reduced.

– All this might contribute to the **acceleration of Hungarian reforms**. In order to place the forthcoming steps into a coherent framework, the Government is close to finalise a **medium-term economic strategy**.

- A main policy objective of the strategy is to create the conditions needed for a **sustainable economic growth** of 3.5-4.5% annually from 1997 on. Up to 1997 a gradual recovery might be expected with a moderate GDP growth.

- Another important policy objective is the implementation of a significant **public sector reform**, already started with the adopted policy package. We intend to have lasting effects on the fiscal deficit by undertaking fiscal reforms which, inter alia, will include the introduction of a new, OECD

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compatible public procurement system as well as the establishment of a Treasury. It is our intention to cut by 1997 the share of budgetary income redistribution by at least 5%.

- Within the public sector reform special attention would be given to the **social transfers** more targeted. The most radical changes are undertaken in the fields of pension system, health service and education.

– The Government can set the stage for a **reinvigoration of reform** and **reach an agreement with the IMF** in the near future. However, the position of the Hungarian economy is such that it can not achieve, only from its own resources, the increase of investments and the improvement of the balance of payments. These necessitate **the extensive influx of foreign capital**.

* * *

– Beyond the above-mentioned the first data available on **economic performance this year** also indicate Hungary's arrival at a major turnaround.

- The buoyancy of investment activities remained continuous in the first quarter of 1995 with a growth of 8-10 per cent.

- The industrial production and sales increased at a pace of over 11 per cent. The growth was even higher (13%) in the manufacturing industry. This is based on the volume of orders increased by more than 9 per cent, due mainly to the export demand (20 % up).

- The rise in industrial productivity keeps its stimulus.

Budapest, May 1995

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*National Bank of Hungary*

## Hungary - the Results and Challenges of an Economy in Transition

Hungary has achieved some remarkable results in the last few years in remodelling its economy. The modern legislation and institutions required by a market economy have been created, so that clear, transparent regulations now govern the environment for the business community. Hungary has also accomplished an ambitious programme of privatization over the last five years, so that more than half the country's GDP is now produced by the private sector.

Yet the process of transition has proved to be more protracted and costly than people expected. Although Hungary already had some 20 years' experience with market-style economic management, the costs of restructuring are enormous. The experience of almost all countries in the region confirm that reductions in real GDP and rises in unemployment and inflation are inevitable concomitants of the transition. Here the worst seems to be over in Hungary's case: after four years of declining output, real GDP is estimated to have grown by 2-3% in 1994, while the rate of unemployment gradually fell (from 12.1% at the end of 1993 to 10.4% at the end of 1994). Meanwhile inflation has been kept under control since peaking at 35% in 1991: consumer-price inflation in 1994 was 18.8%. Both industrial production and investment grew last year, by 9% and 21% respectively. By the end of 1994, aggregate foreign direct investment in Hungary had reached about USD 8.5 bn. This annual influx of about USD 1.5 bn of foreign investment in Hungarian projects since 1990 (with USD 2.4 bn entering in 1993) reflects the favourable investment conditions, the political and social stability, the promising business prospects, the favourable cultural traditions and the highly trained work force offered by this country. Some 35-40% of this foreign direct investment has been coming from the United States (the largest contributors being General Electric, General Motors and Philip Morris). The value of Hungary's exports in 1994 was USD 10.7 bn (according to Hungarian Customs statistics), which was 20.1% more than in 1993. Meanwhile imports, which make an essential contribution to the country's process of modernization, rose by 16.1% to USD 14.6 bn in 1994.

The banking system has also undergone a rapid transformation and a sharp rise in the number of commercial banks. There were 44 of these at the end of 1994, of which 22

were wholly or partly foreign owned. The Hungarian banking system has developed the ability to meet the requirements of a market economy.

The 1991 Act on the National Bank of Hungary transferred the task of overseeing the central bank from the government to Parliament. The bank is expected to back the government's economic policies through its monetary and other measures, but the act has given the bank independent authority to formulate and implement its own monetary policy.

The most acute challenges to the Hungarian economy, the budget deficit and the deficit on the current account, gave rise in 1994 and 1995 to a critical situation, which the government is firmly committed to addressing immediately. The structural distortions in the system of public finance were inherited from the previous economic system of central planning. These led to fiscal imbalance in 1993 and still more in 1994 (with deficits equivalent to 5.6% and 7.5% of GDP in the years concerned). The only way to bridge these was through a current-account deficit on an unprecedented scale (USD 3.9 bn or 10% of GDP at the end of 1994).

The government announced a **stabilization programme** on March 12, 1995. This demonstrates a firm commitment to stabilizing and strengthening the economy. The prime **long-term** objective is to establish the stable economic conditions required for a sustainable annual growth rate of 4-5%, accompanied by an acceptable level of price stability. Implementation of this national drive for economic growth constitutes the country's only chance of overcoming its structural problems and joining the club of developed countries. The **medium-term** goals of the programme are to lower the dual deficits (internal and external), combat inflation, reduce the rate of growth of domestic consumption, encourage personal savings, exports and business activity, and provide incentives for investment by shifting resources from the government and household sectors to the business sector.

The three main pillars of the austerity measures are these:

- Initial steps are being taken towards a long-overdue adjustment of the fiscal system. The ultimate purpose is to arrive at a fiscal system which corresponds to the requirements of a market economy in general, while allowing for the special features of this country. There are to be significant cuts in public spending and increases in revenue in order to reduce the fiscal deficit. (Without these measures it

would exceed 10% of GDP by the end of 1995; implementation of them is expected to keep the deficit down to about 6-7% of GDP.

- The monetary decisions in the stabilization programme are aimed at stimulating growth, restoring internal and external equilibrium and fighting - inflation. Included are devaluations, tightening of the money supply, and liberalization of the rules on depositing foreign-exchange earnings (as a major, though still cautious step towards current-account convertibility). These will help to increase exports, diminish imports, improve the business climate and keep inflation under control.

  After a 9% devaluation of the HUF in March, it was announced that the currency was to be devalued against a basket of foreign currencies by about 1.8-1.9% a month in the first half of the year and 1.3% in the second. The overall devaluation in 1995 is set to be 28.8%. This "crawling-peg" mechanism announced in advance allows companies to calculate exchange rates ahead.

- The short-term austerity measures include a cut of about 15% in civil-service staffing and pay limits on employees in public-sector companies and budget-financed institutions (caps on salaries, bonuses, benefits *etc.*) in order to reduce the fiscal deficit.

Hungary's standing on international money markets continues to be impeccable, and it remains a successful participant. In 1993 and 1994, the National Bank of Hungary successfully floated some 30 bond issues abroad, raising around USD 7 bn. Six of these were on the US Yankee bond market, one of them with a 20-year term. The maturity structure of Hungary's foreign debt has improved considerably over the last few years. Long-term debt now represents about 92% of the total, while the level of foreign-exchange reserves (USD 7 bn) covers about six months' imports. The debt-service ratio for 1994 was 37.8.

International financial institutions are playing an active part in the Hungarian process of restructuring. Important negotiations are in progress with the IMF on concluding a new agreement in support of the government's austerity measures. Several loan agreements were signed with the World Bank, the EBRD, the EIB and the IFC in 1994 for financing a range of products.

# THE NEW PRIVATIZATION ACT

Act XXXIX of 1995 on the sale of the entrepreneurial property owned by the state was approved by the National Assembly of the Republic of Hungary May 9, 1995. The approved Act was promulgated May 17, 1995 and comes into force June 16, 1995. The new Privatization Act is to reasonably accelerate the privatization of state property, according to the rules of market economy, and the role played by the state in the economy as a whole.

State property can be classified into two major categories: a part of the assets are to be privatized as soon as possible, while the other part of state assets are to be retained, in part or in whole, as state property. Sale of assets (property, real estate, shares, business holding, other) classified to the first category is the task of State Privatization and Holding Company (hereinafter referred to as "APV Rt."). This means that APV Rt., shall, from now on, be the sole organization responsible for dealing with privatization of state property, being the legal successor of the former privatization agencies. In other words, establishment of APV Rt., marks the termination of State Property Agency and its operations. Accordingly, APV Rt., is responsible for proper utilization of the available state property, prepares the necessary documents and exercises the ownership rights due to the state.

The Act specifies the list of eligible private owners. Accordingly, foreign natural persons and legal entities are also considered possible private investors.

## Objectives

Privatization is considered a means for the transformation and modernization of the Hungarian economy. The Act specifies a number of requirements that must be taken into consideration in the course of selling items of state property. The scope of objectives suggests that the legislators expect to see both foreign and domestic investors wishing to become owners of former state property. The list of major objectives includes the following: increase the efficiency of managing the available assets, alleviate the shortage of capital in the economy, give fresh capital injection to the economy, encourage the transfer of leading production technologies, management and marketing experiences, encourage restructuring of the economy, rejuvenate the organizational structure of companies, decentralize and streamline the "fossilized" organizational structures, and finally, to broaden the scope of potential business undertakings.

The Act attaches much importance to the improvement of the domestic capital market and to a more organized involvement of both the domestic and foreign capital, through the use of investment funds and investment companies. Further efforts should arouse and maintain the interest of possible foreign investors, with particular regard to strategic investors. In addition, the act attributes importance to maintaining and improving the companies' operating capabilities and to use the privatization proceeds for the improvement and stabilization of the government

budget's balance, the improvement of product variety and technology, reorganization, rehabilitation of the environment and increase of exports.

**Equal chances**

According to the Privatization Act, APV Rt., shall be obliged to include in the Terms of Reference of an Invitation to Tender all the general and specific terms and requirements the bidders are expected to meet, together with a clearly defined description of the scoring system and criteria. In addition, all information related to state property offered for sale must be easily accessible to all interested bidders. This is the basic concept of "equal chances". APV Rt., must keep regularly updated records on the assets offered for sale and must allow for unlimited access to such documents to everyone interested.

**Long term state property**

The list of companies to be retained by the state, in part or in whole, in the long term is shown in a separate Annex. According to the Act, a property shall be retained as long term state property if the property or the company that operates the assets is a national public utility company or is considered a company of strategic importance or is assigned to military or other important purposes. In those cases, the state retains 50 percent of the shares plus one vote although in exceptional cases 25 percent of the shares plus one vote shall be considered a ratio sufficient to properly represent and safeguard the interest of the state.

According to a new feature of the Act, drawing up the concept underlying privatization of companies of key importance from the point of view of the national economy shall be discussed and approved by the government, then submitted to the National Assembly. That requirement is of special importance in the current phase of privatization of state property as the most important public utility companies and other business organizations of strategic importance are to be privatized in the near future. According to the Act, the list of such companies of strategic importance shall be decided and approved by the National Assembly.

**The new organization**

According to the Act, the name of the former State Property Holding Company is to be changed to State Privatization and Holding Company (APV Rt.). APV Rt., is a sole proprietorship where ownership rights are exercised by the minister without portfolio responsible for privatization, however, he is not superior to the Board of Directors. The leading decision making body of APV Rt., is the eleven-member Board of Directors, the chairman and members of which are appointed by the Government. A sensitive issue related to privatization is when, and how, and who may intervene into the decision making process. According to the Act, the Chairman of the Board may, prior to adopting a decision in exceptional cases, suspend the decision making process to request the Minister of Privatization to inquire for the official opinion of the Government.



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Also the Supervisory Board of APV Rt., consists of 11 members. Its chairman is appointed by the Government on the basis of recommendations received from the State Audit Office. Six members are nominated by each of the parliamentary parties and a member is nominated by representatives of the employers and the employees, respectively, within the Reconciliatory Council of Employment. A new feature of the supervisory and controlling function of the Supervisory Board is that the Board of APV Rt.'s Directors must develop and submit a special, extraordinary report on any privatization case, upon request received from a competent standing committee of the National Assembly or from a minimum 20 percent of the members of the Parliament.

**Principles of privatization**

APV Rt., can privatize state property in different ways and through different channels, e.g. directly or through either institutions of the capital market or investment funds/companies or senior executives of companies.

Market competition is the natural environment in which the process of privatization must be embedded. State assets can be privatized by means of open or closed tendering, public auction, initial public offering, closed-end selling or, in exceptional cases, through off-competition methods (e.g. swap of shares, commission provided to stock brokers, conditional options, etc.).

The new Act contains detailed rules to identify and specify criteria underlying the bid evaluation procedure. The fact that cash payment is considered the top priority method of payment is indicated by a rule, namely that bids based on the use of preferential term payments shall only be evaluated or taken into consideration provided that no cash payment bid equal to or exceeding the minimum price specified in the tender invitation is received. Price offers based on the use of preferential term payments shall be evaluated according to their real market value assessed at the time of the bid valuation. In addition, further factors must be evaluated to decide the final score of the bid (e.g. commitments assumed by the bidder in respect to reorganization, capital injection, technical development, restructuring, employment, wage policy, social benefits and restoration of the environment). According to the tender invitation, more scores can be assigned to bidders assuming such commitments than to those offering a higher price or better payment conditions. Proper guarantees and sanctions must be negotiated and included in the final share purchase agreement in order to ensure subsequent enforcement of commitments so assumed.

Those who made the decision on the privatization of a state property shall draw up an aide memoir on the process of privatization as to record major milestones of the process. Among others, reasons must be provided to justify selection of the winner (highest price, best terms of payment, etc.).

Privatization of small and medium size companies (less than HUF 600 million equity and less than 500 employees) can be accelerated through the use of the so-called "simplified privatization". Essentially, failure of APV Rt., to sell a company in exchange for cash allows the management or the managing director of the company in question to prepare their own



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privatization and to submit a proposal to APV Rt. Then, APV Rt., will approve or reject that decision after having requested special expert opinions.

**Preferential techniques**

The *15-year installment payment scheme* is particularly designed to assist domestic investors short of capital but resourceful in new business ideas in participating in the privatization process. The seller faces a serious risk as the ownership of property is to be transferred to the buyer upon completion of the first installment payment. In order to alleviate that risk, the Act requests that a number of additional obligations be specified in the purchase agreement.

In the case of *privatization lease,* ownership is transferred to the buyer (natural persons) in a period of 10 years.

In the case of *MBO and employee share ownership programs,* bidders must buy at least 20 percent of the property, in cash. In this case, APV Rt., waives its voting right concerning the whole state property a for maximum of five years. On the other hand, the buyers must buy, in a maximum of five years, the rest of the property, in exchange for cash and according to the terms specified in the share purchase agreement. In addition, employees may purchase primary stock, or employee shares, at a special discount price, up to a level equal to 15 percent of the company's share capital.

The *"Existence-Loan"* is designed to assist Hungarian small entrepreneurs in raising capital they need to participate in the privatization process. According to law, they can obtain E-Loans up to a maximum of 50 percent of the proposed contractual price, but not exceeding HUF 50 million.

**Property management**

In the case of failure of efforts made to sell state property or if market conditions are, for the time being, unfavorable, APV Rt., may conclude an "asset management" contract in order to ensure best utilization (maintenance or even increase of the value) of the property in question. According to the Act, asset management organizations are expected to act at maximum standards of workmanlikeness, prudence and professional care. APV Rt., has the right to make regular visits to such sites in order to survey current activities and double-check creditworthiness of the organization in question.



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# HUNGARY

## DIRECTORY FOR TRADING AND INVESTMENT

EASTERN EUROPE BUSINESS INFORMATION CENTER U.S. DEPARTMENT OF COMMERCE WASHINGTON, D.C. 20230
**TEL:** (202) 482-2645 **FAX:** (202) 482-4473

April 1995

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** The U.S. Department of Commerce does not specifically endorse any private company listed in this directory



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## Initial Contacts For Doing Business in Hungary

U.S. Department of Commerce
International Trade Administration
The Department of Commerce has numerous services to assist U.S. companies doing business in Hungary.

14th & Constitution Ave., NW Washington, DC 20230

Desk Officer for Hungary, Brian Toohey
The Desk Officer provides information relating to commercial policy regulations and tariffs, taxes, and barriers to entering Hungary, as well as overall trade and investment relations.

Rm 3413
Tel: (202) 482-4915
Fax: (202) 482-4505

Eastern Europe Business Information Center
The Eastern Europe Business Information Center (EEBIC) provides commercially relevant information to the U.S. business community, including current regulations, contacts, trade promotion events and other useful information.

Rm 7412
Tel: (202) 482-2645
Fax: (202) 482-4473
FlashFax: (202) 482-5745

**United States Foreign Commercial Service (FCS Budapest)**
The U.S. Department of Commerce's Foreign Commercial Service officers stationed in the U.S. Embassy in Budapest can advise and assist U.S. companies while they are in Hungary; FCS also operates U.S. pavilions at many Hungarian trade fairs/shows. Services include: Agent Distributor Service, World Traders Data Reports, Comparision Shopping, Gold Key Service, Catalog/Video Shows, and business counselling.

Commercial Attache, John Fogarasi
Bajza utca 31
1062 Budapest

(Mailing address from USA)
U.S. Embassy Budapest
U.S. & Foreign Commercial Service
APO AE 09213-5270
Tel: (36-1) 322-8600
Fax: (36-1) 342-2529

(For international packages and express mail)
U.S. Embassy (FCS)
Szabadsag ter 12, 1054 Budapest, Hungary



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## U.S. Government Contacts in Hungary

United States Embassy Budapest
Szabadsag Ter 12
1055 Budapest, Hungary
Tel: (36-1) 112-6450
Fax: (36-1) 132-8934

U.S. Foreign Commercial Service
John Fogarasi, Commercial Attache
U.S. Embassy Budapest
Mailing: APO AE 09213-5270
Tel: (36-1) 322-8600
Fax: (36-1) 342-2529
(36-1) 332-8934

U.S. Department of Agriculture
Ferenc Nemes
Bajza u. 31
1062 Budapest
Tel: (36-1) 142-8600
Fax: (36-1) 142-2529

U.S. Agency for International Development (AID)
AID develops privatization programs for Hungarian companies.

David Cowles, AID Representative
mailing: American Embassy Budapest
APO AE 09213-5270
street: Europa Conference Center
Karoly Ko 11 Tel: (36-1) 112-6450 Fax: (36-1) 18-8659

AID Center for Trade and Investment Services (CTIS)
CTIS helps the U.S. private sector, access AID services and information

Room 100 SA-2
Washington, DC 20523-0229
Tel: 1-800-872-4348
Fax: (202) 663-2670

State of New Hampshire Trade Office
Balaton u. 16
1055 Budapest
Tel: (36-1) 111-7804
Fax: (36-1) 112-6691

State of Illinois Hungary Office
Magda Sass, Managing Director
PF: 300/31
1443 Budapest 70
Tel: (36-1) 251-9691
Fax: (36-1) 251-9661



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Hungarian Government Contacts in the U.S.

Hungary has four Commercial Offices in the U.S.A.:

Embassy of the Republic of Hungary
Head Office of the Trade Representation
Ferenc Furulyas, Minister of Economic and Trade Affairs
Barnabas Nemeth, Commercial Counsellor
2401 Calvert Street, N.W., Suite 1021
Washington, D.C. 20008
Tel: (202) 387-3191
Fax: (202) 387-3140

Commercial Office of Hungary
Tibor Nemes, Commercial Counsellot
150 East 58th Street, 33rd Floor
New York, NY 10022
Tel: (212) 752-3060
Fax: (212) 486-2958

Commercial Office of Hungary
Zoltan Gyorgy Szabo Commercial Counsellor
130 East Randolph Drive
Prudential Plaza, Suite 1930
Chicago, IL 60601
Tel: (312) 856-0274
Fax: (312) 856-1080

Commercial Office of Hungary
Istvan Vadaszy, Commercial Counsellot
11766 Wilshire Blvd., Suite 410
Los Angeles, CA 90025
Tel: (310) 473-4957
Fax: (310) 914-0456



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# Hungarian Government & State Contacts

## Hungarian Ministries

Ministry of Agricultural Affairs
1055 Budapest, Kossuth Lajos ter 11
Tel: (36-1) 153-3000
Fax: (36-1) 153-0518

Ministry of Culture and Education
1055 Budapest, Szalay u. 10-14.
Tel: (36-1) 153-0600
Fax: (36-1) 112-7878

Ministry of Defense
1055 Budapest, Palfly Gy. u. 7-11
Tel: (36-1) 132-2500
Fax: (36-1) 111-0242

Ministry of Environmental Protection
and Regional Development
1011 Budapest, Fo u. 44-50
Tel: (36-1)201-4133
Fax: (36-1) 201-2846

Ministry of Finance
1051 Budapest, Jozsef nador ter 2-4
Tel: (36-1) 118-2066
Fax: (36-1) 118-2570

Ministry of Foreign Affairs
1027 Budapest, Bem rkp. 47
Tel: (36-1) 156-8000
Fax: (36-1) 155-9693

Ministry of Industry and Trade
1055 Budapest, Honved u. 13-15
Tel: (36-1) 153-0000
Fax: (36-1) 153-1404

Ministry of the Interior
1051 Budapest, Jozsef Attila u. 2-4
Tel: (36-1) 112-1710
Fax: (36-1) 117-6470

Ministry of Justice
1055 Budapest, Szalay u. 16
Tel: (36-1) 132-6170
Fax: (36-1) 118-0667

Ministry of Labor
1051 Budapest, Roosevelt ter 7-8
Tel: (36-1) 132-2100
Fax: (36-1) 131-6399

Ministry of Transportation, Telecommunications
and Water Management
1077 Budapest, Dob u. 75-81
Tel: (36-1)122-0220
Fax: (36-1) 122-8685

Ministry of Welfare
1051 Budapest, Arany Janos u. 6-8
Tel: (36-1) 132-3100
Fax: (36-1) 111-5208

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Prime Minister's Office
1055 Budapest, Kossuth Lajos ter 1-3
Letters: 1357 Bp., Pf. 2.
Tel: (36-1) 112-0600

Supreme Court
1055 Budapest, Marko u. 16
Tel: (36-1) 132-5948

Chief Prosecution Office
1055 Budapest, Marko u. 16
Tel: (36-1) 131-6150



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Hungarian Investment and Trade Development Agency (ITD)
ITD will set up appointments for foreign companies with appropriate Hungarian companies and government agencies, and can assist foreign companies in all aspects of establishing a joint venture in Hungary.

Dr. Frigyes Banki, General Manager
1051 Budapest, Dorottya utca 4
Tel: (36-1) 118-6396
Fax: (36-1) 118-0524

Investment and Trade Promotion Agency (ITPA)
Ministry of International Economic Relations
Issues import and export licenses for certain goods.

Mrs. Gyula Nemeth, Deputy State Secretary tel: (36-1) 153-0000 fax: (36-1) 153-2794

Licensin# Department
Director General of Licensing
Tel: (36-1) 111-8433
Fax: (36-1) 153-2794

State Property Agency (SPA)
The SPA was created in late 1989 to administer the Hungarian government's program of privatizing state-owned enterprises. It can participate in the government's decision-making process in cases where a foreign investment involves or results in the privatization of a state-owned firm.

Lajos Csepi, Director
Mr. Charles Twyman, Int'l Consultant
1075 Budapest, Pozsonyi ut. 56

(mailing address)
1399 Budapest, Pf. 708
Tel: (36-1) 269-8600
Fax: (36-1) 140-2723

State Property Agency Information Office
Pozsonyi ut 56
1075 Budapest
Tel: (36-1) 269-7860
Fax: (36-1) 251-1981

Hungarian State Holding Co. (AV RT)
Bank ban u. 17/b
1115 Budapest
Tel: (36-1) 267-6600
Fax: (36-1) 267-6693

Hungarian Telecommunications Company (HTC or MATAV)
Matav operates Hungary's national telecommunications system.
(formerly the "PTT")

Pal Horvath, Director General
Andras Gyori, Manager, Business Relations
1541 Budapest, Krisztina kr# 6-8
Tel: (36-1) 175-0121
Fax: (36-1) 156-0855

**HungExpo** I#;
HungExpo manages international commercial fairs and exhibitions at the Budapest fairgrounds. The U.S. Department of Commerce operates U.S. pavilions at several of these fairs.

1441 Budapest, Dobi Istvan ut., 10 P.O. Box 44
Tel: (36-1) 157-3555
Fax: (36-1) 128-5034

State Taxation Office (APEH)
APEH administers Hungary's taxation system; joint venture companies must register with the sectoral department of APEH that corresponds to the company's line of business

1096 Budapest, Hailer u 3-5 Tel: (36-1) 132-5196

**Office of Foreigners' Affairs (KEOKH)**
Foreigners working in Hungary must obtain a residence permit from KEOKH.

1061 Budapest, Andrassy ut 12 Tel: (36-1) 118-0800

**Budapest Court of** Registration
Joint venture companies must register with the Court of Registration in the municipality or county of operation

1051 Budapest, Nador u. 28 Tel: (36-1) 131-1150

Regional Courts of Registration

| County | Capital | | |
|---|---|---|---|
| | | Jasz-Nagykun-Szolnok ..... | Szolnok |
| Bacs-Kiskun ..... | Kecskemet | Komarom-Esztergom ..... | Tatabanya |
| Baranya ..... | Pecs | Nograd ..... | Salgotarjan |
| Bekes ..... | Bekescsaba | Pest ..... | Budapest |
| Borsod-Abauj ..... | ZemplenMiskolc | Somogy ..... | Kaposvar |
| Csongrad ..... | Szeged | Szabolcs-Szatmar-Bereg ..... | Nyiregyhaza |
| Fejer ..... | Szekesfehervar | Tolna ..... | Szekszard |
| Gyor-Moson-Sopron ..... | Gyor | Vas ..... | Szombathely |
| Hajdu-Bihar ..... | Debrecen | Veszprem ..... | Veszprem |
| Heves ..... | Eger | Zala ..... | Zalaegerszeg |



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| Municipality (1988) | Population |
|---|---|
| Budapest | 2,104,700 |
| Debrecen | 217,364 |
| Miskolc | 209,807 |
| Szeged | 187,800 |
| Pecs | 181,356 |
| Gyor | 130,703 |

Central Corporation of Banking Companies (PK) ,#?
Government office that can assist foreign companies in opening representational offices, securing office space and telephone service, hiring staff, as well as other practical business matters. PK is also involved in approvals for real estate acquisitions by foreign firms in certain cases.

1093 Budapest, Szamuely u 38
Tel: (36-1) 117-1255
Fax: (36-1) 118-8149

National Headquarters of Customs and Finance Guard
1095 Budapest, Mester u. 7
Tel: (36-1) 269-9220

Institute of Commercial Quality Control
1088 Budapest, Jozsef krt. 6
Tel: (36-1) 210-0370

Hungarian Institute for Testing and Certification of Electrical Equipment 1132 Budapest, Vaci ut 48/a
Tel: (36-1) 149-4500
Fax: (36-1) 129-0684

National Office of Inventions Patent Information Center
This office provides information and assistance on patent-related issues.

1370 Budapest, P.O. Box 552
Tel: (36-1) 112-4400
Fax: (36-1) 131-2596

National Institute of Food Hygiene and Nutrition
1097 Budapest, Gyali ut 3/a
Tel: (36-1) 133-4130
Fax: (36-1) 133-1545



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## Hungarian Chambers of Commerce

Hungarian Chamber of Commerce and Industry (see below for Regional Chambers of Commerce)
The Chamber represents Hungarian commercial interests, and can assist foreign companies to find and evaluate investment partners in Hungary.

Tibor Zselinszky, Officer for U.S. and Canada
1055 Budapest, Kossuth Lajos ter 6-8
Tel: (36-1) 153-3333, 153-3853
Fax: (36-1) 153-1285

Hungarian Chamber of Commerce Arbitration Court This is a possible venue for adjudicating disputes.

1055 Budapest, Kossuth Lajos ter 6-8 Tel: (36-1) 153-2425

Hunllarian Regional Chambers of Commerce

Budapest Chamber of Commerce & Industry
1016 Budapest, Krisztina krt. 99
Tel/Fax: (36-1) 175-6764

Pest Chamber of Commerce
1055 Budapest, Akademia u. 1
Tel/Fax: (36-1) 131-9903

Balaton Regional Chamber of Commerce
8200 Veszprem, Budapesti ut. 5
Tel: (36-80) 290-08
Fax: (36-80) 280-61

Northern Hungary Chamber of Commerce
3540 Miskolc, Arany Janos u. 4
Tel: (36-46) 340-492
Fax: (36-46) 340-403

Fejer County Chamber of Commerce
8000 Szekesfehervar, Rakoczi ut 25
Tel/Fax: (36-11) 3276-27

Sopron Chamber of Commerce
9400 Sopton, Varkerulet 19
Tel: (36-99) 114-71

Vas County Chamber of Commerce
9700 Szombathely, Honved ter 2
Tel: (36-94)169-36
Fax: (36-94) 235-90

South-Trausdanubia Chamber of Commerce
7621 Pecs, Bem Jozsef u. 24
Tel: (36-72) 130-40
Fax: (36-72) 119-17

Tisza Chamber of Commerce and Industry
6640 Csongrad, Kis Tisza u. 4
Tel: (36-63) 313-77

Esztergom Chamber of Commerce and Industry
2500 Esztergom, Kossuth Lajos u. 13
Tel: (36-33) 114-44/14
Fax: (36-33) 111-86

North Allold Regional Chamber of Commerce
4026 Debrecen, Kalvin ter 6/b
Tel: (36-52) 130-53
Fax: (36-46) 192-36



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(Regional Chambers of Commerce con't)

South Hungary Chamber of Commerce
6721 Szeged, Tisza Lajos krt. 2-4
Tel: (36-62) 321-512
Fax: (36-62) 324-194

North Transdanubia Chamber of Commerce
9021 Gyor, Kiraly u. 20
Tel: (36-96) 157-75
Fax: (36-96) 196-50

Zala Chamber of Commerce and Industry
8900 Zalaegerszeg, Kosztolanyi u. 10
Tel/Fax: (36-92) 110-42

## PROFESSIONAL ASSOCIATIONS

Association for Enterprises of Computers and Management
1012 Budapest, Kuny D.u. 13-15.
Tel: (36-1) 202-2998
Fax: (36-1) 202-2894

Association of Hungarian Building Material Industries
1147 Budapest, Ov u. 153.
Tel: (36-1) 251-1333 Ext. 164.

Association of Hungarian Foundry Industries
1116 Budapest, Hunyadi Janos ut 18.
Tel: (36-1) 166-3000
Fax: (36-1) 166-7114

Association of Hungarian Light Industry 1064 Budapest, Rozsa Ferenc u. 55.
Tel: (36-1) 141-4793
Fax: (36-1) 141-4790

Association of Postal Services
1134 Budapest, Vaci ut 17.
Tel: (36-1) 140-1975
Fax: (36-1) 129-9277

Association of the Hungarian Rubber Industries
1067 Budapest, Csengery u. 48.
Tel: (36-1) 121-3991
Fax: (36-1) 122-1041

Association of Tourism, Hotels and Catering Industries
1012 Budapest, Kuny D.u. 13-15.
Tel: (36-1) 155-5373

Chamber for Road Transport
1391 Budapest, Vl., Terez krt. 38.11/228.
Tel:( 36-1 ) 132-9939
Fax:( 36-1 ) 132-7383

Chamber of Small and Medium Enterprises
1016 Budapest, Krisztina krt. 99.
Tel: (3-61) 156-8281 or 155-7648
Fax: (361) 175-0401

Federation of Car Services
1133 Budapest, Vaci ut 82-84.
Tel: (3-61) 120-1421
Fax: (3-61) 120-9801

Federation for Communal Services
2310 Szigetszentmiklos, Hatar u. 12.
Tel/Fax: (36-24) 65-163, 66-309, or 66-971

Federation of Energy Industry Companies
1012 Budapest, Kuny D.u. 13-15.
Tel: (36-1) 175-9722
Tel/Fax: (36-1) 155-8128

Federation of Hungarian Auditors
1051 Budapest, Jozsef nador ter 2-4.
Tel: (36-1) 118-3019

Federation of Hungarian Food Industries
1012 Budapest, Kuny D.u. 13-15.
Tel: (36-1) 175-9722
Fax: (36-1) 155-5057

Federation of Hungarian Forwarders
1052 Budapest, Kristof ter 2.
Tel: (36-1) 118-5465
Fax: (36-1) 118-8343

Hungarian Association for Packaging and Material Handling
1085 Budapest, Rigo u. 3. Ist floor
Tel: (36-1) 113-7034
Tel/Fax: (36-1) 113-8170



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(Professional Associations con't)

Hungarian Chamber of Artisans
1054 Budapest, Kalman u. 20
Tel: (36-1) 269-2940
Fax: (36-1) 269-2957

Hungarian Chamber of Agriculture
1036 Budapest, Lajos u. 160-162
Tel: (36-1) 168-6890
Fax: (36-1) 188-6554

Hungarian Chamber for Rail, Water and Air Transportation
1055 Budapest, Kossuth Lajos ter 6-8.
Tel: (36-l)153-3333/Ext. 3 17
Fax: (36-1)153-1285

Hungarian Chamber of Property Trading Enterprises
1052 Budapest, Deak F.u. 10.
Tel/Fax: (36-1) 118-9857

Hungarian Chamber of Real Estate Agents and Assets Appraisal Enterprises
6720 Szeged, Kelemen u 5.
Tel: (36-62) 21-719, 21-933
Fax: (36-62) 21-094

Hungarian Chemical Industry Association
1146 Budapest, Erzsebetkiralyne utja I/c.
Tel:(36-l) 142-8920
Fax: (36-1) 142-0980

Hungarian Cement Industrial Society
2600 Vac, Csanyi L. krt. 16.
Tel: (36-27) 11-922
Fax: (36-27) 10-725

Hungarian Federation for Civilian Arms
1132 Budapest, Vaci ut 4.
Tel/Fax: (36-1) 132-2143

Hungarian Federation for Electronics and Informatics
1054 Budapest, Szemere u. 17.
Tel: (3-61) 131-8986 or 111-6271
Fax: (3-61) 131-6320

Hungarian Federation of Forestry and Wood Industries
1012 Budapest, Kuny D.u. 13-15
Tel: (36-1) 155-6539
Fax: (36-1) 202-6449

Hungarian Federation of Furniture Suppliers
1012 Budapest, Kuny D.u. 13-15.
Tel: (36-1) 202-3395
Fax: (361) 202-6449

Hungarian Federation of Mining
1113 Budapest, Bartok Bela ut 152.
Tel: (36-1) 186-7852
Fax: (36-1) 166-5870

Hungarian Foreign Trade Association
101.2 Budapest, Kuny D.u. 13-15.
Tel: (36-1) 175-9722 or 155-4858
Fax: (36-1) 155-8219

Hungarian Franchise Association
1536 Budapest, P.O. Box 446
Tel: (36-1) 115-4619
Fax: (36-1) 116-8229

Hungarian Industrial Association
1146 Budapest, Thokoly ut 58-60
Tel: (36-1) 343-3834, 343-6214, 343-5182
Fax: (36-1) 343-5140, 343-5521

Hungarian Innovation Chamber
1117 Budapest, Schonherz Z. ut 16.
Tel: (36-1) 186-9615
Fax: (36-1) 185-2181

Hungarian Marketing Association
1012 Budapest, Kuny D.u. 13-15.
Tel: (36-1) 175-9722 or 155-7721
Fax: (36-1) 202-4086

Hungarian Pharmaceutical Manufacturers' Association
1134 Budapest, Lehel ut 11.
Tel/Fax: (36-1) 129-8245

Joint Venture Association
1012 Budapest, Kuny D.u. 13--15.
Tel: (36-1) 156-0040 or 175~9722
Fax: (36-1) 156-0728

National Association for Communal Management
1081 Budapest, Kun u. 12.
Tel: (36-1) 133-5480 or 133-8394
Telex: 226340

National Association of Building Contractors
1012 Budapest, Kuny D.u. 13-15.
Tel/Fax: (36-1) 155-8203



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(Professional Associations con't)

National Association of Cultural Enterpreneurs
1021 Budapest, Budakeszi ut 51.
Tel: (36-1) 176-1922
Fax: (36-1) 176-3968

National Association of Employers
1055 Budapest, Kossuth Lajos ter 6-8.
Tel: (36-1) 135-5374
Fax: (36-1) 153-1285

National Association of Enterpreneurs (VOSZ)
1118 Budapest, Szuret u. 15.
Tel: (36-1) 185-3337, 115-8453
Fax: (36-1) 182-0316

National Association of Growers and Traders of Ornamental Plants
1081 Budapest, Kun u. 12.
Tel: (36-1)133-5480
Telex: 226340

National Association of Hungarian Engineering Industries
1012 Budapest, Kuny D.u. 13-15.
Tel: (36-1) 175-9722
Fax: (36-1) 156-0040

Society of Hungarian Main Contractors
1061 Budapest, Paulay E.u. 52.
Tel: (36-1) 142-0729
Fax: (36-1) 122-0900

National Association of Property and Assets Management Enterprises
1115 Budapest, Bank ban u. 17.
Tel: (36-1) 185-3999 or 181-0390
Fax: (36-1) 166-8881

National Association of Water, Sewage, and Public Bath Companies
1054 Budapest, Sas u. 25
Tal: (36-1) 112-3067
Telex: 224651

National Trade Association
1012 Budapest, Kuny D.u. 13-15.
Tel: (36-1) 155-9689

Professional Federation for Steel Industry
1051 Budapest, Oktober 6.u. 7
Tel: (36-1) 117-2231
Fax: (36-1) 117-2743

Professional Federation of the Hungarian Printers
1067 Budapest, Eotvos u. 12.
Tel: (36-1) 122-4496 or 142-9960
Fax: (36-1) 122-8052

HUNGARIAN CAMBERS OF COMMERCE IN THE US

American Chamber of Commerce - Hungary
Peter Fath, Executive Director
Dozsa Gyorgy ut 84/a, Room 405, 1068 Budapest, Hungary
Tel: (36-1) 269-6016
Fax: (36-1) 122-8890

U.S.-Hungarian Business Council
c/o U.S. Chamber of Commerce 1615 H Street, N.W., Washington, D.C. 20062
Tel: (202) 463-5488
Fax: (202) 463-3114



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Hungarian-American Chamber of Commerce of New York & New Jersey
Monika Szarka-Elling
355 South End Avenue
Suite 7N
New York, NY 10280
Tel: (212) 321-3310
Fax: (212) 321-3310

Hungarian-American Chamber of Commerce (California)
Dr. Eva Voisin
250A Twin Dolphin Drive
Redwood City, CA 94065
Tel: (415) 595-0444
Fax: (415) 595-3976

Midamerica Hungarian Chamber of Commerce
Mr. Tomas Pelsoczi
707 Forest Avenue
Evanston, IL 60202
Tel: (708) 328-4279
Fax: (708) 866-8825

Hungarian-American Chamber of Commerce (Pittsburgh)
Mr. Les Dutka
Language Center, Inc.
313 Sixth Avenue, 4th Floor
Pittsburgh, PA 15222
Tel/Fax: (412) 438-0809

Hungarian-American Chamber of Commerce (Miami)
Ms. Susan Vosze
520 Brickell Key Drive
Suite 2015
Miami, FL 33131
Tel: (305) 358-8138
Fax: (305) 374-6715

Pacific N.W. Hungarian-American Chamber of Commerce
Ms. Helen Szablya
4416-134th Place, S.E.
Bellevue, WA 98006
Tel: (206) 643-1023
Fax: (206) 562-6381



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Hungarian-American Chamber of Commerce of New England
Ms. Sophia Lengyel, President
286 Congress St.
Boston, MA 02210
Tel/Fax: (617) 296-1515 or
Tel/Fax: (617) 698-6335

Consortia of American Business in Eastern Europe (CABEE)
These consortia, funded by the U.S. government, promote the export of U.S. products into Hungary, and elsewhere in Eastern Europe.

Consortium of American Housing Industrifles in Eastern Europe (CAHIEE)
American Building Products Export/Import Council
1090 Vermont Ave., NW, Suite 600
Washington, DC 20005
Tel: (202) 371-0600
Fax: (202) 371-9012

CAHIEE -International Business Resources, Inc.
Mr. Terence W. Dittrich
Endrodi Sandor u. 39/B
1026 Budapest, Hungary
Tel/Fax: (36-1) 116-7540

Consortium of Central Europe Food Industries
Food Processing Machinery & Supplies Association
200 Daingerfield Road
Alexandria, VA 22314-2800
Tel: (703) 684-1080
Fax: (703) 548-6563

Telecommunications & Electronics Consortium in Eastern Europe (TEC)
Telecommunications Industry Association
5619 Bradley Boulevard
Bethesda, MD 20814
Tel: (301) 652-0141
Fax: (301) 652-0177

Eastern Europe Environmental Partnership (E3P)
Coalition for International Environment Research & Assistance
Florence Aaron
2010 Corporate Ridge
Suite 700
McLean, VA 22102
Tel: (703) 847-5959
Fax: (703) 847-1408



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International Executive Service Corps (IESC)
IESC provides technical and managerial assistance to companies in Hungary and Eastern Europe.

IESC Trade and Investment Services, Central and Eastern Europe,
P.O. Box 10005, Stamford, CT 06904-2005
Tel: (203) 967-6092
Fax: (203) 324-2531

E. Ross Sawtelle, Regional Representative
Agnes Budai, Country Director for Hungary
Iskola utca 8, 1011 Budapest, Hungary
Mailing Address: P.O. Box 19, 1251 Budapest, Hungary
Tel: (36-1) 201-7082,
Fax: (36-1) 201-6052

Volunteers in Overseas Cooperative Assistance (VOCA)
VOCA provides short-term voluntary technical assistance in Eastern Europe, focusing on cooperative and agricultural development.

Istvan Mikus, Director
Tim White, Field coordinator
Ostrom utca 2325, room 114, 1015 Budapest
Tel: (36-1) 201-4241
Fax: (36-1) 156-3402

50 F Street, N.W., Suite 1075
Washington, D.C. 20001
Tel: (202) 383-4961
Fax: (202) 783-7204

Citizens Democracy Corps, Inc. (CDC)
CDC works to mobilize U.S. private sector expertise and resources to assist Central and Eastern Europe and the former Soviet Union to build democratic institutions and free market economies.

2021 K Street, NW, Suite 215
Washington, DC. 20006
Tel: (202) 872-0933 or 800-394-1945
Fax: (202) 872-0923

Association of Industrial Cooperatives (OKISZ)
OKISZ represents the interests of Hungarian industrial cooperatives.

1146 Budapest, Thokoly ut 58-60
Tel: (36-1) 141-4752
Fax: (36-1) 141-5521



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Association of Entrepreneurs
This association represents the interests of the Hungarian small business sector.

1137 Budapest, Radnoti Miklos u 2
Tel: (36-1) 132-2765
Fax: (36-1) 131-1163

Foundation for Small Enterprise Economic Development (SEED)
1118 Budapest, Andor utca 60
Tel: (36-1) 181-0590
Fax: (36-1) 181-2959

Hungarian - American Business Council
1117 Budapest, Budafoki ut 79
Tel: (36-1) 269,8219, 161-1080
Fax: (36-1) 186-7408

Regional Enviromnental Center for Central & Eastern Europe (REC)
REC supports the efforts of non-governmental environmental organizations in Eastern Europe

1035 Budapest, Miklos ter 1
Tel: (36-1) 116-6284
Fax: (36-1) 168-7851

The Center for Private Enterprise Development
1364 Budapest, Vorosmarty ter 1
9th Floor
P.O. Box 108
Tel: (36-1) 117-5185
Fax: (36-1) 118-4251



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## Financing Sources

**Hungarian-American Enterprise Fund**
The Hungarian-American Enterprise Fund is a privately managed fund established by the U.S. government. The fund's primary purpose is to promote the development of the Hungarian private sector by, among other things, investing in joint ventures between American and Hungarian companies.

666 Steamboat Rd.
Greenwich, CT 06830
Tel: (203) 869-3114

Rakoczi ut 1-3
1088 Budapest
E-W Bldg. 6th floor
Tel: (36-1) 266-7175, 266-7230
Fax: (36-1) 266-7086

U.S. Overseas Private Investment Corporation (OPIC)
OPIC is a U.S. Government organization that provides financing and political risk insurance for U.S. investments in developing countries, including Hungary. OPIC also maintains a database of investment opportunities called the "Opportunity Bank" and organizes investment missions to eligible countries.

1100 New York Ave., NW
Washington, DC 20527
Tel: (202) 336-8799
Fax: (202) 872-0923

Finance Department: Eugene Pohren, Hungarian Specialist (202) 336-8514

Political Risk Insurance: Andre Potafinski, Hungarian Specialist (202) 336-6240

International Finance Corporation (IFC)
IFC is a World Bank affiliate which can provide financing for joint-venture companies in Hungary.

Department of Investments, Europe
Room 19027
1850 Eye Street, N.W.
Washington, D.C. 20433
Tel: (202) 473-9634
Fax: (202) 334-8965

Sub Trade Center
Suite #72 7th floor
Nagy Nezo utca 44
1065 Budapest IV.
Tel: (36-1) 269-0384 (or 0385, 0386, 0387)
Fax: (36-1) 269-0388



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**Multilateral Investment Guarantee Agency (MIGA)**
MIGA is a World Bank affiliate which can provide political risk insurance for joint-venture companies in Hungary.

1818 H Street, NW
Washington, D.C. 20433
Tel: (202) 473-5419
Fax: (202) 679-0509

**U.S. Trade and Development Agency (TDA)**
TDA is a U.S. Government organization that funds feasibility studies for infrastructure projects in developing countries, including Hungary.

Director of East European Projects: Jeff Jackson
Project Manager for Hungary: Ann Lien
Room 309, SA-16
Washington, D.C. 20523-1602
Tel: (703) 875-4357
Fax: (703) 875-4009

**National Bank of Hungary (NBH)**
The NBH can provide information on financial issues related to operating a joint-venture company in Hungary.

Sandor Pataki, Capital Markets
1850 Budapest, Hungary
Szabadsag ter 8-9
Tel: (36-1) 153-3535
Fax: (36-1) 153-1058

Otto Kieltz, Chief U.S. Representative
1211 Avenue of the Americas, 25th floor
New York, NY 10036
Tel: (212) 730-4489
Fax: (212) 730-4709

European Bank for Reconstruction and Development (EBRD)
Sunil Sabharwal, Deputy Resident Representative Hungary
1072 Budapest, Rakoczi utca 42
Tel: (36-1) 266-6000
Fax: (36-1) 266-6003

U.S. Department of Commerce Liason for EBRD
Sarah Shakleton, Procurement Liason Officer
EBRD
One Exchange Square
London, EC2A 2 EH, United Kingdom
Tel: (44-71) 338-6569
Fax: (44-71) 338-6487

# COMPANIES OFFERING BUSINESS SERVICES IN HUNGARY

*This list is for informational purposes only and does not constitute an endorsement by the U.S. Department of Commerce. Companies wishing to be included on this list shouM contact EEBIC at (202) 482-2645.*

## ACCOUNTING / AUDIT FIRMS

American Valuation Services
1121 Budapest
Laura utca 21
Tel: (36-1) 115-9907
Fax: (36-1)135-9807

Arthur Anderson
1666 K Street, N.W
Washington, D.C. 20006
William M. Hall, Partner - Management Consulting
Tel: (202)862-3100
Fax:(202) 785-4689

Rakoczi ut 1-3
East West Business Center
1088 Budapest, Hungary
Kalman Wenid, Managing Director
Tel: (36-1) 266-9744
Fax: (36-1)266-9661

Coopers & Lybrand
Lovahaz u. 30,
1024 Budapest, Hungary
Alex Romer-Lee, Managing Partner
Tel: (36-1)135-0140
Fax: (36-1) 156-4895

1800 M Street, N.W.
Washington, D.C. 20036
Edward B. Kostin, Director, International Tax Services
Tel: (202) 822-5828
Fax: (202) 835-1482

Deloitte & Touche
Varmegye u. 3-5
1052 Budapest
Dier Taupin, Manager
Tel: (36-1) 267-2062
Fax: (36-1) 267-4182

1001 Pennsylvania Avenue, N.W.
Suite 350 N
Washington, D.C. 20004-2505
Mr. Robin McPhail, Principal
Tel: (202) 879-5657
Fax: (202)879-5607

Ernst & Young
1146 Budapest
Hermina ut 17
Robert Bellia, Director of Auditing
Tel: (36-1)252-8334/8333
Fax: (36-1) 251-8778

787 7th Avenue
New York, NY 10019
Stan Polovets, Manager, Eastern Europe
Tel: (212)773-6569
Fax: (202) 977-9359

KPMG Peat Marwick
Reviconsult Auditing and Consulting Ltd.
Andor utca 47-49
1119 Budapest
Gyorgy Tennet, Managing Director
Tel: (36-1)181-2015, 1525
Fax: (36-1) 185-3208

767 5th Avenue
New York, NY 10153
Aidan Walsh, Director, Europe/USSR Center
Tel: (212)909-5596
Fax: (212) 751-1760

Price Waterhouse
Rumbach Center
Sebestyen u. 21
1075 Budapest
Simon Allen, Managing Director
Tel: (36-1) 269-6910
Fax: (36-1) 269-6936

1801 K Street, N.W.
Washington, D.C. 20006
Michelle Siren, Dir., East European Services
Tel: (202)296-0800
Fax: (202)223-1953

Saldo Horwath
P.O. Box 186, 1518 Budapest
Dr. Endre Hujber
Tel/Fax: (36-1) 185-1794



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## ADVERTISING FIRMS

Burson-Marsteller - Budapest Kft.
Kapas utca 11-15.1/105
1027 Budapest
Gabor Szentivanyi, Managing Director
Tel: (36-1) 201-2895
Fax: (36-1)201-2922

DDB Needham
Tas vezer utca 18, III
1113 Budapest
Ors Megyer, Managing Director
Tel: (36-1) 166-2391
Fax: (36-1) 166-8949

GGK Spott
Keleti Karoly utca 29
1024 Budapest
Eva Merenyi, Manager
tel: (36-1) 115-5870
fax: (36-1) 155-8089

MAHIR (Hungarian Publicity Company)
Ferencziak ter 1
1053 Budapest
Dr. Ivan Rona, Managing Director
Tel: (36-1) 118-5746
Fax: (36-1) 117-9032

McCann Erickson - Interpress International
Advertising Agencv, Ltd.
Janos Serenyi, General Manager
Benczur utca 29
1068 Budapest
Tel: (36-1) 122-5258
Fax: (36-1) 122-4077

Promoter American-Hungarian Public Relations
Krisztina ter 1
1013 Budapest
Dr. Goerge Peto, Partner
Tel: (36-1) 175 7855
Fax: (36-1) 175-7057

Ogilvy and Mather
Szolo ut 38-40
1034 Budapest
Dr. Miklos Csepregi, Managing Director
Tel: (36-1) 188-6599
Fax: (36-1) 250-4510

Saatchi & Saatchi Advertising Kft_.
Alvinci utca 16
1022 Budapest
Keith Ginsburg, CEO
Brian Beagan, Managing Director
Tel: (36-1) 212-4039
Fax: (36-1) 212-5506

TOP Reklam (affiliated with Bozell)
Torok Floris utca 72, III
1201 Budapest
Marian Husz, Manager
Tel: (36-1) 283-0313/0688
Fax: (36-1) 283-0826

Young & Rubicam - Hungary Ltd.
Falk Miksa utca 3.
1055 Budapest
Tel: (36-1) 112-3229
Fax: (36-1) 131-5345



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## ASSET EVALUATION COMPANIES

American Appraisal Hungary
Ganz utca 16
1027 Budapest
Ferenc Tordai, Managing Director
Tel: (36-1) 201-5817
Fax: (36-1) 201-5253

Coopers & Lybrand Asset Evaluation
Lovohaz u 30
1024 Budapest
Peter H. Combrink, Managing Partner
Tel: (36-1) 135-0140
Fax: (36-1) 156-4895

IID / Valuation Research Ltd
(Information for Investment Decisions)
Becsi ut 100
1034 Budapest
Dr. Tamas Bulyovszky, Managing Director
Tel: (36-1) 250-1592
Fax: (36-1) 250-1593

International Valuation Services Hungary Ltd.
Deak Ferenc utca 21 Rm. # 204
1052 Budapest
Robert Tolzman, Managing Director
Tel: (36-1) 117-2354
Fax: (36-1) 118-3476

Appraisal Group International Inc.
Ulloi ut 82
1082 Budapest
Jack Birnholz, Director
Tel: (36-1) 113-5425
Fax: (36-1) 133-5182

in the U.S.
111 N.W. 183 Street, Suite 350
Miami, Florida 33169
Jack Birnholz, Chairman
Tel: (305) 944-8811
Fax: (305) 651-3394

## BANKS AND FINANCIAL INSTITUTIONS

European Bank for Reconstruction and Development (EBRD)
Rakoczi ut 42
1072 Budapest
Paul Dax, Resident Director
Sunil Sabharwal, Deputy Resident Director
Tel: (36-1) 266-6000
Fax: (36-1) 266-6003

Int'l Bank for Reconstruction and Development (IBRD)
Nagymezo utca 44
1065 Budapest
Andrew Rogerson, Resident Representative
Tel: (36-1) 269-0389
Fax: (36-1) 269-0396

Eurocorp International Finance Rt.
Bajza utca 19
1062 Budapest
Tel: (36-1) 269-6868
Fax: (36-1) 269-6892

IFC - Int'l Finance Corporation
Nagymezo utca 44, 7th Floor
1065 Budapest
Hugh Stevenson, Office Director
tel: (36-1) 269-0384
fax: (36-1) 269-0388

National Bank of Hungary
Szabadsag ter 8-9
1054 Budapest
Dr. Gyorgy Suranyi, President
Istvan Nadori, Director Information Dept.
Tel: (36-1) 153-2600
Fax: (36-1) 132-3913

Citibank Budapest, Ltd.
Vaci utca 19-21
1052 Budapest
John McGloughlin, General Manager
Tel: (36-1) 138-2666
Fax: (36-1) 118-9694



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(Banks & Financial Institutions continued)

Central European Development Corporation
Vertanuk Tere 1
1054 Budapest
Sandor Demjan, Chief Executive
Tel: (36-1) 111-6296
Fax: (36-1) 112-6414

Central-European International Bank
1052 Budapest
Vaci ut 16/b
Gyorgy Zdeborszky, President and CEO
Gyorgy Szekely, Director, International banking
Tel: (36-1) 118-8377
Fax: (36-1) 118-9415

First Hungary Investment Advisory Rt.
Kristof ter 6. 4th Floor Room 10
1052 Budapest
Istvan Denes, Director
Tel: (36-1) 137-8720
Fax: (36-1) 117-7182

Unicbank, Ltd.
1052 Budapest
Vaci ut. 19-21
Dr. Peter Felcsuti, Managing Director
Tel: (36-1) 266-2018
Fax: (36-1) 266-2846

Budapest Bank Ltd.
1055 Budapest
Honved utca 10
Dr. Lajos Bokros Chairman and CEO
Csaba Palicsko, Director International
Tel: (36-1) 269-2333
Fax: (36-1) 269-2417

Gerald H. Thomas, U.S. Credit Advisor
Honved utca 10, room 339
1055 Budapest
Tel: (36-1) 269-2333
Fax: (36-1) 269-2381

Commercial and Credit Bank Ltd.
(K & H Bank)
Arany Janos u. 24
1051 Budapest
Dr. Hihaly Patai, Managing Director Intl. Dept.
Tel: (36-1) 112-5200
Fax: (36-1) 111-1825

Cooperative Investment Company Ltd.
(InvestUnion)
1065 Budapest
Bajcsy-Zselinsky ut 3
Levente Gal, Senior Executive
Tel: (36-1) 122-7493
Fax: (36-1) 122-9007

Hungarian Credit Bank Ltd.
(Magyar Hitel Bank)
Istvan Torocskei, President & CEO
1054 Budapest
Szabadsag ter 5-6
Tel: (36-1) 269-2122
Fax: (36-1) 269-2245

General Banking and Trust Company Ltd.
Marko utca 9
1055 Budapest
Dr. Janos Eros, Director General
Ivan Galambos, Head of Int'l Division
Tel: (36-1) 269-1473
Fax: (36-1) 269-1442

Hungarian Foreign Trade Bank Ltd.
Szent Istvan ter 11
1051 Budapest
Gabor Zs. Erdely, Chairman and CEO
Tel: (36-1) 269-0922
Fax: (36-1) 269-0929

Inter-Europe Bank Rt.
1054 Budapest
Szabadsag ter 15
Pier franco Rubatto, Managing Director
Tel: (36-1) 269-1855
Fax: (36-1) 269-2526

International Investment Agency, Ltd.
1014 Budapest
Babits Mihaly koz 4
Kalman Meszaros, Managing Director
Tel: (36-1) 156-9707, 175-3441
Fax: (36-1) 175-3921

Konzumbank Rt. (Consumer Cooperatives Bank)
1052 Budapest
Vitkovics Mihaly u 9
Dr. Gabor Pal, General Director
Tel: (36-1) 117-2955
Fax: (36-1) 117-6721



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(Banks & Financial Institutions continued)

Mezobank Company Ltd.
(Agricultural cooperatives-CoopBank)
1277 Budapest
P.O. Box 23
Gabor Rajnai, Executive Director
Tel: (36-1) 132-0340
Fax: (36-1) 115-2455

Bank of Hungarian Savings Cooperatives, Ltd.
1054 Budapest
Szabadsag ter 14
Dr. Anna Majoros, General Director
Tel: (36-1) 153-4222
Fax: (36-1) 111-3647

DunaBank
(Duna Investments and Commercial Bank, Ltd)
1054 Budapest
Bathon ut 12
Kalman Debreczeni, General Director
Tel: (36-1) 153-1000
Fax: (36-1) 131-3786

General Bank for Venture Financing, Ltd.
1055 Budapest
Stollar Bela ut 3/a
Elemer Tertak, General Manager
Tel: (36-1) 132-6590
Fax: (36-1) 121-3181

AgroBank (Agricultural Innovation Bank, Ltd.)
1052 Budapest
Tanacs krt. 6
Peter Kunos, Managing Director
Tel: (36-1) 118-8933
Fax: (36-1) 117-5650

PostaBank and Savings Bank Corp.
1051 Budapest
Jozsef Nador ter 1
Gabor Princz, Chairman and CEO
Tel: (36-1) 118-0855
Fax: (36-1) 117-1369

YBL Bank, Ltd.
(YBL Bank for Innovation of Building Industry)
1063 Budapest
Sziv ut 53
Tamas Varga, General Director
Tel: (36-1) 112-9010
Fax: (36-1) 132-0567

IBUSZ Travel and Financial Services Company, Ltd.
1053 Budapest
Felszabadulas ter 5
Erika Szemenkar, General Director
Tel: (36-1) 118-6866
Fax: (36-1) 118-0866

National Savings and Commercial Bank
1054 Budapest
Nador ut 16
Dr. Sandor Csanyi, Chairman and CEO
Tel: (36-1) 153-1444
Fax: (36-1) 269-2526

Creditanstalt Budapest, RT
1054 Budapest
Akademia ut 17
Matthias Kunsch, Managing Director
Tel: (36-1) 269-0812
Fax: (36-1) 153-4959

First American-Hungarian Securities Corporation
1051 Budapest
Parizsi ut 1
Irate Beke, Chairman of the Board
Tel: (36-10 118-8082
Fax: (36-1) 118-7092

Innofinance
1052 Budapest
Vorosmarty ter 2
Jan Erik Lundberg, CEO
Tel: (36-1) 138-3366
Fax: (36-1) 117-7800

Bankers Association
1370 Budapest
Roosevelt ter 7-8
Miklos Pulai, Secretary General
Tel: (36-1) 112-5826
Fax: (36-1) 111-6037



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(Banks & Financial Institutions continued)

State Banking Supervision
1027 Budapest
Csalogany utca 9-11
Dr. Eva Vincze, Director
Tel: (36-1) 267-288
Fax: (36-1) 267-2927

International Training Center for Bankers
Csopaki utca 6-8
1022 Budapest
Ms. Elizabeth Konczol, Director
Tel: (36-1) 202-7488
Fax: (36-1) 201-1330

Budapest Stock Exchange
Deak Ferenc utca 5
1052 Budapest
Mr. Jozsef Rotyis, Managing Director
Tel: (36-1) 117-5226, 118-1200
Fax: (36-1) 118-1737

First Hungary Investment Advisory
Kristof ter 6.
4th Floor, Room # 10
1052 Budapest
Mr. Michael Carter, Managing Director
Tel: (36-1) 137-8720, 266-4022
Fas: (36-1) 117- 7182

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Mr. Lofti Farbod, Managing Director
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Fax: (36-1) 118-1737

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Dr. Jozsef Poor, Managing Director
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Fax: (212) 715-2337

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1034 Budapest
Dr. Tamas Bulyovszky, General Manager
Tel: (36-1) 250-1592
Fax: (36-1) 250-1593

Varmegye u. 3-5
1052 Budapest
Mrs. Attila Nagy, Director
Tel: (36-1) 267-4190
Fax: (36-1) 267-4198

IID Valuation Research Corporation
Becsi ut 100
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Dr. Tamas Bulyovszki, Managing Director
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Dioszegi ut 60/B
1113 Budapest
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Mr. Laszlo Miko, Professional
Boszormenyi u 13-15
1126 Budapest
Tel: (36-1) 175-8097

Agnes Tarnai, Professional
Aradi u 41
1062 Budapest
Tel: (36-1) 131-9542
Fax: (36-1) 118-2600

Dr. Zolmn Tibor Toth, Economist
Felszabadulas ter 1
1053 Budapest
Tel: (36-1) 137-7683

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Fax: (36-1) 118-8149

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Chicago, Il 60601
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Fax: (312) 861-2899

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1062 Budapest, Hungary
Dr. Lajos Schmidt, Manager
Tel: (36-1) 251-577
Fax: (36-1) 142-0513

**Brown, Rudnick, Freed** & Gesmer
One Financial Center
Boston, MA 02111
Thomas Herman, Esq.
Tel: (617) 330-9000
Fax: (617) 493-3278

c/o Eorsi & Partners
Belgrad Rakpart 13-15
1056 Budapest
Dr. Matyas Eorsi, Attorney-at-Law
Tel: (36-1) 117-9570
Fax: (36-1) 117-1444

Brownstein, Zeidman and Schomer
Suite 900
1401 New York Ave., N.W.
Washington, D.C. 20005-2101
Philip F. Zeidman, P.C.
Tel: (202) 879-5700
Fax: (202) 879-5773

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1011 Budapest
Tel: (36-1) 201-9327
Fax: (36-1) 202-4083



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Fax: (202) 383-8118

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1065 Budapest
Kathrine Ashton
Tel: (36-1) 131-0845
Fax: (36-1) 131-0845

Dewey Ballantine Theodore Goddard
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1054 Budapest
James D. Simpson
Tel: (36-1) 111-9620
Fax: (36-1) 112-2272

Friedman & McMahon P.C.
1370 Avenue of the Americas
Suite 2600
New York, NY 10019
Andrew H. Friedman, Esq.
Tel: (212) 586-3900
Fax: (212) 586-5311

1136 Budapest
Furst Sander u. 28
Suite FS/3
Ms. Eva Biczi, Manager
Tel: (36-1) 131-0546, 111-0687
Fax: (36-1) 153-0605

McDowell, Rice & Smith
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1065 Budapest
Mr. Daniel Markowitz
Tel: (36-1) 269-1028
Fax: (36-1) 269-1030

Seward & Kissel
Nador utca 11
1051 Budapest
Mr. Blaise G.A. Pasztory, Senior Partner
Dr. Peter Komaromi, Counsel
Tel: (36-1) 132-7115
Fax: (36-1) 132-7940

Shearman & Sterling
Szerb utca 17/19
1056 Budapest
Mr. Ervin Eichmann
Tel: (36-1) 266-3522
Fax: (36-1) 266-3523

Skadden, Arps, Slate, Meagher & Flom
919 3rd Avenue, 27th Floor
New York, NY 10022-9931
George Gluck, Esq.
Tel: (212) 735-3684
Fax: (212)735-3696

Mahart Building
Apaczai Csere J.u.
1052 Budapest
George Gluck, Manager
Tel: (36-1) 138-4673

Squire, Sanders & Dempsey
Deak Ferenc utca 10
1052 Budapest
Mr. Andy Hanak
Tel: (36-1) 117-3391
Fax: (36-1) 117-8613

Stroock & Stroock & Lavan
East - West Business Center
Rakoczi u. 1-3
1088 Budapest
George Schokey and Ivan Szasz
Tel: (36-1) 251-9520
Fax: (36-1) 251-9279

1150 17th Street, N.W.
Washington, D.C. 20036
George Lorinczi, Esq.
Tel: (202) 452-9250
Fax: (202) 118-8706

Weil, Gotshal & Manges
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1065 Budapest
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Tel: (36-1) 269-1144
Fax: (36-1) 269-1233

White & Case
Nagymezo utca 44
1065 Budapest
Stephan Fuzesi, Managing Partner
Tel: (36-1) 269-0550
Fax: (36-1) 269-1199

## HUNGARIAN ATTORNEYS

Dr. Balint Magdolna
i/A Marko utca
Budapest 1055
Tel: (36-1) 112-1454
Fax: (36-1) 112 -1454

Dr. Anna Szigeti
Szechnyi ter 8
Szeged 6720
Tel: (36-62) 112-865

Dr. Gyorgy Ban.
Szalay u. 13
Budapest 1363
Tel: (36-1) 132-4790 132-4798

Peter L. Nagy, Esq., D.L
Merit Inc.
1129 20th St., Suite 400
Washington, DC
Tel: 202-775-3980
Fax: 202-775-3982

Amecom, Kft.
Csalogany u. 3/B
1027 Budapest
Tel: (36-1) 201-8958
Fax: (36-1) 115-4282

Dr. Laszlo Karpati, Jr.
Dalszinhaz u. 10.
Budapest VI 106 1
Tel: 129-4132
Fax: (36-1) 533-664

Dr. Istvan Kolossvary
Szerb Utca 17-19
Budapest 1056
Tel: (36-1) 165-9217
Fax: (36-1) 118-9718

Dr. Agota Repzsalyi
Dozsa Gyorgy ut 84/a
Budapest 1068
Tel: (36-1) 142-5760

Dr. Anna Szigeti
Marko u. 1/A
1055 Budapest
Tel/Fax: (36-1) 112-1454

Dr. Gyorgy Ruttner
Nepszinhaz u. 17
Budapest VIII
Tel: (36-1) 134-2760

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International Business Consulting LTD.
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Dorottya utca 6.
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Tel: (36-1) 117-0850, 118-6520
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Mr. Laszlo Szocska, Manager
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Tel: (36-1) 118-2922
Fax: (36-1) 118-8343

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Tel: (36-1) 118-1880
Fax: (36-1) 118-0752

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Kemenes utca 6
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Tel: (36-1) 266-5122

Raabersped
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Boszormenyi u 20/22
Tel: (36-1) 175-1322
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Fax: (708) 593-2462

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Heldaustrasse 66
Postfach
9470 Buchs/SG Switzerland
Tel: (41) 85 68336
Fax: (41) 85 64531

Danzas Alltrasport
New York
Tel: (212) 943-0230
fax: (212) 509-4253

Rhode & Lisenfeld Inc.
1 World Trade Center
Suite 2171
New York, NY 10048
Fax: (212) 432-1426



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# Country Commercial Guide:

# Hungary

July 1994
Prepared by U.S. Embassy Budapest

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# I. COMMERCIAL OVERVIEW

## A. Overview of Import Market

Hungary has liberalized its trade regime extensively during the last 5 years. Ninety percent of imported products no longer require any type of prior government approval. The last vestige of protection is the consumer goods quota (see Sections III and VI).

In 1998, the government undermined the monopoly position of the government-sanctioned foreign trade companies (IMPEXs) by conceding that foreign trade activity is an inherent right and can be engaged in by any commercial entity or individual.

Hungary's market is highly competitive with imports supplying an increasing share of domestic consumption. Consequently, Hungary's total imports have increased during the last 5 consecutive years. European products account for a significant share of those imported products.

## B. Commercial Environment

Following the political changes in early 1990, Hungary was positioned to push ahead with economic reform. During the 1980s, Hungary implemented key laws which provided a framework in which to initiate the subsequent economic transformation. Hungary quickly assumed the lead in creating an environment which promoted free enterprise.

As a result, Hungary has attracted nearly 50 percent of the capital invested in the region. The United States is the leading investor in Hungary with $3.5 billion -- 40 percent of total foreign direct investment in Hungary. U.S. investment is in a variety of sectors: processed foods and beverages, telecom, automotive components and finished vehicles, household consumer products, apparel, services (financial, restaurant, consulting), etc.

Moreover, U.S. exports have increased steadily to Hungary. In 1993, U.S. exports Hungary jumped more than 50 percent.



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C. Business Attitude Towards the United States

The United States and American companies are favorably perceived in Hungary. American products and technology are renowned. But American companies do not have an extensive history of commercial activity in Hungary. Whereas Hungarian companies have close ties with European companies (especially Austrian and German) which were cultivated during the 1970s and 80s.

D. Major Business Opportunities

The opening of Hungary's economy has created a wide range of opportunities for Western businesses. The government is encouraging foreign investment in nearly all sectors and urges foreign companies to acquire interests in Hungary through the privatization process. Existing capital equipment in enterprises is often obsolete and requires replacement or upgrade. Emphasis has been placed on the installing of new and the upgrading of existing infrastructure -- both telecom and transport. In the consumer segments of the market, there is pent-up demand for many items which were previously not available.

E. Major Roadblocks to Doing Business

American companies do not encounter overt market access barriers. On the contrary, Hungary has liberalized its market extensively during the last 5 years both in terms of investment and trade.

Daily business is often cumbersome. Foreign businesses complain about excessive bureaucracy which is multi-layered and time-consuming. Infrastructure in general affects the ability of companies to conduct business. The telecommunications infrastructure is substandard as is the banking system which is not considered "user-friendly".

F. Nature of Local and Third-Country Competition

The severity of the economic transition has resulted in a large drop in Hungary's manufacturing output. Production costs remain high while output is of low-quality. Hungarian companies are increasingly unable to compete with foreign companies in the domestic market.

Hungary is literally in the backyard of the European Union (EU); historically and culturally, Hungary is linked to Western Europe. There is no question that Hungary's future lay with the EU. Already, Hungary is shifting closer to the EU

with the signing of the Association Agreement (see Section VI) -- a first step towards eventual full membership in the Union. Hungary has also signed agreements with the European Free Trade Association (EFTA) countries.

American companies face stiff competition from West European companies in Hungary. These companies already have extensive commercial relations in Hungary. Their proximity to the Hungarian market allows them frequent visits to consult with product representatives on business strategy and promotions, or to provide prompt equipment servicing for buyers.

Trade among former CMEA countries collapsed in January 1991 when trade became denominated on a hard currency basis. Since then, Hungary has participated in attempts to galvanize trade with its neighboring countries. The Central European Free Trade Agreement (see Section VI) has succeeded in reducing some trade barriers and stimulating trade to a limited degree. While former CMEA countries or their companies do not pose a major challenge to American companies in Hungary, regional trade is likely to assume greater importance in the future as these economies revive. Finally, Hungary is also endeavoring to rekindle trade relationships with the former Soviet Union.

## II. LEADING TRADE PROSPECTS FOR U.S. BUSINESS

Best prospects for U.S. firms include the following: cosmetics, telecommunications, pharmaceuticals, oil and gas field machinery and services, electric-power systems, plastic materials and resins, industrial chemicals, computers and peripherals, auotmotive parts and service equipment, computer software, foods-processed, franchising, travel and tourism, medical equipment, and apparel.

Leading agricultural prospects include: seed, cotton, bovine semen, and poultry breeding stock.
It should be noted that accurate statistics are difficult to find in Hungary. Therefore, the following should be viewed as estimates rather than hard data.



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## III. ECONOMIC TRENDS AND OUTLOOK

### A. Major Trends and Outlook

Hungary's economic reform process has generated a mix of pain and gain:

- Real GDP dropped for the fifth consecutive year in 1993, registering a 2 percent decline. Yet, industrial output expanded in 1993 by nearly 4 percent.

- The agricultural sector produces 15 percent of GDP and accounts for one-fourth to one-fifth of total exports. The sector failed to emerge from crisis last year with output and exports falling 6 percent and 25 percent, respectively. Farmers are facing problems related to farmgate prices lagging behind high input costs, 1993 summer drought, heavy debt burden and the slow pace of privatization. The outlook for the sector is better in 1994 due to improved prospects for production and exports.

- Unemployment seems to have peaked (13.6 percent) but remains high, hovering slightly over 10 percent -- although unemployment exceeds 20 percent in some eastern counties.

- Inflation has cooled from 36 percent in 1991 to a current rate of 18 percent. Yet, inflation is likely to increase to 22-26 percent before year's end.

- Trade has been successfully reoriented from East to West. Approximately 70 percent of Hungary's total trade is with OECD countries; nearly 50 percent is with the EU. In 1993, however, Hungary incurred a sizeable current account deficit.

- Privatization seems to have stalled; there has been substantial criticism of the bureaucratic and time-consuming process. Hungary has avoided mass privatization in favor of piecemeal privatizations and searching for strategic investors which in turn generate real restructuring through management modifications, capital infusions and technology transfer. The result has been the long-term revitalization of companies. Hungary's private sector accounts for 50 percent of GDP.

Despite continued sluggishness, there are hopeful signs that Hungary's economy has rounded the corner. Incremental growth is expected during 1994; the economy is likely to gain momentum in 1995 and thereafter. Inflation may increase in 1994 as a result of exchange rate policy, increased value-added taxes

and rising petrol prices. But inflation should begin to fall again in 1995. Unemployment will continue its slow downward movement during 1994-95. Finally, the trade picture will improve. Imports will increase in 1994 but exports are likely to increase slightly as well thereby mitigating some of the current account imbalance.

The new government is pushing an aggressive economic platform (see Section IV) which would produce more than cosmetic touches. The proposed reforms would require structural changes to the economy, thereby ensuring long-term growth.

There is no denying that Hungary has achieved substantial progress in an unduly short period. Foreign capital has flowed into the country at a rate still unmatched by neighboring countries. Hungary's progressive attitude and hard work have resulted in a "commercial safe haven" for foreign investment. This capital inflow has been and remains critical in moving Hungary further along the path of reform.

B. Principal Growth Sectors

Hungary is just beginning to experience economic growth after a four to five month hiatus. Although it is early in this period, it appears that the following sectors could be considered growth sectors:

- Telecommunications: Approximately one third of the telecom sector has been privatized. Contracts have been awarded for the development of rural telephone networks. There are two large U.S. firms involved in this sector thus far: Ameritech (one of the strategic owners of MATAV, the Hungarian Telecom Company) and USWest, which one of two companies competing in the cellular market. The telecom sector in Hungary was long underdeveloped. Recent privatization efforts and foreign investment will significantly improve telecom services in the coming years.

- Services: Services, including financial services and advertising represent a growing industry in Hungary. Since this sector essentially did not exist a couple years ago, it is difficult to collect date on the number of service firms entering the economy. It is clear, however, that this sector is one of the primary growth sectors.

- Construction: In 1994, construction has picked up for the first time in approximately 10 years. While it is early, observers in Hungary believe this could well be a growth sector over the next couple years. In particular, construction is expected to pick up considerably when the war in the former Yugoslavia reaches its end.



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- Food Processing: Significant modernization is required of the sector. Previously, products were exported with little value-added domestically. Packaging is often unattractive and substandard. With the appropriate influx of capital and new equipment, significant growth could be generated.

- Automotive Industry: There are several big players in the automotive industry in Hungary, including Ford and General Motors. Several observers have pointed to the automotive industry as a potential growth sector. In 1993 alone, automotive production in the region grew by 35% and a large portion of this production went to exports. Under the old system, Hungary had concentrated on the production of automotive spare parts in exchange for completed automobiles. Now, Western companies (Suzuki and General Motors) have invested about $500 million in the auto industry in Hungary while other producers have pledged investment of over $550 million in the automotive parts sector. This investment will also bring large-scale export earnings. For example, in 1993, over 40% of General Motors and Suzuki cars produced in Hungary were sold abroad. Hungarian officials estimate that 150,000 to 200,000 new cars will be sold annually after 1995.

  Hungary is a popular spot for automobile production partly because it had the second highest rate of automobile registrations, with about 200 registrations per 1,000 persons in 1991. At the same time, statistics show that the average car in Hungary is 10 years old.

## C. Government Role in the Economy

Since 1989, the private sector in Hungary has grown from approximately 20 percent to over 50 percent. The recently-elected government is committed to accelerating the privatization program. Since the collapse of communism, the state has liquidated 20 percent of its holdings and privatized 30 percent. The government provides approximately 12 percent in subsidies to various sectors of the economy and transfers approximately 23 percent of the national budget to local governments. in 1993, approximately 8 percent of total expenditures were spent on capital formation and other capital expenditures.

## D. Trade and Investment Barriers

Hungary has liberalized its market substantially in recent years. While Hungary's average tariff rates are decreasing, there are particular peak rates which are unduly high (e.g., coffee).

Hungary imposes a $750 million global quota on imports of consumer goods. American companies have complained that they have been unable to obtain sufficient quota to properly supply the market. Additionally, by the terms of its Association Agreement, Hungary has reserved quota allotments for imports from the European Union.

As a result of the Uruguay Round, quotas on agricultural products and processed foods will be replaced by tariffs. The Hungarian government proposes to break its GATT bindings and increase the tariffs to significantly higher levels.

Foreign companies complain that the implementation of new regulations with no advance notice disrupts trade. For example, in October 1993 the Government passed new regulations mandating that quality control certificates were required for consumer goods imports to be custom-cleared. There was no advance notice of the implementation of the new regulation. Consequently, the neither importers or the testing/certification agencies were unprepared for the regulatory change.

Hungary engages in the screening of investments in financial institutions and in insurance. However, a number of foreign banks and financial institutions currently operate in Hungary.

Hungary is not a signatory to the GATT Agreement on Government Procurement. Increasingly, foreign businesses criticize the tendering processes, citing non-transparency and irregularities. The new government is likely to promulgate new government procurement guidelines. However, there is concern that a new law could establish local content requirements.

## E. Labor Force

Hungary's labor force numbers 5.4 million men and women. The minimum age of employment is 16 years (15 years for apprenticeships). The labor force is highly literate with most people having completed secondary, technical or vocational school. Hungarians are renowned for excelling in the sciences, medicine, engineering and economics. Hungary has scored only behind Korea and Japan in international mathematics examinations. In spite of this, the labor force in general lacks basic managerial skills and has little knowledge of Western marketing and financial concepts. But foreign investors are quick to underscore that workers have demonstrated adaptability to the changing environment.

The employment ratio for manual versus non-manual labor is 60:40. Industry accounts for 30 percent of employment, a decline of 8.5 percent over the previous year (note: productivity of industry workers simultaneously increased by 14.8 percent).



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Overemployment was a common phenomenon in most state-owned enterprises during the communist period. Economic restructuring has lead to the trimming of employment in many enterprises. In some cases, foreign investors have been able to mitigate this problem through natural attrition or early retirement incentives. However, some companies have been forced to lay-off workers. Unemployment -- which officially did not exist before the late 1980s -- has become a major concern during the last couple years. The total number of unemployed increased from 79,521 at the end of 1990 to 632,050 (13.6 percent) at the end of 1993. By April 1994, this number decreased to 570,559 -- tantamount to 12.1 percent. An estimated 40 percent receive unemployment benefits, which is lower than the 51.6 percent receiving unemployment benefits at the end of 1993.

## F. Major Local and Third Country Competitors

In the principal growth sectors, American companies are actively competing against many other foreign companies.

In telecommunications, European companies have established a significant presence. Siemens (Germany) and Ericsson (Swedish) are supplying digital switches; although, Northern Telecom (Canadian-US) is upgrading the installed switch base. Siemens has acquired the entire cable industry. France's Alcatel has made in-roads in the rural telephone concessions. The United States also maintains a significant presence. Ameritech has acquired a stake in the Hungarian Telecommunications Company and is using some traditional suppliers to obtain equipment. U.S. West operates two cellular operations which use Motorola equipment. Motorola is active in land-mobile radio. AT&T has been awarded various tenders in the government and sold VSAT satellite equipment.

The services sector is primarily dominated by American firms especially in law, accounting, consulting, advertising and franchising. In financial services (banking, brokerage, insurance), various European firms (Austrian, German, French) are proving more aggressive than American financial service firms.

American companies have not entered the Hungarian construction market to any major extent. French, Austrian and some Swedish firms dominate the market. Bouygues (France) is involved in office development as well as being awarded a motorway concession. Strabag (Austria) is also active in office development and has acquired a stake in a Hungarian construction company.

The food processing sector has attracted wide interest from foreign companies. For example, the sugar and oils sectors were privatized with the participation largely of Austrian and French companies. In the snackfood and confectionery segments, Unilever (UK-Netherlands) Stollwerk (Germany), United Biscuits (UK),



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Nestle (Switzerland) and Jakob Suchard (US) have all invested in production facilities. The brewing sector has also attracted substantial investment from Austria, Belgium, Germany and South Africa. But Pepsi and Coca-Cola dominate the soft drink markets. The Swedish company Tetra Pak (drinks packaging cartons) has established a manufacturing facility to supply Hungarian producers while the American company, New England Machinery, is producing food-processing equipment in Hungary.

Since 1990, Hungary has developed an indigenous automotive industry comprised completely of foreign companies: GM (US), Ford (US), Audi (Germany), and Suzuki (Japan). These companies are trying to increase local content to meet EU rules-of-origin requirements. Some component parts producers from the United States and Japan have opened manufacturing facilities to supply domestic auto manufacturers as well as Western European operations.

## G. Infrastructure Situation

Motorways: Hungary's transportation infrastructure is good compared to other countries in the region. There is not an extensive system of multiple-lane highways criss-crossing Hungary. Rather modern motorways extend from Budapest and then turn into 2-lane highways. Paved roads connect all major cities and most rural towns. Although around smaller villages in eastern Hungary there are dirt roads.

Railways: Hungary has an extensive railway system which links large and medium size cities. Approximately 158 million passengers and 43 million tons of goods are transported annually across 7,600 kilometers of tracks (of this 2,184 kilometers is electrified). In the past, the government focused more on the development of the motorway infrastructure -- some believe to the detriment of the railway system.

Air: Hungary's major airport is located in Budapest. Currently there are two terminals. There is virtually no domestic air service in Hungary although some larger cities maintain airports for private aircraft.

Telecom: Hungary has one of Europe's least developed telecommunications systems with an installed base of 1.5 million lines (about 39 percent accounted for by Budapest) which is tantamount to a penetration rate of 15 lines per 100 persons. Call completion is only 40 percent.

Utilities: Nearly 50 percent of Hungary's electricity is generated by the Paks nuclear facility; the remainder is generated by coal-, lignite- or petroleum-fired power plants. Hungary emphasized development of drinking water systems early. However, the country does not have an extensive waste water system.



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## H. Major Infrastructure Projects Underway

Motorways: There are three major motorway infrastructure development projects underway: completion of the motorway between Gyor and Vienna; a concession has been awarded to complete the M5 motorway that leads south from Budapest; and the Budapest bypass is scheduled to be completed in 1996 (thereby facilitating traffic movement through Hungary).

Railways: Hungary will move ahead with modernization of the Budapest-Hegyeshalom (rail corridor to Vienna) line as well as introduce new carriages to cut travel time from 3.5 to 2 hours. New "inter-city" trains are on order and expected to be built during 1994. Hungary is also procuring high speed railway carriages from Germany. And a World Bank loan is being used to install a computerized transport control system. Finally, the newly elected government has pledged to focus its attention on upgrading the railway infrastructure.

Air: A tender has just been awarded to expand Budapest's Ferihegy II airport thereby doubling the capacity (handling 2 million travelers annually). Following project completion, Ferihegy I will be used primarily for private aircraft and freight. Some local municipalities are attempting to develop local regional airports. One former Soviet airbase near Lake Balaton (high tourism area) will be used for charter flights.

Telecom: Deutsche Telekom and Ameritech have acquired stakes in the Hungarian telephone monopoly. The terms of the transaction call for an ambitious 18-month development program. An estimated $1.8 billion will be spent on upgrading existing infrastructure and new installations. Additionally, 15 concessions in rural areas have been distributed to independent operators. Again, the transaction terms require significant infrastructure upgrades in a relatively short timeframe. The Hungarian government believes that a penetration ratio of 30 lines per 100 persons can be achieved before 1997.

Utilities: The government will move ahead in late 1994 with privatization of electric power generation companies as well as electricity and gas distribution companies. Privatization will involve massive improvement of existing facilities. The government is beginning to focus attention on developing the waste water systems.



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## IV. POLITICAL ENVIRONMENT

### A. Bilateral Relationship with the United States

Bilateral relations between the United States and Hungary continue to expand and strengthen. As early as 1989, the U.S. Government designated Hungary as eligible for various economic assistance programs as well as a recipient of trade preferences. More recently, the United States supports Hungary's desire to integrate itself into Western political, economic and security institutions. For example, the United States strongly encourages Hungary's eventual membership into the European Union as well as the OECD. The United States has been a major proponent of Partnership For Peace (PFP) which establishes a relationship between countries in the region and NATO. Hungary in turn has endorsed PFP.

### B. Major Political Issues Affecting the Business Climate

The economic situation became a political football in the recent elections. How the government intends to deal with the this challenge will directly affect the business climate. (See discussion in sub-section C.)

### C. Brief Synopsis of the Political System

The Socialist party (MSZP) rolled to a decisive victory in May 1994. The Socialists won the election by promising to ease the social burden of the economic transition and by portraying themselves as a party of expert administrators -- better qualified to run the country than the incumbent party, the Hungarian Democratic Forum (MDF). The MDF won only 10 percent of the parliamentary seats because of the widespread perceptions of its high-handedness and its managerial ineptitude.

MSZP has joined with the Alliance for Free Democrats (SZDSZ) to form a nearly 75 percent majority coalition government. SZDSZ is a centrist, liberal party which is likely to act as a counterbalance to any extremist tendencies remaining in the MSZP.

The new government's main challenge is the critical economic situation. The economic program put forward by the coalition government is pragmatic and aggressive. It consists of six primary pillars:

- Reform of the state budget;
- Continuation and acceleration of bank reform;



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- Invigoration of agricultural policy, including the conclusion of the compensation program, encouragement of the growth of a viable land market, and expansion of agricultural export markets;
- Expansion and diversification of export markets;
- Acceleration of infrastructure development, with emphasis on telecommunications, transportation, tourism, housing, and human infrastructure; and
- Acceleration and broadening of privatization.

Given the economic situation, the new government cannot afford to strengthen the social safety net. Rather, it would be more feasible that the social services sector will be overhauled with benefits being reduced to relieve the burden on the economy.

The cornerstone of turning around the economic situation will continue to hinge on increased savings and investment (both domestic and foreign), particularly from the latter. Consequently, the government must nurture a business environment which continues to attract foreign capital and stimulate private business.

## V. MARKETING U.S. PRODUCTS AND SERVICES

### A. Distribution and Sales Channels

Hungary's distribution system is slowly being overhauled. Traditionally, the service-oriented supply chain has been rigidly segmented: production; intermediate services (i.e., transport, finance , insurance); wholesaling; and retailing. Out of necessity to the changing environment, there is movement towards the blurring of these services demarcations. This is especially true in the food and non-food (consumer goods) market segments. The transformation of the industrial products and raw material market segments is much slower paced.

Hungary's consumer products wholesale sector is controlled primarily by 11 major state-owned companies which operate on a geographical basis. These wholesalers, for the most part, still distribute products to the small shops. However, they are beginning to distribute products through retail and discount stores that they own and operate. Increasingly, there is competition surfacing from the private sectors as smaller companies fill market niches and offer more integrated services. These companies are becoming central to translating consumer demand into production decisions -- a complete reversal of the old system.



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Hungary's retail sector is still dominated by small-scale shops which are undergoing privatization. The majority of these shops typically carry an assortment of unrelated items. The shop owners have little experience or knowledge of modern marketing and sales promotion. The retail sector also includes larger stores similar to Western-style department store chains; the two largest being Skala and Centrum. There are a number of supermarket chains throughout the country as well: Skala, ABC, Csemege (acquired by the Austrian chain Julius Meinl), and Kozert. Some retail establishments are slowly diversifying into other upstream activities.

## B. Use of Agents/Distributors

The use of agents and distributors is becoming an increasingly popular method of market entry. There are a number of Hungarian companies which have established exclusive representational or agent/distributorship deals with American and other foreign companies.

## C. Franchising

Franchising has been most popular and successful in the food service market. Most American-style "fast-food" restaurants have established operations here (Burger King, McDonalds, Wendy's, Pizza Hut, Kentucky Fried Chicken). Outside of this market segment, there have been attempts to introduce franchising for dry cleaning and automotive service.

## D. Direct Marketing

Direct Sales Promotion (DSP) is defined as the management of the physical context in which the product is promoted or sold to the consumer. Foreign companies have found that Hungarian retailers often require assistance in designing point-of-sale promotions. These companies often advise retailers on shelving displays and product location.

## E. Joint Ventures/Licensing

The term "joint venture" is commonly used in Hungary to refer to any venture which involves foreign participation. Companies may assume various legal forms in Hungary. The "Kft" is the most popular, being similar to the German "GmbH". In establishing a company in Hungary, the following information must be submitted to the local court of registration: name, headquarters, initial capital, members and



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shares, and the articles of association (deed of foundation for 1 person companies). The articles of association must be countersigned by a Hungarian attorney. Foundation of the company must be reported to the court within 30 days. Following submission of the information, the court may take as long as 60 days to register the company. If this period has expired without the foundation being challenged by the court, registration of the company is assumed approved. The registration fee charged is 2 percent of initial capital or a maximum HuF 90,000. Pursuant to the law, the company is required to announce its foundation in an official gazette.

## F. Steps to Establishing an Office

A commercial office must be registered with the local court of registration and with the Ministry of Industry & Trade prior to the start-up of activities. There are 3 basic forms that a commercial office can assume in Hungary: representative office; information and service office; and, agent. Based on the form chosen, there are certain restrictions.

Representative offices do no provide legal protection to foreign companies. Activities are limited to: mediation commercial contracts; participation in contract negotiations; maintenance of consignment stocks and customer service related to these products; informational and promotional activities.

An informational and service office is not permitted to engage in trade. The words "trade" or "trading" cannot appear in the company's name. Finally, the office must inform the Ministry of Industry & Trade the reason for establishing the office.

Finally, in concluding an agent agreement, the Hungarian entrepreneur must inform the National Bank of the contract. Additionally, the private entrepreneur must notify the nature of his/her activities to the local municipality which in turn issues certification enabling the entrepreneur to commence activity.

## G. Selling Factors/Techniques

Brand awareness is very low among Hungarian consumers. Consequently, price is an important factor. Additionally, there is high demand for products which are promoted as representative of (and often integral to) "trendy" Western life-styles.



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## H. Advertising and Trade Promotion

With the transition to a market economy, there is a new emphasis on advertising as a key marketing tool. Today, nearly all companies in Hungary engage in some form of advertising. The leading users of advertisements are mainly the subsidiaries of international corporations especially in consumer products. In terms of advertising mediums, the following are the most popular (in order of listing): press (both newspapers and magazines), sales promotion literature, television, outdoor billboards/signs and radio. Major newspapers and publications are: Figyelo, Magyar Hirlap, Nepszabadsag, Nepszava and Heti Vilaggazdassag.

Advertising is regulated by the 1978 Domestic Trade Law which was subsequently amended in 1986 and 1989. The Domestic Trade Law prohibits all forms of advertisement (except point-of-sale) for tobacco products, alcoholic beverages and pharmaceuticals. The Competition Law prohibits advertisements which mislead consumers or endanger the reputation of competitors.

## I. Pricing Product

State subsidies and price supports have been stripped away (less than 3 percent currently); prices are determined by the market. This phenomenon has meant that prices in many instances required realignment. As a result, inflation peaked at 36 percent in January 1991. Currently, inflation is running at 18 percent, though expected to increase again before year's end. Wages have not kept pace with inflation.

Consumer demand in Hungary is price inelastic. Given per capita income, Hungarians are highly price conscious. Having said this, however, consumers in Hungary are demand high-quality goods and are willing to pay extra to ensure durability and quality. Imported products are often more expensive than locally-produced goods; domestic manufacturers continue to lose market share to foreign competitors.

## J. Sales Service/Customer Support

In general, sales service and customer support is minimal in Hungary. Foreign companies must educate their representatives on these points, stressing prompt service as a way to maintain consumer loyalty.



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K. Selling to the Government

Pursuant to Hungarian law, government procurements must be competitively bid. However, there are virtually no guidelines on how to conduct a tender and little transparency. Many tenders have been subject to irregularities and there have been suspicions of corruption. The government has drafted legislation which would establish procedural criterion for government procurements and introduce more transparency. Hungary is not a signatory to the GATT Agreement on Government Procurement.

L. Protection of Intellectual Property Rights

In September 1993, Hungary signed a comprehensive intellectual property rights agreement with the United States. The agreement addresses such issues as copyright, trademarks and patent protection. The U.S. Government will track the Hungarian government's enforcement of this agreement to ensure that protections are duly extended.

M. Need for Local Attorney

All legal work in Hungary must be conducted by a Hungarian attorney. Foreign lawyers are not permitted to practice in Hungary. However, many American and other foreign law firms maintain representational offices in Hungary which staff Hungarian attorneys to execute the firms' business in the country.

## VI. TRADE REGULATIONS AND STANDARDS

A. Tariffs and Import Taxes

Average import duties have been cut from 50 to 13 percent and should fall to 8 percent with implementation of the GATT Uruguay Round Agreement. Some 87 percent of Hungary's tariffs are "bound" to the GATT tariff schedule, meaning Hungary is obliged to refrain from raising tariffs above the agreed ceiling rates.

Besides duties, there are other charges applied to imported products: a 2 percent customs clearance fee and a 3 percent statistical fee. If the product requires an import licensing, a 1 percent licensing fee is assessed.



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B. Customs Valuation

Hungary is a signatory to the Agreement on Implementation of Article VII of the GATT. This agreement stipulates that the primary basis for customs valuation is "transaction value" as defined in Article 1.

C. Import Licenses

An estimated 90 percent of imported products no longer require an import license. Import licenses are still required for some consumer goods (those subject to quota) and products which are typically controlled in the United States and other Western countries such as arms/ammunition, military equipment, hazardous materials, materials for biological weapons, psychotropic products, nuclear products, uranium ore, are similarly controlled in Hungary.

D. Export Controls

In May 1992, Hungary was removed from COCOM's list of proscribed countries. Most technology can flow to Hungary without export licenses. However, some equipment (e.g., dual-use technology) still requires export licenses from the Bureau of Export Administration (U.S. Department of Commerce) and Department of State.

E. Import/Export Documentation

All importers and exporters must file a VAM 91 document which can be obtained from the Hungarian Customs. Essentially, this document serves as a declaration for the type and number of goods being imported or exported. This document must contain the Product Code Number which identifies the classification of the goods. The Product Code Number can be obtained from the Central Statistical Office.

Upon the importation of goods, the importer must present certification documents from the Commercial Quality Control Institute (KERMI); goods cannot be custom-cleared without the KERMI permits. With reference to certain products, the KERMI permit may be substituted by documentation from other testing and certification agencies such as the National Institute for Drugs and the Quality Control Office of the Building Industry. For additional information on testing and certification, see Section VI, I, Standards.

Finally, those products whose trade is still controlled by the government require the appropriate license from the Ministry of Industry & Trade.



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## F. Temporary Entry

Products may be brought into Hungary on a temporary basis for exhibition in trade fairs or to use as samples. Business people should obtain a carnet from their Chamber of Commerce (the carnet is good for 1 year). The carnet lists the products and provides duty-free entry. Upon entry in Hungary, the carnet must be presented to the Hungarian Customs. The Customs will stamp the carnet thereby validating it. Upon departure from Hungary, the carnet must be stamp thereby confirming that the goods have been taken out of Hungary.

Goods -- typically materials or parts/accessories -- which are brought into Hungary for re-export after additional processing may enter duty-free. The Hungarian company demonstrated that it has a contract with a foreign company that commissions the work. The Customs will issue a temporary import permit. In some cases, Customs may request a deposit for customs duties. There are procedures for duty refunds on re-exports but these can be complicated.

## G. Labeling and Marking Requirements

Law IV (1988) on food the implementing decree Number 10/1988 MEM-SZEM established rules for marking and labelling food products. The rules apply to both domestic and imported products. The primary requirement is that labelling information must be in Hungarian. The label must give the following information: net quantity, name/address of producer (or importer), consumption expiration date, recommended storage temperature, listing of ingredients/additives, energy content and approval symbols from the National Institute of Food Hygiene and Nutrition (OETI) and the Commercial Quality Testing Institute (KERMI).

Cosmetics should indicate: product denomination, function, handling (precautionary) instructions, production date, utilization expiration date, quantity of product, producer/importer information. There are specific marking and labelling requirements for human and animal pharmaceuticals.

## H. Prohibited Imports

Hungary does not prohibit the importation of any products.

## I. Standards

Decree 78/1988 (XI.16) MT sets forth the legal requirements with respect to standardization and product quality. The Hungarian Standardization Office (HSO) is



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charged with overseeing the standards system. In turn, oversight of HSO is executed by the national Committee for Technology Development. HSO provides the technical background for drafting standards and related rules of law.

There are currently 2 types of standards: national and sectoral. National standards are issued by the HSO. These standards are binding and supersede sectoral standards. Sectoral standards are issued by individual ministries and other central government agencies.

National standards conform to international norms. Hungary is a signatory to the GATT Agreement on Technical Barriers to Trade (Standards Code). Hungary is also a participant in the International Organization for Standardization (ISO) and the International Electro-technical Commission (IEC).

Quality control is integral to ensuring products' conformity to required standards in addition to protecting consumers. New consumer goods are subject to an approval process implemented by the Commercial Quality Control Institute (KERMI). The Hungarian Electro-technical Control Institute (MEEI) controls electronic/technical goods; approval is based on compliance with Hungary's standards on protection against electric shock. In order to import or market these highlighted products, the products must be submitted to these control institutes for a process of testing and certification. Without the certificates, imported products will not be custom cleared.

## J. Free Trade Zones

Hungarian law provides for the establishment of companies in customs-free zones. The companies established there are exempt from customs and foreign-exchange requirements of the country as well as from indirect taxation tied to the turnover of goods. With respect to direct taxes (profit taxes, company taxes, etc.,) the companies enjoy transitory preferences.

Customs-free zones may be established anywhere in the country. Pursuant to the law, they must securely perimetered with a 3-meter high fence. To obtain custom-free zone status, the company must receive the permission and approval of the National Command of the Customs and Excise Guard. A declaration from the Ministry of Finance must accompany the application attesting to the fact that the area is a customs-free zone.



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K. Special Import Provisions

Equipment and other goods which are deemed capital in kind for joint ventures may enter duty-free.

Hungary maintains tariff preferences for developing countries and some former communist countries.

L. Membership in Free Trade Arrangements

In December 1991, Hungary signed an Association Agreement with the European Union asymmetrical reduces tariffs over a specified transition period. The accord immediately removed EU duties on 70 percent of Hungary's industrial exports to the EU (duty-free access requires at least 60 percent local content), and lifted quotas on 60 percent of its total exports. Trade in textiles, steel, coal and farm products will be eased over several years. In June 1993, the EC agreed to accelerate the agreement's provisions and reaffirmed its commitment to Hungary's full-membership which is expected by the year 2000.

In December 1992, the Czech Republic, Hungary and Poland completed negotiations on the creation of a Central European Free Trade Area. Modeled after the structure of the EU association accords, this agreement will reduce trade barriers over an 8 year period; duties on 15-30 percent of mutual trade were eliminated immediately upon implementation of the Agreement in March 1993. A supplementary agreement, signed on Jun 18, 1994, accelerates the agreement's provisions.

Finally, Hungary concluded a free trade agreement with European Free Trade Association (EFTA) countries in July 1993. Again, this agreement was modelled after the EU accords and will eliminate trade barriers for Hungarian goods entering the EFTA countries by 1997 and for EFTA imports by 2001. EFTA accounts for an nearly 15 percent of Hungary's total trade

In April 1994, Hungary and Slovenia signed a Free Trade Agreement which maps a three-phase elimination of duty on industrial goods by 2001 and an immediate 50 percent reduction of duty on certain categories of agricultural products.



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## VII. INVESTMENT CLIMATE

### A. Openness to Foreign Investment

The ongoing transformation in Hungary has included extensive reform of the laws relating to business activity, opening the door to significant foreign participation. The current environment in Hungary encourages foreign investment and participation in almost all aspects of the Hungarian economy. Foreign investment may take any one of four forms: setting up a joint venture in existing businesses, obtaining equity in a state enterprise through privatization, establishing a new (greenfield) business venture, and making a portfolio investment. Parliament has passed a number of laws intended to facilitate foreign investment. Five laws are of particular importance: the Companies Act, the Investment Act, the two laws on privatization, and the Concessions Act.

Act VI of 1988 on Economic Associations (the "Companies Act") defines the various forms of economic associations and regulates their foundation, organization, and termination. Foreign investment in Hungary most often takes the form of a limited liability company. Other commonly used forms are companies limited by shares (joint stock companies), joint enterprises, business associations, general partnerships, limited partnerships, and sole proprietorships. Current Hungarian legislation makes no provision for branch operations. Hungary's agreement with the EU calls for legal regulations permitting such operations to be in place within five years. (State-owned enterprises and cooperatives are not covered by the Companies Act.)

Act XXIV of 1988 (as amended) on Investments of Foreigners in Hungary (the "Investment Act"), which sets forth the rules on the establishment and operations of companies with foreign participation, grants significant rights and benefits to foreign investors. It guarantees national treatment for foreign investments. It abolishes the old requirement for government approval of majority or 100 percent foreign-owned investments. It provides protection against losses resulting from nationalization, expropriation, or similar measures. The Investment Act establishes the investor's tax liability, but provides for an extensive system of tax allowances, described below, which are intended as investment incentives.

Presently, privatization in Hungary is governed by Act LIII of 1992 on the Management and Use of Entrepreneurial Assets Remaining in Long-Term State Ownership and Act LIV of 1992 on the Sale, Use, and Protection of Assets in Temporary State Ownership. The Socialist-Free Democrat government formed in July 1994 has promised it will reexamine privatization to make it more transparent and to bring it to conclusion more quickly. Until the new government introduces



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new laws, Act LIII and LIV of 1992, which entered into force at the end of August 1992 replacing earlier privatization legislation, remain in force. Both acts provide a legal framework for the transformation of state enterprises into limited liability or joint stock companies. Such transformation is a prerequisite for any subsequent privatization.

As specified in Act LIII, in conjunction with Government Decree 126/1992, the state will retain partial ownership in just under 200 companies, farms, and research institutes, and complete ownership of about 30 others (primarily defense-related industries or those connected with correctional institutions). Presently, the State Holding Company (AV Rt) is responsible for the management and sale of most of these assets. The State Property Agency (AVU) is charged in Act LIV with privatizing virtually all other state-owned business assets. (The AV RT and the AVU are expected to be rejoined in the revision of the privatization laws in 1994.) Interested foreign investors, AVU, or the state enterprise itself may initiate privatization, but Act LIV stipulates that all sales must be accomplished via tender.

Act XVI of 1991 on Concessions authorizes the state to provide investors with concessions in return for their investment in infrastructure development and certain other sectors. The Concessions Act lists thirteen areas in which the state may, on the basis of a concession agreement, grant private investors a partial monopoly in activities normally reserved for the central and/or local governments. These include the construction of roads, railways and airports, power generation and transmission, mining, and operating games of chance. Concessions are normally awarded on the basis of a tender and include a time limit and a renewal limit (generally, 50 percent of the original period). More detailed regulations on specific concessions are contained in the laws on individual sectors, such as the Postal and Gambling Acts.

In general, 100 percent foreign ownership is permitted in sectors open to private investment. Exceptions include restrictions on foreign investment in defense-related industries, in the media and on foreigners' acquisition of land.

Under the Land Law (Act I of 1989) and related regulations, foreigners may acquire real estate in only a few instances, such as in compensation for a prior expropriation. Foreigners must make any payments in hard currency and must therefore obtain a permit from the foreign exchange authorities: the Finance Ministry or the Central Corporation of Banking Companies (Penzintezeti Kozpont). Thanks to the Investment Act, these requirements do not apply to companies incorporated in Hungary, even if 100 percent foreign-owned. Such companies, however, may only acquire real estate "required for its economic activities." The new Land Law (Act LV of 1994) deals primarily with agricultural land. Act LV restricts the purchase of land by foreigners to 6,000 square meters, but allows for leases up to ten years for up to 300 hectares or 6,000 golden crowns (a measure



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of land productivity). Act LV prohibits businesses from purchasing arable land, though they may lease amounts up to 2,500 hectares or 50,000 golden crowns. Both the prohibitions on foreigners and on businesses are seen as temporary and may be lifted when the real estate market reflects accurate land values.

Screening of foreign investments does not normally occur. As noted earlier, the Investment Act abolished the old requirement for government approval of majority foreign-owned investments. There remain two instances where screening is legally mandated: for investments in financial institutions and in insurance. Acts LXIX of 1991 and CXII of 1993 on Financial Institutions stipulate that government approval must be obtained for "the establishment of a financial institution owned fully or partly by foreigners as well as for participation by foreigners in a financial institution registered in Hungary." Such approval is not needed if total foreign participation in an institution will not be more than ten percent of its registered capital. The law sets out the necessary criteria, which include whether the applicant has the necessary capital, its business reputation and five-year track record, plans for training employees, and contribution to competition among similar institutions. Similarly, government approval is also required for foreign investments in insurance companies if the foreign share exceeds ten percent of the company's capital.

The rationale for the screening described above is the government's need to monitor foreign exchange flows, given the inconvertibility of the forint, and to ensure the reliability of the financial system. Screening mechanisms are routine and non-discriminatory. As the large numbers of banks and insurance companies with foreign ownership currently operating in Hungary testify, screening does not constitute an impediment to investment or limit competition.

Foreign firms are accorded national treatment in their participation in government financed and subsidized research and development programs. Foreign firms have not reported any difference in de jure and de facto practices.

Although foreign investors are nearly always accorded equal treatment under the law, a few instances of negative discrimination do exist. For example, domestic investors may hold bearer shares, whereas the Investment Act allows foreigners to acquire only registered shares. National Bank regulations prohibit non-resident foreigners from directly purchasing state securities denominated in forints and limit them from acquiring more than 20 percent of the shares in those investment funds that have bonds, including state securities, in their portfolios. (There are no limits on the shares foreigners may buy in other investment funds.)

In another sector, the 1991 Act on the Operation of Games of Chance sets the minimum fee paid to the state for a casino concession at $1 million for a company with foreign participation, versus 70 million forints ($700,000) for a purely



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Hungarian company. Additionally, Hungarian law and regulation excluded foreigners from certain privatization opportunities. Only Hungarian citizens were permitted to take part in the auctions of small retail and service establishments held under the so-called pre-privatization program, for example, however, this program has been wrapped up. (The law did not prevent the Hungarians from immediately re-selling the establishments to foreigners, however.) Only Hungarian citizens will be eligible to acquire state enterprises through leasing under a program which began in 1993. Finally, the government reserves the right to deny national treatment to foreign investments in medical, dental, veterinary and other health-related professional services.

Under the Corporate Tax Act of 1991, an automatic tax holiday was available to companies meeting certain requirements including a certain level of foreign investment and participation in one of the 15 designated industries of strategic importance. The Corporate Tax Act was amended by Act IC of 1993 which eliminated the automatic tax holidays for new investments as of January 1, 1994. However, companies that qualified for tax abatements prior to the deadline retain these benefits.

In place of the tax holidays under the Corporate Tax Act, Parliament introduced a discretionary new general tax reduction, effective January 1, 1994. The new incentive is available in the form of a tax reduction not exceeding 100 percent of the normal tax payable for a 5-year period and not exceeding 60 percent for the subsequent 5-years period if two conditions apply: 1) the company has share capital of at least HUF 500 million ($5 million) and 2) the company starts an investment of a least HUF 200 million ($2 million), as a result of which the company derives more than half of its revenues from the manufacture of a) environmentally friendly products, and/or b) high-tech products, and/or c) products requiring scientific research and that investment increases the company's export revenues or employment. It also reduced the corporate income tax rate from 40 percent to 36 percent and introduced a turnover tax which would come into effect if a companies tax liability fell below 2 percent of annual turnover.

The discretionary tax reduction has come under some criticism. The new coalition government is expected to legislate a number of investment incentives, which will not discriminate between domestic and foreign investment. It has also stated it will eliminate the minimum 2 percent turnover tax.

The Act on Separate State Funds (Act LXXXIII of 1992) established an Investment Promotion Fund to encourage foreign investment in infrastructure, new technology and public utilities. To qualify for subsidies from this fund, a company must have more than HUF 50 million ($500,000) in registered capital or capital stock, not less than 30 percent foreign ownership, and the foreign contribution must be in convertible currency and not less than 50 percent of the foreign partner's share.



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The third criterion may be waived if the technology is considered "environmentally superior" or "of technical excellence."

Companies which received tax reductions under the Investment Act have their benefits "grandfathered". Pursuant to the provisions of the Investment Act, companies with at least 30 percent foreign participation and a minimum of 50 million forints ($500,000) in capital qualified for tax incentives. If such companies invested in manufacturing, and that investment generates more than half of their gross revenues, they may receive a 60 percent tax exemption for the first five years and a 40 percent exemption for the next five. The companies are only eligible for the tax breaks in the years that they qualify. If the revenues from the investment dips below the threshold, the company does not receive the tax break. If they invested in one of 15 designated sectors, they could receive a 100 percent tax exemption for the first five years and a 60 percent exemption for the second five. The 15 "activities of special importance" are:

- electronics and aviation;
- production of vehicles or vehicle parts;
- manufacture of machine tools;
- production of agricultural and food processing and machinery/equipment;
- manufacture of machine parts;
- production of packaging machinery, equipment, or materials;
- productions of pharmaceuticals, pesticides, and agro-chemicals;
- development of the domestic protein-stock;
- food processing;
- subcontracting industrial production in the above sectors;
- production of propagating material and breeding stock;
- production of wheat and corn;
- telecommunications services;
- tourism (the building and operating of hotels);
- and the production of environmental products and equipment.

The Investment Act also provides for the duty-free import of goods necessary to establish a joint venture. Furthermore, it allows joint ventures to reclaim 100 percent of the general turnover tax (similar to a value-added tax) paid on goods acquired for investment purposes.

Other laws and regulations provide a number of investment incentives, available to both foreign and domestic investors. Tax allowances are granted for investments in the less developed regions of Hungary or in certain sectors, such as health care, cultural activities, and agriculture. Investors may receive more than one tax reduction and aggregate them to receive relief up to 100 percent of the tax due in a given year.



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In addition, foreign investors may receive grants or concessional loans from the investment promotion fund established by Government Decree 41/1991 The principal use of fund monies is the development of infrastructure (such as roads and electricity lines) in conjunction with existing or planned activities. Only companies with at least 30 percent foreign participation and a minimum of 50 million forints ($500,000) in capital may apply. With some exceptions, at least half of the foreign contribution to the investment must have taken the form of hard currency.

Two import policies/practices that affect foreign investors exclusively are the Investment Law's provision for the duty-free import of capital goods by joint ventures and the government's establishment of semiannual quotas for automobile imports. For 1994, the number of automobile import licenses is limited to 96,000 (51,000 new, 30,000 used; 53 percent of each category imported from the EU and the remainder from the rest of the world). These quotas are meant to protect the markets of domestic automobile manufacturers, all of which are foreign-owned companies.

B. Conversion and Transfer Policies

The forint is not a fully convertible currency, though for business purposes it approaches full convertibility. There are no restrictions on transferring funds associated with an investment. The Investment Act guarantees foreigners the right to repatriate "in the currency of the investment" any dividends, after-tax profits, royalties, fees, or other income deriving from the operation or sale of the investment. The Act also grants foreign employees of a foreign investment the right to transfer abroad "in the currency of the country of their permanent domicile" fifty percent of their after-tax salaries. There is no queuing for foreign exchange, and there are no known instances of delay in repatriations.

Foreign investors are allowed to keep any cash contributions made in a convertible currency in a foreign exchange account. The company may use these funds to import, duty-free, goods considered as part of the investment. Alternatively, it may import goods using foreign exchange bought for forints. All companies registered in Hungary, including those with foreign participation, are required to sell foreign exchange receipts from exports to the National Bank within eight days of receipt unless an exemption has been granted by the MNB. One notable exception allows a company to maintain a foreign currency account to pay for foreign travel, advertising and related expenses. All companies are required to receive permission from the National Bank before taking out a hard currency loan.

In the event that forints accepted by OPIC would be made available to the Embassy, the Embassy and other U.S. institutions could use up to $ 6.8 million



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annually. The Mission purchases hard currency from the Foreign Trade Bank at the official buying rate.

The value of the forint is determined by a currency basket consisting of 30 percent of the U.S. dollar and 70 percent of the European Currency Unit (ECU). The government of Hungary has pursued a policy of gradual devaluation. The MNB is permitted, by law, a free hand in devaluing the HUF within a 5 percent margin. That margin was extended twice in 1993. In 1994 that margin was extended for the first time in May. On August 5, the forint was devalued 8 percent bringing the total cumulative devaluation till then to 14.39 percent. Future devaluations are expected at least on par with the 1 - 1.2 percent; however, a larger devaluation cannot be ruled out. The forint's cumulative depreciation in 1994 is likely to exceed 18 percent.

## C. Expropriation and Compensation

According to Article 13(2) of Hungary's constitution, "Expropriation of property shall be allowed only exceptionally and for public interests, in cases and ways determined by law and with full, unconditional and immediate indemnification." The Investment Act further states that "The foreign investor shall be promptly indemnified for any damage arising from any possible measure affecting his property, such as nationalization, expropriation or any measure involving a similar legal effect. Compensation shall be paid at actual value . . . in the currency of the investment." The Investment Act also stipulates that investors may appeal such measures to the courts.

There have been no cases of expropriation of foreign-owned assets since the early 1950's. In 1973, the United States and Hungary signed an agreement settling Hungary's outstanding debts for U.S. assets seized in the early years of the communist regime. The government is concluding a program intended to compensate those who lost property under the communist and fascist regimes. Hungarians and foreign citizens are equally eligible to receive compensation. Victims or their heirs receive compensation vouchers, which may be sold or exchanged for stocks, real estate or annuities. There will be no "reprivatization" or restitution of lost properties.

## D. Dispute Settlement

Foreign investors virtually shunned Hungary until the late 1980's, just before the change in regime. Thus, the Hungarian government does not have a record of handling investment disputes. There have been no major investment disputes, and



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there are no outstanding expropriation/nationalization cases. The courts have proved to be an effective vehicle for enforcing property and contractual rights.

Should conciliation and negotiation fail to resolve an investment dispute between foreign investors and the state, Hungary will accept binding international arbitration. Hungary is a member of the International Center for the Settlement of Investment Disputes (ICSID), also known as the Washington Convention, and a signatory of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

As in the United States, Hungary's Constitution is the basis for the legal system. Any decree or law that contradicts the provisions of the Constitution may be appealed to the Constitutional Court, which has the right to rule on any government law or decree and strike it down with or without retroactive effect. All decisions by the Constitutional Court are final and cannot be appealed further. Parliament appoints the President of the Constitutional Court.

Below the Constitutional Court are the Municipal Court of the Capital (Budapest), county and local courts. The County courts and the Municipal Court of the Capital are the highest courts that hear tax cases. A panel of professional judges and lay assessors hear cases. The State President appoints the professional judges. Neither judges nor prosecutors may be members of political parties nor active in politically.

With the political changes in 1989-90, priority was given to private property ownership. The Constitution declares Hungary a market economy with equal legal protection given to common and private property. The number and scope of laws that apply to business operations have recently been expanded and can be expected to continue to develop.

The Act on Bankruptcy Procedures, Liquidation Procedures and Final Settlement became law on January 1, 1992, and was later amended in 1993. The law's provisions encompass all commercial entities, except banks (which have their own regulatory statutes), state companies, trusts and other state-owned enterprises. Bankruptcy proceedings can only be initiated by the debtor and only if the debtor has not sought protection under bankruptcy in the past three years. Within 90 days of seeking bankruptcy protection, the debtor must call a settlement conference to which all creditors are invited. Majority consent of the creditors present is required for settlement plans. If agreement is not reached, the court can order liquidation. Judgments are made in forints, but investors have the right to convert the money into the currency of the investment for repatriation.

The law establishes the priorities of claims which are: 1) liquidation costs; 2) secured debts; 3) claims of individuals; 4) social security and tax obligations; and



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5) all other debts. Any remaining proceeds are distributed among the owners. Creditors may request the court to appoint a trustee to perform an independent financial examination. The trustee has the right to challenge any contract concluded within 12 months preceding the bankruptcy, if there are reasons to suspect that the contract constituted conflict of interest.

## E. Political Violence

Political violence in Hungary is minimal. Although in early 1994, there were three bombings directed at sites of cultural value. No group has claimed responsibility nor have the police identified potential perpetrators. There has been no violence directed at foreign-owned companies.

The several million ethnic Hungarians living in adjacent countries have been a source of friction for Hungary's relations with its neighbors. In contrast to previous government policy, the new government publicly states that it places improvement of relations with its neighbors one step above its support of the rights of the Hungarian minorities.

Disturbances in the former Yugoslavia have not spilled into Hungary. Still the situation is observed with concern by Hungary given there is a sizeable population of ethnic Hungarians living in the Vojvodina region (Serbia). The loss of trade with the former Yugoslavia -- due to UN economic sanctions which are enforced by Hungary -- has cost Hungary over $2 billion.

## F. Performance Requirements/Incentives

Hungary does not impose performance requirements as a condition for establishing, maintaining, or expanding an investment. In the case of foreign investments, there is no requirement that nationals own shares, that the share of foreign equity be reduced over time, or that technology be transferred on given terms.

## G. Right to Private Ownership and Establishment

Foreign and domestic private entities may establish and own business enterprises and engage in all forms of remunerative activity, save for those prohibited by law. The Companies Act guarantees the right of private entities to freely establish, acquire, and dispose of interests in business enterprises. Hungary's constitution also provides related guarantees. Article 9 states that "(1) The economy of Hungary is a market economy where public and private ownership shall be equally respected and enjoy equal protection. (2) The Republic of Hungary shall recognize



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and support the right of entrepreneurship and free economic competition." Article 13 guarantees "the right to property."

De jure, competitive equality is the standard applied to private enterprises in competition with public enterprises with respect to access to markets, credit, and other business operations, such as licenses and supplies. De facto, state enterprises sometimes enjoy superior access, usually simply because they have been established longer and are better known. This is especially true in regards to access to credit, where state enterprises may benefit from the banks' (almost always mistaken) assumption that the state is backing the loan.

Foreign participation in Hungary's privatization program has been extensive. In general, foreigners participate in the privatization process on the same terms accorded to Hungarian citizens. The exceptions being their ineligibility for the leasing program and various other non-cash financing methods such as "Existence credits".

## H. Protection of Property Rights

The Hungarian legal system protects and facilitates the acquisition and disposition of property rights.

The basic legislation providing protection for inventions is Act II of 1969 (as amended) on the Patent Protection of Inventions. The Patent Act provides twenty years of protection from the date of filing at the National Office of Inventions, as opposed to the American system which extends protection to the date of invention. Licenses may be granted. Compulsory licensing to a Hungarian enterprise may be ordered under certain conditions, if a patent has not been used within four years of the date of application or three years from the date of issue.

Act III of 1969 (as amended) on Copyrights is intended to protect literary, scientific, and artistic creations. "Computer programs and the related documentation" (software) are expressly included in the list of protected works. According to the law, "the consent of the author shall be required for any use of his work" or of the title of the work. "Use" is defined as "the process in the course of which the work or a part thereof is communicated to the public" and pertains to "alterations, adaptations, and translations." The law includes under communication "posters, newspapers, programs, films, radio, television, etc." relating to the work. There have been numerous complaints that Hungarian enforcement of the Copyrights Act has not been sufficiently vigorous and that significant quantities of pirated and counterfeit software, sound recordings, etc., are marketed here.



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The registration and protection of trademarks is governed by Act IX of 1969 on Trade Marks and related decrees. The application process can take from six months to a year. Foreigners are required to appoint a Hungarian attorney to represent them. Decisions by the National Office of Inventions to deny an application or cancel a registration may be appealed up to the Supreme Court. Registrations are valid for ten years and can be renewed. Licensing of trademarks is permitted. The law protects well-known marks, stating that "the existence of a well-known mark (whether registered or unregistered) is a bar to registration of an identical or confusingly similar mark, regardless of the goods concerned." While there are no statutory use requirements, "failure to use a mark over a five-year period renders the registration open to cancellation."

Trade secrets are protected by Act LXXXVI of 1990 on the Prohibition of Unfair Market Practices. The law expressly forbids obtaining or using business secrets "in an unethical way" and disclosing them to unauthorized persons or making them public. Business secrets are defined as "every such fact, information, solution, or data related to economic activity that it is in the entitled person's interest to have remain secret."

Two new laws protecting intellectual property entered into force in January of 1992. Act XXXVIII of 1991 protects utility models, and Act XXXIX of 1991 protects the topography (layout design) of semiconductor chips.

In 1993, the U.S. and Hungary signed a comprehensive Intellectual Property Rights Treaty. Law Number VII (1994) on the Amendment to Industrial Property and Copyright Legislation was adopted by Parliament and implemented on July 1, 1994. This law amends the following existing laws: Law Number III (1969) on Copyright; Law Number II (1969) on the Protection of Inventions by Patents; Law Number IX (1969) on Trademarks; Decree-Law Number 28 (1978) on the Protection of Industrial Designs; and, Law XXXVIII (1991) on Utility Model Protection. In short, the amendments extend patent protection for pharmaceuticals (previously, Hungary issued only process protection); address who controls the rights of works; extends and unifies the terms of protection; expands protection for the original layout designs incorporated in semiconductor chips; provides the legal means to prevent proprietary information from being disclosed or acquired without the consent of the trade secret owner by other than "honest commercial practices"; and, ensures enforcement procedures are available under civil, criminal or administrative law to permit effective action against IPR infringement.

Hungary is a member of the World Intellectual Property Organization and a signatory of important agreements on this issue, such as the Paris Convention for the Protection of Industrial Property, the Nice Agreement on the Classification and Registration of Trademarks, the Madrid Agreement concerning the Registration and Classification of Trademarks, the Patent Cooperation Treaty, the Universal



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Copyright Convention, and the Bern Convention for the Protection of Literary and Artistic Works.

## I. Regulatory System: Laws and Procedures

The above-mentioned law protecting business secrets, Act LXXXVI of 1990 on the Prohibition of Unfair Market Practices (the "Competition Act"), is actually a comprehensive law intended to foster the establishment and maintenance of a competitive market. The Competition Act forbids consumer fraud, the restriction of competition, abuse of a dominant market position, and unfair competition. Acts considered as unfair competition include spreading of false rumors about competitors, withholding goods from the market in order to cause price increases, and conditioning sales on the buyer's commitment to boycott competitors.

The Competition Act created the Economic Competition Office. This office is responsible for investigating and stopping any unfair market practices. It is also authorized to review any merger where, in the preceding calendar year, the combined market share of the parties involved exceeded 30 percent or their combined gross sales totalled more than 10 billion forints ($100 million). It also reviews cases where one business entity is acquiring a majority interest in another business and their combined market share exceeds 30 percent. The Office may deny licenses for these mergers or sales if it determines that they would hinder commercial competition.

The Competition Office also administers controlled prices, which are set by government decree and are imposed on a small number of goods and services. The Agriculture Ministry may establish minimum prices for wheat, corn, pork, and beef. Maximum prices are mandated for all energy supplies, postal and telecommunications services, rail and bus transportation, pharmaceuticals for humans, and public water services.

Though many foreign investors believe Hungarian taxes are high and the Labor Code too liberal, they generally do not judge these, or the health and safety laws, to constitute impediments to the efficient mobilization and allocation of investment. Hungary overhauled its tax system in the late 1980's, instituting a western-style system. The Tax and Financial Supervision Office is responsible for the collection and administration of taxes. For a foreign investor, the most important taxes are: company tax (36 percent of corporate profits); the general turnover tax (a value-added tax attached to the value of goods and services supplied domestically, imported, or exported; current rates are 0, 10, and 25 percent, but the Socialists propose eliminating the 10 percent rate); and personal income tax (a progressive tax assessed on total income received during a tax year, less exempt income and deductions; current rates range from 0 to 36 percent, but a proposal before



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Parliament would add from 1993 a 50 percent bracket for those whose annual earnings exceed one million forints -- $12,500). In addition to taxes, employers must also pay contributions to the Social Security and Solidarity (unemployment) Funds. These are 44 and 5 percent, respectively, of the wage bill. (Employees pay an additional ten and one percent.) The government has approved a proposal to increase contributions to the Solidarity Fund to six percent for employers and three percent for employees beginning in 1993.

Unfortunately, bureaucratic procedures are all too often lengthy and lacking in transparency. This is especially true in regards to company registration and many aspects of the privatization process. Company registrations are extremely slow, sometimes requiring several months, mainly because the courts have been overwhelmed by the number of applications. In addition, unclear lines of authority sometimes make it difficult for a foreign investor and Hungarian government officials to determine who, in which ministry, can make the necessary decisions.

## J. Efficient Capital Markets and Portfolio Investment

Hungary implemented a major bank reform in 1987, creating a two-tiered system by separating the functions of the commercial banks from the National Bank. Aside from the National Bank, all financial institutions in Hungary are regulated by Act LXIX of 1991 on Financial Institutions and Financial Institution Activities ("Banking Law"). The provisions of the Banking Law are similar to those in western countries and include stricter capital adequacy provisions and loan classification requirements. The law specified that those financial institutions authorized to perform deposit transactions establish a mandatory deposit protection fund. Other clauses limit large credits, internal credits, and credits for securities transactions, real estate investments, and durable investments. The office of State Banking Supervision, a government agency, and the National Bank are both involved in judging license applications and overseeing the activities of financial institutions.

At present, more than 50 commercial banks, including 17 with foreign participation. Foreign investors have access to credit on the local market, generally on the same terms as domestic investors. Exceptions include special governmental credit concessions, such as Existence and Start loans, intended to boost domestic small business. Because interest rates in Hungary are relatively high and longer term credits sometimes difficult to obtain, however, most foreign investors prefer to borrow abroad. (As noted earlier, the National Bank must approve in advance any foreign currency loans.)

Close ties to old (usually state-owned) clients, the larger and safer profits available from investing in state securities, unfamiliarity with loan application evaluations,



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and inadequate bank reserves have acted to constrain commercial bank credit to the private sector. There is a wide variety of other sources of credit for private investors, whether foreign or domestic. These include the Hungarian-American Enterprise Fund, the European Bank for Reconstruction and Development, and the International Finance Corporation.

The estimated total assets of the five largest banks in Hungary is over HUF 1,650 billion ($16 billion): National Savings and Commercial Bank (HUF 831 billion); Hungarian Credit Bank (HUF 358 billion); Hungarian Foreign Trade Bank (HUF 204 billion); Budapest Bank (HUF 165 billion); and the Post and Savings Bank (HUF 123 billion).

Banking reform is a priority for the government of Hungary. The previous government executed two debt consolidation programs which injected at least HUF 300 billion into the larger state banks in an effort to improve their capital adequacy ratios -- first to 4 percent and later to 8 percent. Smaller banks were required to raise their capital adequacy ratios to 4 percent. Prior to the debt consolidation program, as much as 30-35 percent of the assets of the largest eight banks were thought to be non-producing. Forced to write down as much as 45 percent of their bad loans, the collective portfolios of the largest eight banks is estimated to be approximately 20-25 percent.

The Budapest Stock Exchange, the first to reopen in Eastern Europe, was formally reestablished in 1990. Act VI of 1990 on Securities and the Stock Exchange, along with rules approved by both the Stock Exchange Council and State Securities Supervision, govern the public issue of and trade in bonds, shares, and other securities. At the end of May 1994, 86 securities, with a nominal value of $5.99 billion, were listed on the exchange. A number of the member institutions -- brokers, broker-dealer companies, and banks -- are partly or wholly foreign-owned. Starting in 1993, banks were no longer permitted to be members. Act LXIII of 1991 on the Investment Funds created the possibility for the operation of both close-ended and open-end mutual funds. The first such fund in Hungary was launched in February of 1992. There are limitations, described earlier, on foreign participation in some investment funds.

## K. Bilateral Investment Agreements

The following countries have concluded bilateral investment protection agreements with Hungary: Germany, France, Belgium, Great Britain, Greece, Sweden, the Netherlands, Italy, Denmark, Austria, Finland, Switzerland, the Republic of Korea, Cyprus, Uruguay, Kuwait, Spain, Norway, China, Israel, Australia, Canada, Morocco, Turkey, Portugal, and Thailand. With the following countries Hungary has signed investment protection agreements, but has not yet ratified the



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agreements: Indonesia, the Czech Republic, Slovakia, Argentina, Malaysia, Paraguay, Romania, and Poland. Hungary and the United States have been in negotiations for a business and economic treaty but have not yet concluded one.

Hungary has concluded treaties on the elimination of double taxation with many countries, including: Albania, Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, India, Italy, Japan, Luxembourg, Malta, the Netherlands, Norway, Poland, Romania, Spain, Switzerland, Sweden, Thailand, the United Kingdom, the Czech Republic, Slovakia, and the United States. In addition, Hungary signed such a treaty with the former Yugoslavia and concluded a multilateral agreement on this topic with the former CMEA states in 1979.

## L. OPIC and Other Investment Insurance Programs

The U.S. Overseas Private Investment Corporation (OPIC) has been operational in Hungary since October 1989. OPIC offers American investors insurance against political risk, expropriation of assets, damages due to political violence, and currency inconvertibility. OPIC can also provide specialized insurance coverage for certain contracting, exporting, licensing, and leasing transactions undertaken by U.S. investors in Hungary. France, Germany, Japan, and Great Britain offer insurance similar to OPIC's for investments in Hungary. Political risk insurance is also available for foreign-owned companies in Hungary from several private carriers in the United States and Western Europe, and from the Multilateral Investment Guarantee Agency (MIGA), which is a World Bank affiliate. In addition, the National Bank of Hungary, for a fee, will issue to a foreign-owned company its guaranty of the Investment Act's commitments regarding expropriation and profit repatriation.

## M. Labor

Hungary's civilian labor force of 5 million women and men is highly educated and highly skilled. The literacy rate in Hungary tops 98 percent. About two-thirds of the workforce has completed some form of secondary, technical, or vocational education. Hungary is particularly strong in engineering, medicine, economics, and the sciences. While many foreign investors have praised the productivity, motivation and adaptability of Hungarian workers, some others have disparaged them. Overstaffing and the consequent need to lay off workers to achieve efficient operations are problems encountered by foreign companies investing in existing enterprises. Foreign investors often try to solve these problems via early retirement and worker retraining programs. Investors often wish to discourage the Hungarian practice of holding down two or three jobs simultaneously and can usually do so by offering higher wages. The recent boom in foreign investment in Hungary has



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resulted in shortages of employees with western-style management skills. The lack of foreign language skills, formerly a major problem, is becoming less so, especially among younger Hungarians. Labor factors have not significantly affected investors' choice of technology.

The economic recession has hit labor hard. Unemployment peaked in February 1993 at over 13 percent and now stands around 10-11 percent. There are wide regional discrepancies. In the Northeastern counties unemployment exceeds 20 percent, while in Budapest and the western portion of the country, unemployment is closer to 5 percent. Unions in Hungary are relatively weak and divided, however. About half the workforce is unionized (down from 90 percent under communism). Labor-management relations tend to be collegial, with both sides negotiating labor issues at the company level, as well as the national level (within the sphere of the Interest Reconciliation Council, made up of government, employer, and organized labor representatives). The Hungarian National Association of Labor Unions (MSzOSz), which
Hungary adheres to the ILO Convention Protecting Worker Rights. The ILO opened an Eastern European Office in Budapest in 1992.

Hungary's new Labor Code, modelled after German legislation, came into effect on July 1, 1992. The Labor Code guarantees employees the right to form or join trade unions and gives unions the right to operate inside a company. Unions are entitled to conclude collective bargains. Employees may elect factory councils, which the employer is obliged to consult on a number of questions, such as the privatization of the company or plans for worker retraining. The Labor Code limits the work day (to 12 hours) and overtime, guarantees maternity leave, at least 20 days of annual leave, at least 30 days notice, and severance pay for those employed at least three years. The law also forbids discrimination based on sex, age, or nationality. The minimum employment age is 16 years, except that apprentice programs may begin at 15. A national minimum wage is set by the Ministry of Labor upon the recommendation of the Interest Reconciliation Council; labor and management can agree upon a higher (not lower) minimum wage for a given industry.

## N. Foreign Trade Zones/Free Ports

The Investment Act allows foreign investors to set up or acquire interest in companies in a duty-free zone. Since "a duty-free zone shall be deemed as foreign territory from the aspect of the customs, foreign exchange, and foreign trade regulations," such companies are legally considered to be foreign companies (versus the consideration of a foreign-owned company registered in Hungary as a Hungarian firm). Offshore companies are required to keep their accounts and make most of their transactions in hard currency. They must establish a forint account



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at a Hungarian bank to meet any expenses (such as taxes and wages) that the Act specifies must be paid in local currency.

## O. Capital Outflow Policy

Capital export and outward direct investment has been allowed since 1974, but requires the prior permission of the Hungarian government. The National Bank, the Ministry of Finance, and the Ministry of Industry and Trade (MIT) review license applications. According to government statistics, Hungarian entrepreneurs invested abroad HUF 11.4 billion ($114 million) in 1,298 joint ventures by the end of 1993. In 1993, the Hungarian National Bank recorded $11 million of capital outflow, an average of less than $1 million a month.

Two-thirds of the registered new joint ventures are located in neighboring countries. However, Hungarian ventures may be found in Western Europe (mainly Germany and Austria), the United States and in countries with favourable taxation laws such as Cyprus and Lichtenstein. The sectors targeted for investment abroad are trade, tourism, and service sectors. In Germany and Austria, most investment is directed to the construction industry. In neighboring Romania, for instance, Hungarian investment is in consumer goods and basic materials industries, followed by production (furniture and ready-made garments). Approximately 120 of the 1,298 registered ventures are operating in Russia. The ventures are extremely cautious because of the risks involved; capital transfer is very low with 60 percent of the capital typically as contribution in kind.

Hungarian Investment Abroad
in 1991

| | cash (000) | technical contribution | total | forint equivalent (mil) |
|---|---|---|---|---|
| USSR | USD 3,351 | 12,595 | 15,946 | 1,191.1 |
| Germany | DM 3,118 | 80 | 3,198 | 159.2 |
| Austria | ATS 15,560 | -- | 15,560 | 109.9 |
| UK | GBP 672 | -- | 672 | 95.2 |

| | | | | | |
|---|---|---|---|---|---|
| UK-Jersey Is. | USD | 1,042 | -- | 1,042 | 77.8 |
| Romania | USD | 676 | 554 | 1,230 | 91.9 |
| Holland | NLG | 925 | -- | 925 | 36.8 |
| CSFR | USD | 380 | 258 | 638 | 47.7 |
| USA | USD | 316 | 50 | 366 | 27.3 |
| Yugo. | USD | 326 | 36 | 362 | 27.0 |
| Other | USD | 485 | 1,304 | 1,789 | 133.7 |

(Note: Average exchange rate in 1991 was $1 = HuF 74.8)

Number of Hungarian Investments

| | 1991 | First Half 1992 |
|---|---|---|
| Romania | 87 | 54 |
| CSFR | 64 | 28 |
| USSR/CIS | 52 | 55 |
| Germany | 45 | 23 |
| Austria | 31 | 7 |
| UK | 12 | n/a |
| USA | 10 | n/a |
| Other | 66 | n/a |
| TOTAL | 367 | 197 |



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## P. Foreign Direct Investment Statistics

Hungary has attracted more than half of all foreign direct investment (FDI) made in Central Eastern Europe. As off the end of April 1994, total foreign direct cash investment reached USD 6.02 billion. Non-cash contributions bring current FDI to over USD 7 billion. Since the beginning of the year, FDI for the first five months of 1994 has been USD 433 million, with a low point in February of USD 20 million. There are over 20,000 joint ventures registered in Hungary, up from 13,000 two years ago.

Investment began pouring into Hungary with the liberalization of the investment regime, even before the transition to democratic rule. Ministry of International Economic Relations (now merged with the Ministry of Industry & Trade) and IMF statistics show the rapid growth in the amount of foreign investment. The dollar amounts represent actual inflows and do not include investment commitments.

FDI in Hungary
($ mil)

| Year | Value |
|---|---|
| 1972-88 | 250 |
| 1989 | 300 |
| 1990 | 900 |
| 1991 | 1,700 |
| 1992 | 1,471 |
| 1993 | 2,328 |
| 01-04 1994 | 433 |
| Total | 7,382 |

More than one-third of the joint ventures operating at the end of 1991 were established with one million forints (the minimum required to establish a limited liability company), while the founding capital of 543 (6 percent) exceeded 100 million forints. Of the companies with foreign participation set up in the first half of 1992, however, approximately two-thirds were established with the minimum one million forints capital. Only 45 companies (2.2 percent) had founding capital greater than 100 million forints -- though their founding capital represented 82.5 percent of the total for the JV's set up in the first half of 1992. For investments made though 1991, 57 percent of foreign capital was invested in industry, 16 percent in trade, 16 percent in services, and 6 percent in construction. For investments made in the first half of 1992, 60.6 percent of foreign capital was invested in industry, 10.4 percent in trade, and 8.7 percent in services.



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According to the Ministry of Industry & Trade, as of January 1994, the leading foreign investors are:

| | |
|---|---|
| United States | $3.1 billion |
| Germany | $1.4 billion |
| Austria | $1 billion |
| France | $0.6 billion |

Other major investors are Great Britain, Japan, Switzerland, Sweden, Canada, and Italy.

Q. Major Foreign Investors

A list of the largest investments in Hungary follows and is comprised largely from a December 1993 list published by the economic weekly "Budapest Business Journal".

| COMPANY ($ mil) | INDUSTRY | INVESTOR (Country) |
|---|---|---|
| Hungarian Telephone Company (MATAV) ($875) | telecom | Ameritech (US)<br>Deutsche Telecom (GER) |
| Tungsram ($550) | light bulb | General Electric (US) |
| Audi Hungary ($420) | car engines | Volkswagen/Audi (GER) |
| Westel ($330) | telecom | US West Int'l (US) |
| GM Hungary ($300) | autos, parts | General Motors (US) |
| Magyar Suzuki ($250) | finished autos | Suzuki (JPN) |
| Pannon GSM ($250) | telecom | Scandinavian PTTs |



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| | | |
|---|---|---|
| Hungaria Biztosito ($220) | insurance | Alllanz (GER) |
| Hungarian Euro-Expwy. ($200) | construction | Various (FR - AUS) |
| KOFEM ($165) | aluminum | Alcoa (US) |
| NMV ($160) | food/soap | Feruzzi (IT) |
| Unilever | food/soap | (HOL/UK) |
| Dunapack/Halaspack ($160) | paper | Prinzhorn (Aus) |
| Ganz ($130) | elec. eng. | Ansaldo (IT) |
| FAU ($169) | beverages | Pepsico (US) |
| Hunguard ($100) | glass | Guardian Glass (US) |
| MALEV ($100) | airline | Alitalia/Simest (IT) |
| NIKEX ($100) | investment | Hungarian Inv. (UK) |
| Chinion ($100) | pharmaceuticals | Sanofi (FRA) |
| Ford Hungaria ($100) | automotive parts | Ford (US) |
| Compack ($100) | food processing | Sara Lee/Douwe Egbert (US/NETH) |



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| | | |
|---|---|---|
| Coca-Cola ($100) | beverages | Amatil (AUSTRL) |
| Kempinski Hotel ($95) | hotel | Dresdener Bank (GER)<br>Kempinski (GER) |
| Intercsokolade Kft ($94) | food processing | Nestle (SW) |

## VIII. TRADE AND PROJECT FINANCING

### A. Description of Banking System

Prior to 1987, all banking activities were monopolized by the Hungarian National Bank (MNB). Some international trade activities were provided by the Foreign Trade Bank (MKB) while the National Savings Bank (OTP) performed some limited retail banking activities. In 1987, a two-tier banking system was established. The MNB's loan portfolio was divided among three new commercial banks: Budapest Bank, Hungarian Credit Bank (MHB), the Commercial and Credit Bank (K&H). Simultaneously, the State Banking Supervision Agency (SBS) was created to oversee and supervise the banking system. The SBS administratively reports to the Ministry of Finance.

The banking system has developed rapidly and currently consists of: the National Bank of Hungary; 37 commercial banks (17 are fully or partially foreign-owned); 6 specialized financial institutions; 1 off-shore bank; 260 saving cooperatives.

Comprehensive banking reform removed credit and service functions from the MNB. Enterprises can maintain commercial accounts with more than one bank. Except for the ceilings on household deposits, commercial banks are free to set terms for deposits and loans.

Hungary's banking system is not considered "user-friendly". Banks have failed to develop and to promote retail instruments to service the client base. Checking accounts number less than 50,000. For example, many branches are not electronically interconnected. Consequently, it is not possible to cash checks other than in the branch in which the account was opened. Bank transfers are time-consuming, with transfers often lost in the process for days and sometimes months. While human error is presumed, it also possible that the banks are playing



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with the floats. Given the little consumer confidence in the banking system, depositors are often skeptical of new instruments. Following the introduction of direct-deposit and debit cards, employees at the Foreign Trade Bank immediately checked their balances and withdrew the money. In short, Hungary is a cash-based economy.

In terms of corporate services, the banks are not eager to lend on a long-term basis. Moreover, the cost of borrowing is prohibitively high for companies. The current nominal interest rate is nearly 28 percent (note: annualized inflation rate is 17 percent; hence, the real interest rate exceeds 10 percent).

Bank privatization is proceeding slowly given the bad loan portfolios of the banks. The government has developed a "credit consolidation" scheme to clean the banks' credit portfolios. Implementation of the Bankruptcy Act (January 1992) highlighted the bad loan problem. In effect, the Bankruptcy Law precipitated a sort of "mini bang" by forcing companies to settle with creditors within 90 days. Failure to do so required the company to automatically declare bankruptcy. During a 90-day moratorium, companies were to reach unanimous agreement with all creditors. Again, failure resulted in the company automatically entering into liquidation. While banks were improving their capital/asset ratios to guard against dubious loans, the bankruptcy developments encouraged them to increase the rate of provisioning.

In July 1994, the first Hungarian bank was privatized. Shares of the Foreign Trade Bank (MKB) were sold-off to the German bank Bayerische Landesbank. The European Bank for Reconstruction & Development also took a stake in MKB. The next bank rumored for privatization is Budapest Bank.

## B. Foreign Exchange Controls Affecting Trading

The Hungarian forint is not a fully convertible currency. Currently, the forint is pegged to a currency basket consisting of the U.S. dollar (30 percent) and the ECU (70 percent). Appreciation of the forint has resulted in periodic devaluations. Exporters have been critical of the government's exchange rate policy, stating that the overvaluation of the forint has priced them out of foreign markets. The worsening current account fuelled anticipation that a sizeable devaluation would take place to correct the situation. In August 1994, the government devalued the forint by 8 percent -- the single largest devaluation to date.

Although the forint continues to be a managed currency, it is in essence fully convertible for business purposes. Foreigners may freely repatriate profits and dividends in hard currency (note: MNB requires that an equivalent amount in forints be on deposit with a Hungarian bank). Steady progress has been achieved in the



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liberalization of foreign exchange controls. Foreigners are now permitted to maintain forint accounts which can be used to purchase goods domestically.

C. General Financing Availability

The cost of borrowing locally is prohibitively high. The current nominal interest rate is nearly 28 percent (note: annualized inflation rate is 17 percent; hence, the real interest rate exceeds 10 percent). Local banks are often resistant to lending on a long-term basis. Close ties to old (usually state-owned) clients, the larger and safer profits available from investing in state securities, unfamiliarity with loan application evaluations, and inadequate bank reserves have acted to constrain commercial bank credit to the private sector.

D. Export Financing (Methods of Payment)

Decree Number 52 (March 1990) sets forth requirements for import contracts. This law was amended in by Decree Number 35 in February 1991. All import contracts exceeding 2 million forints must be secured by a letter of credit (LC) bank guarantee or by advance payments/deposits with commercial banks. The advanced payments/deposits must be put on deposit with the MNB. Importers are restricted from making foreign currency cash payments abroad exceeding a quarter million forints. Enterprises are permitted to enter into deferred payment arrangements for imports, with the LC and advance payment/deposit requirement for contracts exceeding 10 million waived if the deferred payment is for a period exceeding 60 days.

E. Available Export Financing and Insurance

The U.S. Export-Import Bank has provides finance and insurance for some transactions in Hungary. The largest deal to date involved the Hungarian Airlines (MALEV) procurement of two Boeing 767s. Currently, only the Foreign Trade Bank is approved by EXIM in Hungary.

First Chicago and Continental Bank which were active in Hungary many years ago are again trying to redevelop their export finance business in Hungary.

F. Available Project Financing

Many companies look for financing abroad. Many U.S. commercial banks will provide financing services in Hungary for long-time corporate clients. But the cost of this financing is likely to be higher. West European banks are active in project



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financing especially the Giro Bank (Austria), Creditanstalt (Austria) and some German banks.

Other sources of credit for private investors include: the Hungarian-American Enterprise Fund, the First Hungary Fund, the European Bank for Reconstruction and Development and the International Finance Corporation. Bankers Trust and Barclays maintain offices in Budapest and specialize in structuring financing packages.

### G. List of Banks with Correspondent U.S. Bank

All major Hungarian banks -- Budapest Bank, MKB, MHB, K&H, Posta Bank, OTP -- have correspondent banks in the United States. Additionally, there are a number of international banks that maintain rep offices in Budapest (most with offices in the United States): Citibank, ABN Amro, Creditanstalt, Credit Lyonnais, and Giro Bank. For contact information, see Appendix B (section D).

## IX. BUSINESS TRAVEL

### A. Business Customs

Business customs are similar to those in the United States and Western Europe. Typically, Hungarian business people like to a number of meetings during which both knowledge and trust are developed. Day-long meetings usually involve a hearty luncheon sponsored by the Hungarian-side where foreign visitors will sample Hungarian delicacies and wines. Hungary's working hours are 8am to 4pm. During the summer months, business typically stops by mid-afternoon.

### B. Travel Advisory and Visas

There are no travel advisories issued for Hungary. American citizens travelling to Hungary do not require visas. Those intending to stay for longer, will require residency permits. Americans must obtain work permits if they are employed in Hungary. To obtain a work permit, a visa for work purposes must be obtained from the Hungarian Embassy in the United States prior to arrival in Hungary.



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## C. Holidays

Hungary recognizes the following holidays: New Year's (January 2); Revolution Day (March 15); Easter Monday (April 17); Labor Day (May 1); Whit Monday (June 5); National Day (August 20); Republic Day (October 23); Christmas (December 25); and Boxing Day (December 26).

## D. Business Infrastructure

Hungary is serviced by various major international airlines: Delta, KLM, Lufthansa, British Airways, SAS, Air France, Sabena, Swiss Air. The Hungarian Airlines (MALEV) provides direct service between New York-Budapest as well as servicing all the major European cities. Travel into the countryside will require either a rental car or a railroad trip. Hungary is criss-crossed by railway lines which connect most cities.

In Budapest, there is a well-planned underground metro (3 lines) which is supplemented by a comprehensive bus, tram and trolley system. Taxis are also available; however, drivers frequently take advantage of foreign guests at major hotels by charging 2 to 3 times the normal rate.

Budapest has three 5-star (Hilton, Marriott, Kempinsky) and 3 4-star (Forum, Hyatt, Korona) hotels located in the center of town. Other comfortable but lower-priced accommodations can be obtained at: Aquincum, Hotel Helia, Thermal Hotel, and the Ramada. Hotel facilities vary in quality outside of Budapest.
Telephone service in Hungary is still poor -- call completion is only 40 percent. Obtaining a line can sometimes be difficult. In Budapest, the service is the most reliable. The hotels and many businesses are hooked into digital switches. From the hotels, foreign guests can use calling card services such as AT&T's "USA Direct". Outside Budapest, making telephone calls can be difficult; many rural towns still have only manual switches.

English is increasingly used in business contexts. However, some companies that have not had experience in international business may lack competent English speakers. German is a second language which is widely used in Hungary.

Hungarians address each other by their family names followed by their first names (e.g., Smith John). Business cards are presented in this manner unless printed in English.



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## APPENDIX A

## COUNTRY DATA

### 1. Profile

| | |
|---|---|
| Population: | 10.3 million |
| Population Growth Rate: | -0.1 |
| Religions: | Catholic - 69 percent<br>Calvinist - 20 percent<br>Lutheran - 5 percent<br>Other - 8 percent |
| Government System: | Multi-party Parliamentary Democracy |
| Languages: | Hungarian<br>German/English for business |
| Work Week: | 40 hours, Monday-Friday |

### 2. Domestic Economy

| (Current $ bil) | 1993 | 1994 | 1995 |
|---|---|---|---|
| GDP | 38.1 | 41.0 | 45.0 |
| Real GDP Growth Rate (%) | -2.3 | 1.0 | 1.5 |
| GDP Per Capita (US$) | 3,694 | 3,800 | 4,000 |
| Government Spending (% GDP) | 6.1 | 8.0 | 8.0 |
| Inflation (%) | 22.5 | 23.0 | 20.0 |
| Unemployment (%) | 12.1 | 9.8 | 9.5 |
| Foreign Exch Reserves (excl gold) | 6.7 | 5.0 | 5.0 |
| Average Exchange Rate ($1 = HUF) | 92.0 | 100.0 | 106.0 |
| Foreign Debt/Gross (Mil US$) | 24.6 | 27.0 | 26.0 |
| Debt Service Ratio | 38.1 | 35.0 | 35.0 |
| U.S. Econ/Mil Assistance | 149.0 | N/A | N/A |



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## 3. TRADE

| | 1993 | 1994 | 1995 |
|---|---|---|---|
| Total Hungarian Exports (Bil US$) | 18.9 | 9.0 | 10.0 |
| Total Hungarian Imports (Bil US$) | 12.5 | 13.0 | 15.0 |
| U.S. Exports to Hungary (Mil US$) | 421.5 | | |
| U.S. Imports From Hungary (Mil US$) | 342.8 | | |
| U.S. Share of Hungarian Imp (%) | 4.0 | 4.3 | 4.5 |
| Total Mfr Imports (Bil US$) | 5.5 | | |
| Total Mfr Imports from U.S. | | | |
| U.S. Share of Mfr Imports (%) | 2.5 | 2.5 | 2.7 |
| Mfr Goods Trade Balance with U.S. | | | |
| Aver Annual Growth Rate From Wld | | | |
| Aver Annual Growth Rate From US | | | |

Total Agricultural Imports
Total Agricultural Imports from U.S.
U.S. Share of Agricultural Imports
Agricultural Trade Balance

1993 Trade Balance with 3 Leading Partners:
(Million US$)

| | Exports | Imports | Balance |
|---|---|---|---|
| 1. Germany | 2,376 | 2,714 | -338 |
| 2. Russia | 945 | 2,398 | -1,453 |
| 3. Austria | 899 | 1.466 | -567 |

Principal U.S. Exports

Principal U.S. Imports



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## 4. INVESTMENT

(Billion US$)

| | 1991 | 1992 | 1993 |
|---|---|---|---|
| Total Direct Foreign Investment | 2.00 | 4.85 | 7.1 |
| U.S. Investment | 1.00 | 1.94 | 3.1 |
| U.S. Percent of Total | 50.00 | 48.84 | 43.7 |

Principal Foreign Investors: United States
Germany
Austria



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## APPENDIX B

### Best Prospects for U.S. Exports

With respect to U.S. trade data, it is believed that the level of U.S. export activity to Hungary is understated. Most companies ship products to subsidiaries or warehouses in Western Europe, especially Germany. These products are then sent on to Hungary. However, they do not show up in U.S. statistics as an export to Hungary but rather to Germany. The Embassy has identified several cases where products were warehoused and/or further processed before distribution in Hungary.

A. Best Trade Prospects: Industry Sectors

A. RANK OF SECTOR: 1
B. NAME OF SECTOR: Cosmetics
C. INDUSTRY SECTOR CODE: COS
D. TOTAL MARKET SIZE: 98
E. TOTAL LOCAL PRODUCTION: 43.3
F. TOTAL EXPORTS: 5.3
G. TOTAL IMPORTS: 60
H. IMPORTS FROM U.S.: 5
I. EXCHANGE RATE: $1 = HuF 78.98

COMMENTS: Imports of cosmetics continue to increase at a brisk pace. Foreign cosmetics have the greatest attraction in the market place in spite of their higher pricing. Some small American companies are reporting good business in low-end, no-name products especially for nail polish, eye make-up (liner and mascara), shampoos, lipsticks, etc.

A. RANK OF SECTOR: 2
B. NAME OF SECTOR: Telecommunications
C. INDUSTRY SECTOR CODE: TEL
D. TOTAL MARKET SIZE: 493
E. TOTAL LOCAL PRODUCTION: 20
F. TOTAL EXPORTS: 7
G. TOTAL IMPORTS: 480
H. IMPORTS FROM U.S.: 10
I. EXCHANGE RATE: $1 = HuF 92



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COMMENTS: The Hungarian Telecommunications Company (MATAV) sold 30 percent of its shares to the strategic investors Ameritech and Deutsche Telekom. The investors will undertake an ambitious development program in the next 2 years totalling $2 billion involving the expansion upgrade of installed infrastructure and the experimentation with new types of wireless technology. Additionally, the switching tender will be issued in 1995 and there will be substantial opportunities in transmission equipment. Concessions were awarded for rural telephone districts which must also upgrade infrastructure. Finally, there are a number of private activities in cellular mobile, voice/data (VSAT) transmission.

A. RANK OF SECTOR: 3
B. NAME OF SECTOR: Pharmaceuticals
C. INDUSTRY SECTOR CODE: DRG
D. TOTAL MARKET SIZE: 510
E. TOTAL LOCAL PRODUCTION: 504
F. TOTAL EXPORTS: 234
G. TOTAL IMPORTS: 240
H. IMPORTS FROM U.S.: 2.8
I. EXCHANGE RATE: $1 = HuF 92

COMMENTS: Market size has nearly doubled in the last year. Imports account for a larger share of the market. While imports from the U.S. seem low, a good portion of American pharmaceutical products are moving through West European subsidiaries. Future outlook for sales will depend on the new government's policies in the health care sector, particularly as it affects drug reimbursement. There is pent-up demand for newer, more advanced drugs that Hungary had no access to in the past. Cardio-vascular drugs have strong market potential.

A. RANK OF SECTOR: 4
B. NAME OF SECTOR: Oil & Gas Field Machinery and Services
C. INDUSTRY SECTOR CODE: OGM
D. TOTAL MARKET SIZE: 15,878
E. TOTAL LOCAL PRODUCTION: 25,206
F. TOTAL EXPORTS: 3,159
G. TOTAL IMPORTS: 12,755
H. IMPORTS FROM U.S.: 3,427
I. EXCHANGE RATE: $1 = HuF 92



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COMMENTS: Hungary intends to move forward with further exploration of its petroleum and gas resources. Currently, Hungary is energy import dependent -- the preponderance of oil and gas are sourced from the former Soviet Union. In August 1994, the Ministry of Industry awarded four 35-year concessions for exploration and drilling to the following American companies: Blue Star Corporation; Occidental; MOBIL; and Coastal Oil & Gas Corp.

A. RANK OF SECTOR: 5
B. NAME OF SECTOR: Electric Power Systems
C. INDUSTRY SECTOR CODE: ELP
D. TOTAL MARKET SIZE: 100
E. TOTAL LOCAL PRODUCTION: 88
F. TOTAL EXPORTS: 8
G. TOTAL IMPORTS: 20
H. IMPORTS FROM U.S.: 5
I. EXCHANGE RATE: $1 = HuF 92

COMMENTS: The new government will move quickly in late 1994 to begin privatization of the electricity-generating facilities. Privatization is likely to involve massive upgrades of the existing facilities.

A. RANK OF SECTOR: 6
B. NAME OF SECTOR: Plastic Materials and Resins
C. INDUSTRY SECTOR CODE: PMR
D. TOTAL MARKET SIZE: 524
E. TOTAL LOCAL PRODUCTION: 755
F. TOTAL EXPORTS: 320
G. TOTAL IMPORTS: 192
H. IMPORTS FROM U.S.: 5
I. EXCHANGE RATE: $1 = HuF 92

COMMENTS: Hungary produces primarily polyethylene which is used domestically and exported. There is a demand for more advanced industrial and engineered plastics.

A. RANK OF SECTOR: 7
B. NAME OF SECTOR: Industrial Chemicals
C. INDUSTRY SECTOR CODE: ICH
D. TOTAL MARKET SIZE: 2,041
E. TOTAL LOCAL PRODUCTION: 1,900



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F. TOTAL EXPORTS: 269
G. TOTAL IMPORTS: 410
H. IMPORTS FROM U.S.: 9
I. EXCHANGE RATE: $1 = HuF 92

COMMENTS: The United States is internationally competitive in natural gas and petroleum-based organic chemicals. Hungary has only one major petrochemical facility -- TVK. Rising production costs will make imported products increasingly more competitive.

A. RANK OF SECTOR: 8
B. NAME OF SECTOR: Computers & Peripherals
C. INDUSTRY SECTOR CODE: CPT
D. TOTAL MARKET SIZE: 290
E. TOTAL LOCAL PRODUCTION: 45
F. TOTAL EXPORTS: 10
G. TOTAL IMPORTS: 255
H. IMPORTS FROM U.S.: 45
I. EXCHANGE RATE: $1 = HuF 92

COMMENTS: While market size has constricted slightly, U.S. exports continue to rise. American companies have been successful in automating most of the new foreign ventures in Hungary and winning government procurements. While there will be budget cutbacks in terms of new equipment procurements, there are still several large procurements which will be issued in the next couple years. Additionally, new foreign investor interest continues to be strong with major privatizations taking place at year's end.

A. RANK OF SECTOR: 9
B. NAME OF SECTOR: Automotive Parts & Service Equipment
C. INDUSTRY SECTOR CODE: APS
D. TOTAL MARKET SIZE: 476
E. TOTAL LOCAL PRODUCTION: 500
F. TOTAL EXPORTS: 186
G. TOTAL IMPORTS: 162
H. IMPORTS FROM U.S.: 11.6
I. EXCHANGE RATE: $1 = HuF 92

COMMENTS: There is increased demand for automotive parts by both finished vehicle manufacturers and in the after-market. Many Western automotive producers have established production facilities in Hungary.



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These producers are for parts that cannot be sourced in Hungary; some manufacturers have even brought certain suppliers to invest in facilities in Hungary. In terms of the after-market, legions of Western cars have hit the roads in Hungary. The new owners require services and parts to maintain their autos.

A. RANK OF SECTOR: 10
B. NAME OF SECTOR: Computer Software
C. INDUSTRY SECTOR CODE: CSF
D. TOTAL MARKET SIZE: 58
E. TOTAL LOCAL PRODUCTION: 30
F. TOTAL EXPORTS: 7
G. TOTAL IMPORTS: 35
H. IMPORTS FROM U.S.: 31.5
I. EXCHANGE RATE: $1 = HuF 92

COMMENTS: The computer software continues to be supplied primarily by the United States. The software market is very competitive and in some niches becoming saturated. However, producers and distributors continue to expand and to focus on new segments such as the banking/financial sectors, and integrated software for telecom/adp systems.

A. RANK OF SECTOR: 11
B. NAME OF SECTOR: Foods - Processed
C. INDUSTRY SECTOR CODE: FOD
D. TOTAL MARKET SIZE: 3,087
E. TOTAL LOCAL PRODUCTION: 3,985
F. TOTAL EXPORTS: 1,300
G. TOTAL IMPORTS: 402
H. IMPORTS FROM U.S.: 5.8
I. EXCHANGE RATE: $1 = HuF 92

COMMENTS: Hungary has maintained low quotas for imported processed foods. This will change given the conclusion of the Uruguay Round agreement; quotas will be eliminated. There is rising demand for snackfoods and confectionery products. Additionally, canned and packaged foods (fruits, vegetables, pastas, sauces), frozen foods, etc.



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A. RANK OF SECTOR: 12
B. NAME OF SECTOR: Franchising
C. INDUSTRY SECTOR CODE: FRA
D. TOTAL SALES: 56
E. TOTAL SALES BY LOCAL FIRMS: 30
F. TOTAL SALES BY LOCAL FIRMS: 30
G. TOTAL SALES BY FOREIGN-OWNED FIRMS: 26
H. TOTAL SALES BY U.S.-OWNED FIRMS: 22
I. EXCHANGE RATE: $1 = HuF 92

COMMENTS: Franchises offer entrepreneurs the application of a successful business concept in their particular economy. Franchises in food service have been particularly successful, with an explosion of sales for these businesses. The following offer potential: automobile servicing, business services (including printing/copying), dry cleaning.

A. RANK OF SECTOR: 13
B. NAME OF SECTOR: Travel & Tourism
C. INDUSTRY SECTOR CODE: TRA
D. TOTAL SALES: 1,100
E. TOTAL SALES BY LOCAL FIRMS: 980
F. TOTAL SALES BY LOCAL FIRMS: 980
G. TOTAL SALES BY FOREIGN-OWNED FIRMS: 120
H. TOTAL SALES BY U.S.-OWNED FIRMS: 18
I. EXCHANGE RATE: $1 = HuF 92

COMMENTS: The new government has articulated its intention to emphasize development of the tourism sector. Specifically, the government is likely to offer investment incentives for this sector. The government has already opened new tourism offices abroad to promote tourism to Hungary. Other related sectors will benefit such as fast-food franchises, hotel and catering services. Additionally, the airport is being expanded to handle increased passenger loads. Motorway and railways are also being improved and further expanded to facilitate travel around the country.

A. RANK OF SECTOR: 14
B. NAME OF SECTOR: Medical Equipment
C. INDUSTRY SECTOR CODE: MED
D. TOTAL MARKET SIZE: 45
E. TOTAL LOCAL PRODUCTION: 55
F. TOTAL EXPORTS: 22



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G. TOTAL IMPORTS: 12
H. IMPORTS FROM U.S.: 5.6
I. EXCHANGE RATE: $1 = 106

COMMENTS: The medical equipment market depends entirely on larger issues facing Hungary's health care system. The "state of health" of that system is poor. Many hospitals and care centers are experiencing financial difficulties. While the new government is likely to overhaul the health care system and reduce some benefits, it is equally likely that the system will be streamlined and future procurements made to upgrade some facilities. Already, U.S. exporters have made sales in electro-cardiovascular, patient monitoring and x-ray-based equipment. There is some privatization already taking place in the health care sector. While opportunities are still limited, there is good growth potential.

A. RANK OF SECTOR: 15
B. NAME OF SECTOR: Apparel
C. INDUSTRY SECTOR CODE: APP
D. TOTAL MARKET SIZE: 540
E. TOTAL LOCAL PRODUCTION: 400
F. TOTAL EXPORTS: 200
G. TOTAL IMPORTS: 160
H. IMPORTS FROM U.S.: 2
I. EXCHANGE RATE: $1 = HuF 92

COMMENTS: Western-style "trendy" clothes are very popular such as sports and leisure wear which define lifestyles -- jeans, brandname t-shirts, athletic wear, designer labels. An increasing amount of disposable income is being directed at apparel purchases, especially for the younger generations (ages 16-30).

B. Best Trade Prospects: Agricultural Sector

A. RANK OF SECTOR:
B. NAME OF SECTOR: Seed
C. INDUSTRY SECTOR CODE:
D. TOTAL CONSUMPTION: 100
E. TOTAL LOCAL PRODUCTION: 0
F. TOTAL EXPORTS: 70
G. TOTAL IMPORTS: 10
H. IMPORTS FROM U.S.: 6
I. EXCHANGE RATE: N/A



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A. RANK OF SECTOR:
B. NAME OF SECTOR: Cotton
C. INDUSTRY SECTOR CODE:
D. TOTAL CONSUMPTION: 88
E. TOTAL LOCAL PRODUCTION: 0
F. TOTAL EXPORTS: 0
G. TOTAL IMPORTS: 88
H. IMPORTS FROM U.S.: 6
I. EXCHANGE RATE: N/A

A. RANK OF SECTOR:
B. NAME OF SECTOR: Bovine Semen
C. INDUSTRY SECTOR CODE:
D. TOTAL CONSUMPTION: 10
E. TOTAL LOCAL PRODUCTION: 0
F. TOTAL EXPORTS: 0
G. TOTAL IMPORTS: 88
H. IMPORTS FROM U.S.: 6
I. EXCHANGE RATE: N/A

A. RANK OF SECTOR:
B. NAME OF SECTOR: Poultry Breeding Stock
C. INDUSTRY SECTOR CODE:
D. TOTAL CONSUMPTION: 75
E. TOTAL LOCAL PRODUCTION: 0
F. TOTAL EXPORTS: 19
G. TOTAL IMPORTS: 4
H. IMPORTS FROM U.S.: 3
I. EXCHANGE RATE:



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## APPENDIX C

## U.S. AND COUNTRY CONTACTS

### A. Government Agencies

Ministry of Industry & Trade
International Relations: Ms. Olga Szilvássy
Margit krt. 85.
H-1024 Budapest
Tel: 156-5566
Fax: 175-0219

Ministry of Finance
International Relations: Mr. Csaba Repassy
Privatization Commissioner: Mr. Ferenc Bartha
Jozsef nador ter 2/4.
H-1051 Budapest
Tel: 118-3111
Fax: 118-2570

Ministry of Environment and Regional Policy
International Relations: Ms. Eszter Szovenyi
Fo u. 44-50.
H-1011 Budapest
Tel: 201 4133
Fax: 201-2846

National Bank of Hungary
President: Dr. Peter Akos Bod
Szabadsag ter 8-9
H-1054 Budapest
Tel: (36 1) 153 2600
Fax: 132 3913

State Asset Holding Company
General Manager: Dr. Lajos Csepi
Bank ban u. 17/b.
H-1115 Budapest
Tel: 267-6600, 267-6691
Fax: 267-6693



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State Property Agency
Managing Director: Mr. Janos Hatvani-Szabo
Pozsonyi utca 56
H-1133 Budapest
Tel: 269-8860
Fax: 140-2723

B. Trade Associations/Chambers of Commerce

American Chamber of Commerce in Hungary
Executive Director: Peter Fath
Dozsa Gyorgy ut 84/A, Room 405
H-1068 Budapest
Tel: 269-6016
Fax: 122-8890

Hungarian Chamber of Commerce
U.S. Desk Officer: Tibor Zselinszky
Kossuth Lajos tér 6-8
H-1055 Budapest
Tel: 153-0835, 153-3333
Fax: 153-1285

National Association of Entrepreneurs (VOSZ)
President: Dr. Istvan Kovacs
Konyves Kalman krt. 44.
H-1087 Budapest
Tel: 185-3377
Fax: 115-8453

Hungarian Banking Association
President: Mr. Gabor Zsigmond
Roosevelt ter 7-8
Budapest
Tel: (36 1) 112 5826
Fax: (36 1) 111 6037

Association of Computer Software and Organizational Enterprises
President: Mr. Tibor Gyuros
Vaci ut 168/A
H-1138 Budapest
Tel: (36 1) 269 7323



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Fax: (36 1) 269 7166

Hungarian Chamber of Database Suppliers
Secretary: Mr. Andras Felegyhazi
Kuny Domokos u. 13
H-1012 Budapest
Tel: (36 1) 202 2998 and 175 9722
Fax: 202 2894

Association of Hungarian Building Materials Industry
President: Dr Miklos Szabo
Fő utca 68.
H-1027 Budapest
Tel: (36) (1) 201-2011/Ext. 479 or 201-6682
Fax: (36) (1) 156-1215

Association of the Hungarian Chemical Industries
Secretary General: Dr. Lajos Csurgai
Hungaria krt 178.
H-1146 Budapest
Letters: P O B 40, H-1406 Budapest 70,
Tel:(36 1) 142 8920
Fax: (36 1) 142 0980

Association of the Hungarian Electronic and Informatics Industries
Secretary General: Mr. Istvan Basa
Szemere u. 17.
H-1054 Budapest
Postal address: POB 33,
1525 Budapest
Tel: (36 1) 131 8986 and 111 6271
Fax: (36 1) 131 6320

National Professional Association of the Environment Protection Industry
President: Mr. Mihaly Sumegi
Sziv u. 15.
H-1063 Budapest
Tel: (36 1) 122 4896
Fax: (36 1) 122 5111

Association of Hungarian Foreign Trading Companies
Secretary General: Mr. Gyula Kovacs
Kuny D. u. 13-15.
1012 Budapest



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Tel: (36 1) 175 9722 and 155 4858 (direct)
Fax: (36 1) 155 8219

Hungarian Franchise Association
President: Mr. Endre Fazekas
POB 446
H-1536 Budapest
Tel: (36 1) 115 4619
Fax: (36 1) 135 9349

Association of Hungarian Insurance Companies
President: Mr. Ferenc Kalman Kiss
Deak F. u. 10.
H-1052 Budapest
Tel: (36 1) 118 3473
Fax: (36 1) 137 5394

Association of the Hungarian Light Industries
Secretary General: Dr. Jozsef Cseh
Address: Rózsa Ferenc u. 55
H-1064 Budapest
P O B 329
H-1390 Budapest
Tel: (36 1) 144 4793
Fax: (36 1) 141 4790

Association of the Hungarian Pharmaceutical Industries
Secretary General: Dr. Laszlo Buzas
Amerikai ut 96.
H-1145 Budapest
Tel: (36 1) 251 3677
Fax: (36 1) 251 3337

Chamber of Public Road Transport Companies
Secretary General: Mr. Andras Denes
Terez krt. 38., II. 228.
H-1066 Budapest
Tel: (36 1) 132 9939
Fax: (36 1) 132 993

Chamber of Small and Medium Enterprises
Secretary General: Mrs. Laszlo Laczkovich
Krisztina krt. 99.
H-1016 Budapest



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Tel: (36 1) 156 8281
Fax: (36 1) 175 0401

Hungarian Chamber of Customs Agents
President: Mr. Gyorgy Lerant
Mail: c/o METCOSPED Kft.
1393 Budapest 62, POB 330.
Tel: (36 1) 142 8306
Fax: (36 1) 142 8908

Hungarian Chamber of Real-Estate Dealers
President: Mr. Lajos Szabo
Deak Ferenc u. 10. III.305.
H-1052 Budapest
H-1365 Budapest, POB 688.
Tel/Fax: (36) (1) 118-9857
Tel: (36 1) 266 2076

Joint Venture Association
Secretary General: Dr. Ivan Toldy-Osz
Kuny D. u. 13-15.
H-1012 Budapest
Tel: (36 1) 156 0040
Fax: (36 1) 156 0728

National Association of Building Contractors
Secretary General: Mr. Laszlo Koji
Kuny D. u. 13-15, 2nd floor
H-1012 Budapest
Tel: (36 1) 155 8203

National Association of Food Processing Companies
Secretary General: Dr. Laszlo Piros
H-1012 Budapest
Tel: (36 1) 175 9722
Fax: (36 1) 155 5057

National Association of Packaging and Material Handling
Secretary General: Mr. Gyorgy Viszkei
Rigo u. 3. 1st floor
H-1085 Budapest
Tel: (36 1) 113 7460
Fax: (36 1) 113 8170



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Association of the Plastics Industry
Director: Dr. Andras Muzslay
Erzsebet kiralyne u. 1/c.
1146 Budapest
Tel: (36 1) 142 0759
Fax: (36 1) 142 0980

C. Market Research Firms

Arthur Andersen & Co.
Managing Director: Kalman Wenig
East West Business Center
Rakoczi ut 1-3. Hungary
H-1088 Budapest
Tel: (36) (1) 251-9744
Fax: (36)(1) 251-9661

Price Waterhouse
Managing Director: Mr. Gusztav Bienerth
Rumbach S. u. 21.
H-1075 Budapest
Tel: (36) (1) 269-6910
Fax: 269-6936

Coopers & Lybrand Consulting Group
Managing Director: Bernard Delomenie
Lovőhaz u 30.
H-1024 Budapest
Tel: (36) (1) 212 4720
Fax: 156 4895

Deloitte and Touche
Managing Director: Mr. Didier Taupin
Varmegye u. 3-5.
1052 Budapest
Tel: (36) (1) 267-2062
Fax: 267-4182

Ernst & Young Ltd
Director: Mr. Robert Bellia
Hermina ut 17.
H-1146 Budapest



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Tel: (36) (1) 252 8333 or 252 8231
Fax: 251 8778

D. Commercial Banks

Budapest Bank
CEO: Mr. Lajos Bokros
Honved utca 10
H-1054 Budapest, Hungary
Tel: (36 1) 269 2397 and 269 2358
Fax: (36 1) 269 2400

Commercial and Credit (K&H) Bank
President & General Manager: Mr. Geza Lenk
Arany Janos u. 24.
H-1051 Budapest
Tel: (36 1) 112 5200
Fax: 111 1825

Hungarian Credit Bank (Magyar Hitel Bank)
General Manager: Mr. Istvan Torocskei
Szabadsag ter 5-6
H-1054 Budapest
Tel: (36 1) 269 2122
Fax: 269 2245 and 252 1220

Hungarian Foreign Trade Bank (MKB)
CEO: Mr. Arpad Bartha
Szent Istvan ter 11
H-1051 Budapest
Tel: (36 1) 269 0922 and 153 4211
Fax: 269 0959

Banque Indo-Suez
CEO: Vacant
Rakoczi ut 1-3
H-1088 Budapest
Tel: (36 1) 266 2713
Fax: 266 5231

Citibank Budapest
General Manager: Mr. John McGloughlin
Vaci utca 19-21



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H-1053 Budapest
Tel: (36 1) 117 7233
Fax: 117 7328

E. U.S. Embassy Trade Personnel

American Embassy Budapest
Ambassador: Donald M. Blinken
Deputy Chief of Mission: James I. Gadsden
Economic Counselor: Mr. Charles English
Szabadsag ter 12
H-1055 Budapest
Tel: (36)(1) 112-6450
Fax: (36)(1) 132-8934

U.S. Agency For International Development (USAID)
AID Representative: Mr. David Cowles
Europa Centre
Karoly Korut 11
H-1075 Budapest
Tel: (36)(1) 269-7860
Fax: (36)(1) 251-1981

U.S. & Foreign Commercial Service
Commercial Attache: Mr. Patrick C. Hughes
Assistant Commercial Attache: Mr. Jonathan L. Marks
Bajza utca 31
H-1062 Budapest
Tel: (36)(1) 122-1217
Fax: (36)(1) 142-2529

U.S. Information Service
Public Affairs Officer: Ms. Donna Culpepper
Bajza utca 31
H-1062 Budapest
Tel: (36)(1) 142-4122
Fax: (36)(1) 153-4274

1052 Budapest
Tel: (36 1) 138 2666
Fax: 118 9694

Central European International Bank (CIB)
President & CEO: Mr. Gyorgy Zdeborszky
Managing Director: Dr. Gyorgy Suranyi
Intl'l Banking Rel.: Gyorgy Szekely Director
Vaci u 16/B
H-1052 Budapest
Tel: (36 1) 118 8377
Fax: 118 9415 and 118 8541

ABN-Amro Bank
Chairman & Managing Director: Mr. Max Schimmelpenninck
Arvacska u 6
H-1022 Budapest
Tel: (36 1) 135 0969
Fax: 115 1267

Creditanstalt
Managing Director: Dr. Matthias Kunsch
Akademia utca 17
H-1054 Budapest
Tel: (36 1) 269 0812
Fax: 153 4959

Credit Lyonnais
Managing Director: Mr. Michel Canny
Jozsef nador ter 7
H-1051 Budapest
Tel: (36 1) 266 1578, 266 9000
Fax: 266 9950

Internationale Nederlanden (ING) Bank
General Manager: Mr. Tibor Rejto
Karoly krt. 11
H-1075 Budapest
Tel: (36 1) 269 7800
Fax: 269 7814

Leumi Credit Bank
General Manager: Mr. David Efrima
Barczy Istvan utca 3-5



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F. Washington-based USG Country Contacts

Office of the U.S. Trade Representative
Deputy U.S. Trade Representative: Cathy Novelli
Executive Office of the President
Washington, DC 20506

Overseas Private Investment Corporation (OPIC)
Insurance: Ms. Meryl Burpoe
Finance: Mr. Gene Pohren
Investment Promotion: Ms. Barbara Brereton
1100 New York Avenue, NW
Washington, DC 20572

U.S. Department of Commerce
14th & Constitution Ave, NW
Washington, DC 20230

Hungary Desk Officer: Mr. Brian Toohey
Tel: (202) 482-4915
Fax: (202) 482-4505

USFCS Regional Director: Mr. George Knowles
Tel: (202) 482-1599
Fax: (202) 482-3159

EEBIC: Ms. Susan Blackman
Tel: (202) 482-2645
Fax: (202) 482-4473

U.S. Department of State
Hungary Desk Officer: Mr. Richard Driscoll
EUR/EE 5220
2201 C Street, NW
Washington, DC 20520
Tel: (202) 647-3191

U.S. Trade & Development Agency
Hungary Project Manager: Mr. Scott Contino
Room 309 SA-16
Washington, DC 20523-1602
Tel: (703) 875-4357
Fax: (703) 875-4009



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G. U.S.-Based Multipliers For Hungary

American Chamber of Commerce
(U.S.-Hungary Business Council)



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## APPENDIX D

## MARKET RESEARCH

### A. List of Available ISAs/IMIs

| | | |
|---|---|---|
| Bank Privatization | ISA | Sep 1994 |
| Pharmaceuticals | ISA | Sep 1994 |
| Telecommunications Issues | ISA | Jul 1994 |
| Tourism | ISA | Mar 1994 |
| Health Care Issues | ISA | Feb 1994 |
| Privatization | ISA | Jan 1994 |
| Real Estate and Development | ISA | Aug 1993 |
| Retail/Wholesale Distribution System | ISA | Aug 1993 |
| Environmental Issues | ISA | Jun 1993 |
| Automotive Parts | ISA | Mar 1993 |
| Forestry & Wood Products | ISA | Jan 1993 |
| Agricultural Equipment | ISA | Sep 1992 |
| Overview of Construction Industry | ISA | Sep 1992 |
| Consumer Goods | ISA | Aug 1992 |
| Computer Software | ISA | Jun 1992 |
| Paper & Board Industry | ISA | Feb 1992 |
| | | |
| Periodic Energy Reports | IMI | 1993-94 |
| Central European FTA | IMI | Feb 1994 |
| Information Technology Market | IMI | Apr 1994 |
| Highway Projects | IMI | Mar 1994 |
| Hungarian Steel Industry | IMI | Nov93/Mar94 |
| Hungarian Aluminum Industry | IMI | Mar 1994 |
| Rural Telephone Concessions | IMI | Jan/Mar94 |
| | | |
| Hungary's Footwear Industry | IMI | Feb 1994 |
| Hungary's EFTA Trade Agreement | IMI | Nov 1993 |
| Testing & Certification Requirements | IMI | Nov 1993 |
| Success of U.S. Computer Companies | IMI | Nov 1993 |
| Modification of Trade Regulations | IMI | Nov 1993 |
| Investment & Trade Development Agency | IMI | Nov 1993 |
| Taxation in Hungary | IMI | Oct 1993 |
| Auto Market: New Import Regulations | IMI | Oct 1993 |
| Fall CompFair | IMI | Oct 1993 |
| Machine Tool Industry | IMI | Aug 1993 |
| Tourism in Hungary | IMI | Jul 1993 |



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| | | |
|---|---|---|
| Privatization of Paper Industry | IMI | Jun 1993 |
| Pharmaceutical Market | IMI | Apr 1993 |
| Personal Computer Market | IMI | Apr 1993 |
| Beer Market | IMI | Apr 1993 |
| New Mining Law | IMI | Apr 1993 |

B. List of Upcoming ISAs/IMIs

| | | |
|---|---|---|
| Cosmetics | ISA | Nov 1994 |
| Hungary's Energy Sector | ISA | Dec 1994 |
| Metallurgical Sector | ISA | Jul 1995 |
| Financial Services | ISA | Jan 1995 |
| Transport Sectors | ISA | Feb 1995 |
| Textiles and Apparel | ISA | Jun 1995 |
| Processed Foods | ISA | Jul 1995 |
| AmCham Elections: New Officers | IMI | Oct 1994 |
| Bankruptcy Law - Debt Collection | IMI | Nov 1994 |
| New Laws/Policies Affecting Business | IMI | Dec 1994 |
| Update of Privatization | IMI | Jan 1995 |

C. List of USDA/FAS Commodity Reports and Market Briefs

| | |
|---|---|
| Annual Seed Report | Nov 1994 |
| Annual Forest Products Report | Feb 1995 |
| Annual Grain & Feed Report | Apr 1995 |
| Annual Sugar Report | Apr 1995 |
| Annual Oilseeds & Products Report | May 1995 |
| Annual Tobacco Report | Jun 1995 |
| Annual Cotton Report | Jun 1995 |
| Annual Poultry Report | Jun 1995 |
| Annual Market Information Report | Jul 1995 |
| Annual Livestock Report | Aug 1995 |
| Annual Deciduous Report | Sep 1995 |
| Annual Agricultural Situation Report | Sep 1995 |



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## APPENDIX E

### Trade Event Schedule

| | | |
|---|---|---|
| OPIC Investment Mission | USG | Oct 1994 |
| Fashion Week | FBP | Oct 1994 |
| Foodapest | USG | Nov 1994 |
| International Expo-Food Processors | FBP | Nov 1994 |
| COMDEX/Fall '94 | FBP | Nov 1994 |
| Franchise Mission | USG | 1995 |
| The Builders' Show | FBP | Jan 1995 |
| Beauty & Health | | Feb 1995 |
| CARAT (Jewelry) | | Feb 1995 |
| Travel '95 | USG | Mar 1995 |
| UKBA (Sweets, Baked Goods) | USG | Mar 1995 |
| Agro & Mach Expo | USG | Apr 1995 |
| IFABO (Computers, Telecom) | | Apr 1995 |
| COMDEX/Spring and WINDOWS World | FBP | May 1995 |
| Construma (Building Products) | | May 1995 |
| International Supermarket Industry | FBP | May 1995 |
| Kriminal Expo | | Jun 1995 |
| NSGA World Sports Expo '95 | FBP | Jul 1995 |
| BNV (Consumer Goods) | | Sep 1995 |
| PrintExpo | | Oct 1995 |
| CompFair (Computers Hard/Software) | | Oct 1995 |
| mediKal & dental Budapest | | Oct 1995 |
| Travel '96 | USG | Mar 1996 |

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*USG - U.S. Government supported and/or organized events.
*FBP - Foreign Buyer Program show that Post is recruiting for.



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# HUNGARY: ECONOMIC OUTLOOK FOR 1995

## SUMMARY

AS OPPOSED TO THE EARLIER 25-27% INFLATION FORECAST FOR THIS YEAR, HUNGARIAN GOVERNMENT OFFICIALS NOW ESTIMATE THAT INFLATION WILL REACH AN ANNUAL RATE OF AS HIGH AS 30% BEFORE DROPPING OFF AGAIN. MOST RESEARCH INSTITUTES AGREE WITH THIS ESTIMATE, WHILE AT LEAST TWO BANKS (C.B. AND BUDAPEST BANK) BELIEVE THAT 24-26% IS REALISTIC. OFFICIALS AT THE NATIONAL BANK SAY THAT IT COULD PEAK AT 32% MID-YEAR BEFORE LEVELING OFF AND THEN DECREASING. THEY AGREE, HOWEVER, THAT AVERAGE INFLATION FOR THE YEAR WILL PROBABLY RANGE FROM 27.5% TO 29/30%.

MOST FORECASTERS ATTRIBUTE THE HIGHER LEVEL OF INFLATION TO THE INCREASE IN THE BASE VALUE-ADDED TAX (VAT) RATE, THE JANUARY ENERGY PRICE INCREASE, THE 9% DEVALUATION, AND THE IMPORT SURCHARGE. OBSERVERS WARN THAT HIGHER INFLATION MAY GENERATE AN INCREASE IN WAGES AND HIGHER BUDGET EXPENDITURE DUE TO INCREASED BORROWING COSTS, THE LATTER DRAWING RESOURCES AWAY FROM INVESTORS. IN AN EFFORT TO DECREASE THE MONEY SUPPLY AND THUS KEEP INFLATION UNDER CONTROL, THE NATIONAL BANK HAS ANNOUNCED THAT THE RESERVE REQUIREMENT WILL BE INCREASED BY ANOTHER ONE PERCENT AS OF MAY 1 (ON TOP OF THE ONE PERCENT INCREASE EFFECTIVE APRIL 15) AND ANOTHER ONE PERCENT (BRINGING IT TO 17%) AS OF JUNE 1ST. WHILE THIS WILL HELP CONTROL INFLATION, THE REAL INFLUENCING FACTOR WILL BE THE GOVERNMENT'S ABILITY TO KEEP WAGES UNDER CONTROL AND DECREASE ITS BUDGET DEFICIT.

## MARCH CONSUMER PRICE INCREASE

CONSUMER PRICES INCREASED BY 4% IN MARCH COMPARED TO FEBRUARY. THIS REPRESENTS A 27.5% INCREASE OVER MARCH 1994. THIS IS A SIMILAR RATE OF INCREASE TO THAT SEEN IN THE FIRST TWO MONTHS OF 1995.. AVERAGE MONTHLY INFLATION IN THE LAST MONTHS OF 1994 WAS APPROXIMATELY 2%. LAST YEAR, INFLATION WAS MOSTLY DRIVEN BY THE INCREASE IN THE PRICE OF AGRICULTURAL PRODUCTS: ON AN ANNUAL BASIS, FOOD PRICES ROSE BY 47%, DURABLE CONSUMER PRODUCTS BY 17% AND FUEL BY 25%. BY CONTRAST, THE MAIN REASONS FOR INFLATION THIS YEAR ARE THE INCREASE IN THE VAT RATE EFFECTIVE JANUARY 1, INCREASES IN ENERGY PRICES (WHICH WERE FIRST PAID IN MARCH), THE INCREASE IN THE PRICES OF PHARMACEUTICALS, PUBLIC TRANSPORT AND HOUSING COSTS, THE MARCH DEVALUATION, AND THE 8% IMPORT SURCHARGE. IN THE FIRST TWO MONTHS, RISING FOOD COSTS DOMINATED. IN MARCH, THE FIRST FULL MONTH THAT

HIGHER ENERGY PRICES WERE PAID, HIGHER ENERGY PRICES WERE THE DRIVING FORCE BEHIND INFLATION. IT IS EXPECTED THAT THE 8% IMPORT SURCHARGE -- WHICH WAS EFFECTIVE MARCH 20 -- AND THE MARCH 13 DEVALUATION WILL BEGIN TO SHOW THEIR INFLATIONARY EFFECTS IN THE NEAR FUTURE, POSSIBLY IN THE APRIL FIGURES.

**AVERAGE ANNUAL INFLATION EXPECTED TO BE 30% IN 1995**

TIBOR DRASKOVICS, SECRETARY OF STATE IN THE MINISTRY OF FINANCE, SAYS THAT THE MINISTRY OF FINANCE EXPECTS THAT INFLATION MAY AVERAGE 30% THIS YEAR. IF COMPANIES SETTLE FOR REALISTIC PROFITS AND WORKERS RESTRAIN THEIR WAGE CLAIMS, INFLATION COULD BE KEPT UNDER CONTROL, HE STATED. PRIVATE RESEARCH INSTITUTES (GKI AND KOPINT DATORG) ESTIMATE THAT AVERAGE INFLATION WILL BE 28-30%. BUDAPEST BANK AND C.B. ARE A BIT MORE OPTIMISTIC, FORECASTING 24-26% INFLATION. C.B. CRITICIZED THE GOVERNMENT, STATING THAT THE GOVERNMENT'S 30 PERCENT FORECAST COULD BECOME A SELF-FULFILLING PROPHESY. RESEARCHERS AT THE NATIONAL BANK BELIEVE THAT INFLATION WILL PEAK AT AROUND 32% MID-YEAR AND AVERAGE ANYWHERE FROM %, DEPENDING ON HOW SUCCESSFUL THE GOVERNMENT OF HUNGARY IS IN CORRECTING ITS FISCAL IMBALANCES. FOR EXAMPLE, IF THE GOVERNMENT SUCCEEDS IN DECREASING THE BUDGET DEFICIT AND ALLOWS WAGES TO INCREASE BY ONLY 18%, INFLATION COULD AVERAGE 27.5% FOR THE YEAR, ACCORDING TO CENTRAL BANK CALCULATIONS.

THE NATIONAL BANK INCREASED THE RESERVE REQUIREMENT FROM 14 TO 15% AS OF APRIL 15. IT HAS RECENTLY ANNOUNCED THAT IT WILL RAISE RESERVE REQUIREMENTS BY ANOTHER ONE PERCENT AS OF MAY 1 AND POSSIBLY A FURTHER ONE PERCENT AS OF JUNE 1. TO COMPENSATE FOR THE LOSSES INCURRED BY COMMERCIAL BANKS, IT WILL ALSO INCREASE THE INTEREST PAID ON MANDATORY RESERVES -- FROM 14 TO 15.5% ON FORINT RESERVES AND 29 TO 29.5% ON FOREIGN EXCHANGE RESERVES -- AS OF MAY 16. IF THE BANK DOES RAISE THE RESERVE REQUIREMENT AGAIN AS OF JUNE 1, IT WILL ALSO INCREASE THE INTEREST PAID ON MANDATORY FORINT AND FOREIGN EXCHANGE RESERVES TO 17 AND 30% RESPECTIVELY.

BY INCREASING THE RESERVE REQUIREMENT, THE NATIONAL BANK IS SEEKING TO DECREASE THE MONEY SUPPLY, THUS PUTTING DOWNWARD PRESSURE ON INFLATION. WHILE INCREASING INTEREST PAID ON MANDATORY RESERVES COULD CONCEIVABLY COUNTERACT THIS, SOME RESEARCHERS HAVE STATED THAT THE INCREASED INTEREST PAID WILL NOT NEGATE THE TIGHTENING EFFECT OF THE INCREASED RESERVE REQUIREMENTS. AT THE SAME TIME, CENTRAL BANK OFFICIALS HAVE POINTED OUT THAT THE INTRODUCTION OF THE CRAWLING PEG ALSO PLAYS AN IMPORTANT ROLE IN THAT IT HELPS TO KEEP INFLATION EXPECTATIONS UNDER CONTROL. SPOT

AND FORWARD RATES FOR THE FORINT ARE MATCHING THE GOVERNMENT'S OWN INFLATION ESTIMATES.

HIGHER INFLATION ALSO MEANS HIGHER INTEREST PAYMENTS ON DOMESTIC DEBT -- THE SINGLE LARGEST BUDGET EXPENDITURE. INTEREST PAID ON DOMESTIC DEBT AMOUNTED TO OVER 150 BILLION FORINTS ($1.3 BN) IN 1994. THIS YEAR, IT COULD BE AS HIGH AS 450 BILLION FORINTS ($3.85 BN).

**COMMENT**

IT IS NOT A SURPRISE THAT INFLATION IS ON THE RISE, GIVEN THE INCREASE IN THE BASE VAT RATE, THE INCREASE IN PRICES IN SEVERAL AREAS (INCLUDING A SUBSTANTIAL RISE IN ENERGY PRICES), THE 9% DEVALUATION, AND THE INTRODUCTION OF THE 8% IMPORT SURCHARGE. THE REAL QUESTION NOW IS HOW EFFECTIVELY THE GOVERNMENT WILL HANDLE IT. THE GOVERNMENT HAS STATED -- INCLUDING THE PRIME MINISTER-- THAT KEEPING INFLATION UNDER CONTROL IS ITS MOST IMPORTANT SHORT-TERM PRIORITY. THIS WILL MEAN HOLDING THE LINE ON REAL WAGE INCREASES. THE NATIONAL BANK HAS DONE WHAT IT CAN TO CONTROL INFLATIONARY EXPECTATIONS (THROUGH THE INTRODUCTION OF THE CRAWLING PEG) AND TO DECREASE THE MONEY SUPPLY (THROUGH INCREASING THE RESERVE REQUIREMENT). WE WILL HAVE TO SEE IF THE GOVERNMENT FOLLOWS THROUGH ON THE FISCAL SIDE BY CONTROLLING WAGES AND CUTTING THE BUDGET DEFICIT. EVEN IF THE GOVERNMENT IS EFFECTIVE ON THE LAST TWO SCORES, WE SHOULD EXPECT TO SEE AVERAGE INFLATION HIT AS HIGH AS 30% THIS YEAR.

SOURCE: U.S. EMBASSY - BUDAPEST
DATE: MAY 1995
DOCUMENT #3306

# GOVERNMENT OF THE REPUBLIC OF HUNGARY

*Budapest, April 11, 1995*

## REPUBLIC OF HUNGARY

| | |
|---|---|
| President of the Republic: | Dr Árpád GÖNCZ |

## OFFICE OF THE PRESIDENT OF THE REPUBLIC

1055 Budapest, Kossuth L. tér 3-5
Telephone: 268-4000

| | |
|---|---|
| Head of the Office of the President: | Dr. Karoly SZUNYOGH<br>(Titular State Secretary) |
| Military Office of the President: | Dr. Róbert PICK<br>major general<br>(Titular State Secretary) |
| Spokesman for the President: | András FARAGÓ |

## GOVERNMENT

1055 Budapest, Kossuth L. tér 1-3
Telephone: 268-3000

| | |
|---|---|
| Prime Minister: | Dr. Gyula HORN (MSZP) |
| Coalition Deputy Prime Minister: | Gábor KUNCZE (SZSSZ) |
| Minister without Portfolio in charge of National Security Affairs: | István NIKOLITZ (MSZP) |
| Minister without Portfolio in charge of Privatization: | Dr Tamás SUCHMAN (MSZP) |

## PRIME MINISTER'S OFFICE

1055 Budapest, Kossuth L. tér 1-3
Telephone: 268-4000

| | |
|---|---|
| Political State Secretary: | Dr Csaba TABAJDI (MSZP) |

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| | |
|---|---|
| Head of the Prime Minister's Cabinet Office, Political State Secretary: | András TOTH |
| Administrative State Secretary: | Dr Elemér KISS |
| Titular State Secretary: | Dr István KONCZ |
| Deputy State Secretary: | György MÜLLER<br>György SZILVÁSY<br>József VERESS |
| Government Commissioner: | Dr Ferenc DÉRCZY (world exposition)<br>István FARKAS (bank privatization)<br>Dr Imre VERÉBELYI (public administration) |
| Head of the Government Spokesman's Office, Spokesman for the Government, Deputy State Secretary: | Elemér CSÁK |
| The Prime Minister's Press Secretary: | György SUHA |
| Head of the Prime Minister's Secretariat: | Mária BARANYI |

**MINISTRY OF HOME AFFAIRS**
1051 Budapest, Jozsef A. u. 2/4
Telephone: 112-1710, 131-3700

| | |
|---|---|
| Minister: | Gábor KUNCZE (SZDSZ) |
| Political State Secretary: | Dr Gábor VILÁGOSI (SZDSZ) |
| Administrative State Secretary: | Dr István ZSUFFA |
| Deputy State Secretary: | Dr Mária BARACZKA (public law)<br>Dr Pál KARA (local government)<br>Dr Sándor NYIRI (law enforcement)<br>Dr József THUMA (economic affairs) |

**MINISTRY OF FINANCE**
1051 Budapest, Jozsef nador tér 2/4
Telephone: 118-2066, 138-2633

| | |
|---|---|
| Minister: | Dr Lajos BOKROS (MSZP) |
| Political State Secretary: | László AKAR (MSZP) |
| Administrative State Secretary: | Dr Tibor DRASKOVICS |
| Deputy State Secretary: | Dr Béla BÁRTFAI<br>Csaba LÁSZLÓ<br>Éva HEGEDÜS |
| Head of Division: | Isván FARKAS |
| Head of the Press Department, Press Chief: | Dr Katalin P. KÁLMÁN |

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| | |
|---|---|
| Press Chief: | Ágnes G. BARTA |

**MINISTRY OF CULTURE AND EDUCATION**
1055 Budapest, Szalay u. 10/14
Telephone: 153-0600

| | |
|---|---|
| Minister: | Dr Gábor FODOR (SZDSZ) |
| Political State Secretary: | Dr Zoltán SZABÓ (MSZP) |
| Administrative State Secretary: | Mária HONTO |
| Deputy State Secretary: | Dr Zoltán BÁTHORY (public education)<br>András TÖRÖK (cultural affairs)<br>Tamás SZABÓ (financial matters)<br>Lajos PAPP (higher education) |
| Press Chief: | Gábor BERNÁTH |

**MINISTRY OF WELFARE**
1051 Budapest, Arany Janos u. 6-8
Telephone: 132-3100, 132-8750, 132-9700

| | |
|---|---|
| Minister: | György SZABÓ (MSZP) |
| Political State Secretary: | Dr Mihály KÖKÉNY (MSZP) |
| Administrative State Secretary: | Dr László HARSÁNYI |
| Deputy State Secretary: | Dr Boldizsár BÍRÓ<br>Dr Péter LÉPES<br>Dr István KAKUSZI |
| Spokeswoman: | Ildikó GELENCSÉR |

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| | |
|---|---|
| | Dr Ferenc KOVÁCS<br>(public Administration)<br>Dr Péter SCHARLE<br>(transport) |
| Spokeswoman: | Edit Bata PÉTERY |

**MINISTRY OF FOREIGN AFFAIRS**
1027 Budapest, Bem rkp. 47
Telephone: 156-80000

| | |
|---|---|
| Minister: | László KOVÁCS (MSZP) |
| Political State Secretary: | István SZENT-IVÁNYI (SZDSZ) |
| Administrative State Secretary: | Dr Ferenc SOMOGYI |
| Deputy State Secretary: | János TÓTH<br>(Central/Eastern Europe)<br>Dr Istvan PATAKI<br>(advanced countries)<br>André ERDÔS<br>(intl. organisations, press)<br>Zoltán PERESZLÉNYI<br>(third world) |
| Director: | Béla HAVASI |
| Spokesman: | Gábor SZENTIVÁNYI |

**MINISTRY OF LABOR**
1051 Budapest, Roosevelt tér 7-8
Telephone: 132-2100, 111-0200

| | |
|---|---|
| Minister: | Dr M. KÓSA KOVÁCS (MSZP) |
| Political State Secretary: | Lajos HÉTHY (MSZP) |
| Administrative State Secretary: | Dr Gyula PULAY |
| Deputy State Secretary: | Dr András BENEDEK<br>Lilla GARZÓÓ<br>Dr László HERCZOG |

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| | |
|---|---|
| Head of Division | Dr Péter BALÁS<br>György GILYÁN<br>Tamás KIRILLY<br>Pál LIGETI<br>Dr Éva NÉMETH |
| Head of the Press Department,<br>Press Chief: | Dr Judit Fekete GYÁRFÁS |

**MINISTRY OF ENVIRONMENTAL PROTECTION AND REGIONAL DEVELOPMENT**
1011 Budapest, Fo u. 44/50
Telephone: 201-4133

| | |
|---|---|
| Minister | Dr Ferenc BAJA (MSZP) |
| Political State Secretary: | Dr Katalin SZILI (MSZP) |
| Administrative State Secretary: | Dr Attila KEMÉNY |
| Deputy State Secretary: | Árpád KOVÁCS<br>(environmental protection)<br>Dr Péter SZALÓ<br>(building affairs)<br>(regional development)<br>Dr János TARDY<br>(nature conservation)<br>Dr Gábor LAUDON<br>(economics affairs) |

**MINISTRY OF TRANSPORT, TELECOMMUNICATIONS AND WATER MANAGEMENT**
1077 Budapest, Dob u. 75-81
Telephone: 201-4133

| | |
|---|---|
| Minister: | Dr Károly LOTZ (SZDSZ) |
| Political State Secretary: | Kálmán KOVÁCS (SZDSZ) |
| Administrative State Secretary: | Dr Sándor GYURKOVICS |
| Deputy State Secretary: | Imre BÖLSCKEI<br>(telecommunications)<br>Dr Béla HAJÓS<br>(water management) |

**MINISTRY OF JUSTICE**
1055 Budapest, Szalay u. 16
Telephone: 132-5330, 132-6170

| | |
|---|---|
| Minister: | Dr Pál VASTAGH (MSZP) |
| Political State Secretary: | Dr. Judit CSIHA (MSZP) |
| Administrative State Secretary: | Dr Edit Papácsi FLUCK |
| Deputy State Secretary: | Dr Károly BÁRD<br>Dr Károly FÜREDI<br>Dr László KECSKÉS<br>Dr Csaba KONKOLY |
| Head of the Press Department, Spokesman: | Dr György BARANYÓ |

**MINISTRY OF INDUSTRY AND TRADE**
1055 Budapest, Honved u. 13-15
Telephone: 153-0000, 153-2794

| | |
|---|---|
| Minister: | László PÁL (MSZP) |
| Political State Secretary: | Dr Károly SOÓS (SZDSZ) |
| Administrative State Secretary: | Imre DUNAI |
| Titular State Secretary<br>(Office of European Affairs) | Péter GOTTFRIED |
| Deputy State Secretary: | Lajos BERÉNYI<br>(trade)<br>Dr Gábor GULÁCSI<br>(economic affairs)<br>Dr András GYARMATI<br>(law and administration)<br>Dr József HEGYHÁTI<br>(industrial policy) |
| Secretary General | Dr István MAJOR |

| | |
|---|---|
| Deputy Press Chief: | Tomaj BARSI |

**MINISTRY OF AGRICULTURE**
1055 Budapest, Kossuth L. tér 11
Telephone: 153-3000

| | |
|---|---|
| Minister: | Dr László LAKOS (MSZP) |
| Political State Secretary: | Dr Zoltán KIS (SZDSZ) |
| Administrative State Secretary: | Dr Péter SZERDAHELYI |
| Deputy State Secretary: | Dr Csaba LOVÁSZY<br>Sándor MANNINGER<br>András NAGY<br>Jenö REDNÁGEL |
| Spokesman, Head of the Press Department: | Gábor TAMÁS |

**MINISTRY OF DEFENCE**
1055 Budapest, Balaton u. 7/11
Telephone: 132-2500

| | |
|---|---|
| Minister: | György KELETI (MSZP) |
| Political State Secretary: | Dr István FODOR |
| Administrative State Secretary: | Dr József FEHÉR<br>(major general) |
| Deputy State Secretary: | László BORSITS<br>(lieutenant general, retired)<br>Dr Károly JANZA<br>(lieutenant general)<br>Tibor TÓTH |
| Spokesman: | Lajos ERDÉLYI<br>(colonel) |

# COUNTRY DATA FOR HUNGARY

## 1. Profile

| | |
|---|---|
| Population: | 10.3 million |
| Population Growth Rate: | -0.1 |
| Religions: | Catholic - 69 percent<br>Calvinist - 20 percent<br>Lutheran - 5 percent<br>Other - 8 percent |
| Government System: | Multi-party Parliamentary Democracy |
| Languages: | Hungarian<br>German/English for business |
| Work Week: | 40 hours, Monday-Friday |

## 2. Domestic Economy

| (Current $ bil) | 1993 | 1994 | 1995 |
|---|---|---|---|
| GDP | 38.1 | 41.0 | 45.0 |
| Real GDP Growth Rate (%) | -2.3 | 1.0 | 1.5 |
| GDP Per Capita (US$) | 3,694 | 3,800 | 4,000 |
| Government Spending (% GDP) | 6.1 | 8.0 | 8.0 |
| Inflation (%) | 22.5 | 23.0 | 20.0 |
| Unemployment (%) | 12.1 | 9.8 | 9.5 |
| Foreign Exch Reserves (excl gold) | 6.7 | 5.0 | 5.0 |
| Average Exchange Rate ($1 = HUF) | 92.0 | 100.0 | 106.0 |
| Foreign Debt/Gross (Mil US$) | 24.6 | 27.0 | 26.0 |
| Debt Service Ratio | 38.1 | 35.0 | 35.0 |
| U.S. Econ/Mil Assistance | 149.0 | N/A | N/A |

## 3. TRADE

| | 1993 | 1994 | 1995 |
|---|---|---|---|
| Total Hungarian Exports (Bil US$) | 18.9 | 9.0 | 10.0 |
| Total Hungarian Imports (Bil US$) | 12.5 | 13.0 | 15.0 |
| U.S. Exports to Hungary (Mil US$) | 421.5 | | |
| U.S. Imports From Hungary (Mil US$) | 342.8 | | |
| U.S. Share of Hungarian Imp (%) | 4.0 | 4.3 | 4.5 |
| Total Mfr Imports (Bil US$) | 5.5 | | |
| Total Mfr Imports from U.S. | | | |
| U.S. Share of Mfr Imports (%) | 2.5 | 2.5 | 2.7 |
| Mfr Goods Trade Balance with U.S. | | | |
| Aver Annual Growth Rate From Wld | | | |
| Aver Annual Growth Rate From US | | | |



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Total Agricultural Imports
Total Agricultural Imports from U.S.
U.S. Share of Agricultural Imports
Agricultural Trade Balance

1993 Trade Balance with 3 Leading Partners:
(Million US$)

| | Exports | Imports | Balance |
|---|---|---|---|
| 1. Germany | 2,376 | 2,714 | -338 |
| 2. Russia | 945 | 2,398 | -1,453 |
| 3. Austria | 899 | 1.466 | -567 |

4. INVESTMENT

(Billion US$)

| | 1991 | 1992 | 1993 |
|---|---|---|---|
| Total Direct Foreign Investment | 2.00 | 4.85 | 7.1 |
| U.S. Investment | 1.00 | 1.94 | 3.1 |
| U.S. Percent of Total | 50.00 | 48.84 | 43.7 |

Principal Foreign Investors: United States
Germany
Austria

Magyar Villamos Műve k Rt.

# General Data of the Hungarian Power System

## Structure of the electricity generation

TWh

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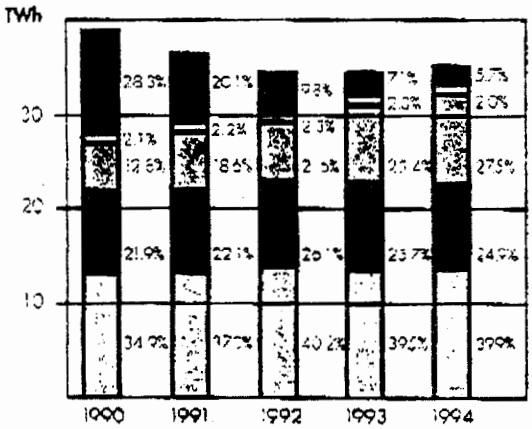
# Magyar Villamos Művek Rt.

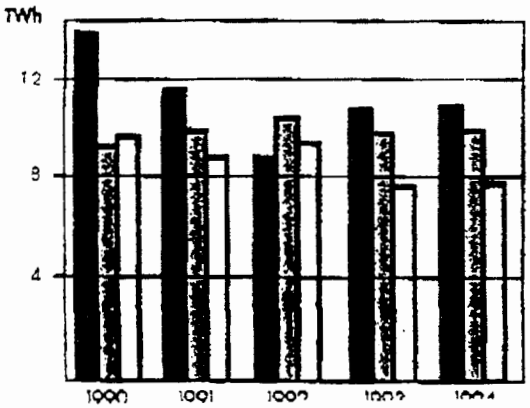
# Characteristic Data of the Hungarian Power System

## Structure of the electricity generation




| | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|
| Imports | 11.1 | 7.4 | 3.4 | 2.5 | 2.0 |
| Autoproducers | 0.8 | 0.8 | 0.8 | 0.8 | 0.7 |
| Oil + gas | 5.0 | 6.9 | 7.5 | 8.9 | 9.7 |
| Coal | 8.6 | 8.2 | 9.1 | 9.0 | 8.8 |
| Nuclear | 13.7 | 13.7 | 14.0 | 13.8 | 14.1 |

## Development of the electricity demand




| | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|
| Industry | 13.9 | 11.7 | 8.9 | 10.8 | 10.9 |
| Households | 9.2 | 9.8 | 10.3 | 9.7 | 9.8 |
| Others (agriculture, commerce etc.) | 9.3 | 8.5 | 9.3 | 7.5 | 7.9 |

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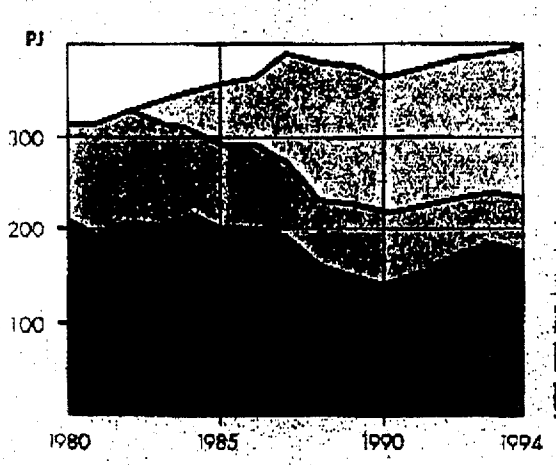
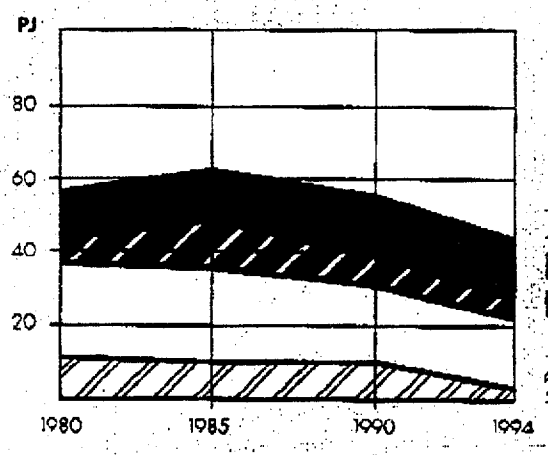
## Consumption of primary energy



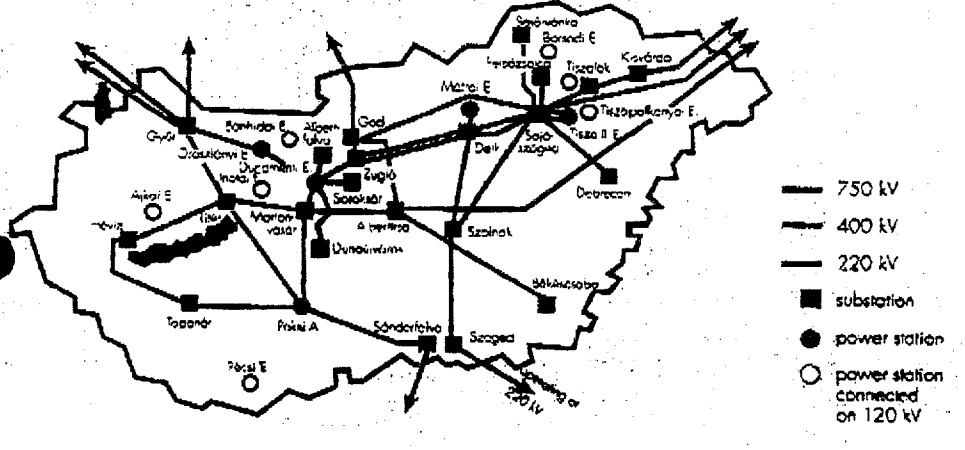

| | PJ | 1994 % |
|---|---|---|
| Nuclear | 152.7 | 39.1 |
| Gas | 63.5 | 16.3 |
| Oil | 65.8 | 16.9 |
| Coal | 108.2 | 27.7 |

## Heat supply




| | 1994 PJ |
|---|---|
| Hot water | 20.8 |
| of wich not combined heat and power | 5.3 |
| Steam | 22.0 |
| of wich not combined heat and power | 3.6 |

## Basic transmission lines in the power system



## Current tariff structure

**Tariffs with demand charge**

| Voltage category | day HUF/kW, year | peak HUF/kW, year | day HUF/kWh | peak HUF/kWh | night HUF/kWh |
|---|---|---|---|---|---|
| Grid | 2400 | 4800 | 3.00 | 5.00 | 2.50 |
| Principal distribution station | 2760 | 5640 | 3.10 | 5.20 | 2.80 |
| Medium voltage 3 time of use | 3000 | 5880 | 3.20 | 5.40 | 3.00 |
| Medium voltage No. 1 | 3120 | 6060 | 3.60 | 3.60 | 3.00 |
| Medium voltage No. 2 | 1920 | 3000 | 5.50 | 5.50 | 3.20 |
| Low voltage No. 1 | 3300 | 6240 | 4.20 | 4.20 | 3.20 |
| Low voltage No. 2 | 2160 | 3120 | 6.10 | 6.10 | 4.00 |
| Public lighting | 12 300 HUF/kW, year | | 4.20 HUF/kWh | | |
| Railway traction | | | | 4.20 | |
| Traction of trams | | | | 5.50 | |

**Tariffs for household**

| | HUF/kWh |
|---|---|
| Universal of household | |
| from 0 to 600 kWh/year | 6.50 |
| from 601 to 3600 kWh/year | 8.50 |
| over 3600 kWh/year | 10.50 |
| Separately measured by night | |
| from 0 to 2400 kWh/year | 3.50 |
| from 2401 to 12 000 kWh/year | 4.00 |
| over 12 000 kWh/year | 4.50 |

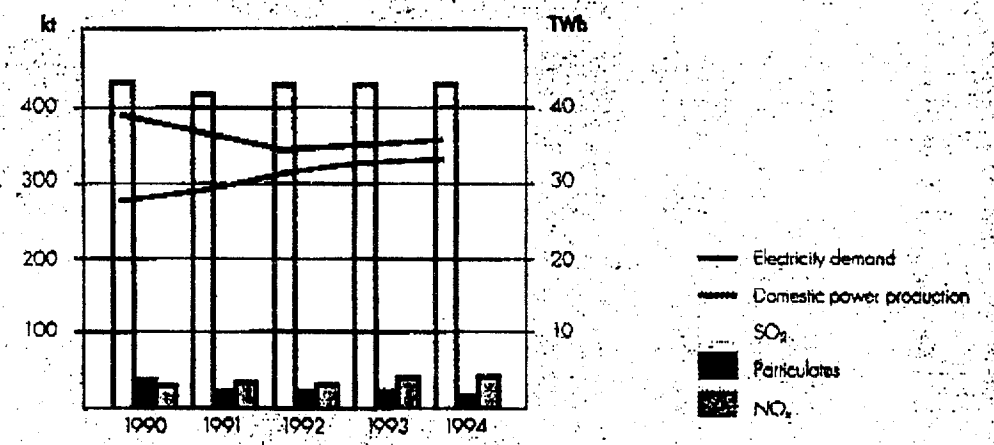
**General tariffs**

| | Demand charge HUF/year |
|---|---|
| to 2.5 kVA | 1920 |
| to 3.5 kVA | 3000 |
| to 5.0 kVA | 4680 |
| Over per kVA | 960 |
| Energy charge | 7.80 HUF/kWh |
| Energy charge of night | 4.50 HUF/kWh |

**Purchases from autoproducers**

| | | peak | day HUF/kWh | night |
|---|---|---|---|---|
| General: | medium voltage | 5.00 | 2.90 | 2.70 |
| | low voltage | 5.50 | 4.50 | 3.60 |
| Scheduled: | | | | |
| | medium voltage | 5.40 | 3.20 | 3.00 |
| | low voltage | 6.10 | 5.00 | 4.00 |

## Emissions

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## Hungarian Power Companies Ltd. and its joint-stock Companies

Hungarian Power Companies Ltd.
1011 Budapest,
Vám u. 5–7.

Bakonyi Power Plant Ltd.
8041 Ajka,
Gyártelep, Pf. 134.

Budapesti Power Plant Ltd.
1117 Budapest,
Budafoki út 52.

Dunamenti Power Plant Ltd.
2440 Százhalombatta,
Erőmű u. 2.

Mátrai Power Plant Ltd.
3272 Visonta, Erőmű u. 2.

Paks Nuclear Power Plant Ltd.
7031 Paks, Pf. 71.

Pécsi Power Plant Ltd.
7630 Pécs, Edison u. 1.

Tiszai Power Plant Ltd.
3581 Tiszaújváros, Pf. 53.

Vértesi Power Plant Ltd.
2841 Oroszlány,
Külterület, Pf. 23.

Budapesti Electric Supply Company Ltd.
1138 Budapest,
Váci út 72–74.

South-West Hungarian Electricity Supply Company Ltd.
7626 Pécs,
Rákóczi út 73/B

South-Hungarian Electricity Supply Company Ltd.
6720 Szeged, Klauzál tér 9.

North-West Hungarian Electricity Supply Company Ltd.
9027 Győr, Kandó Kálmán u. 11–13.

North Hungarian Electricity Supply Company Ltd.
3525 Miskolc,
Dózsa György u. 13.

East Hungarian Electricity Supply Company Ltd.
4024 Debrecen,
Kossuth Lajos u. 41.

National Power Grid Company Ltd.
1054 Budapest,
Báthori u. 5.

Published and circulated by
1011 Budapest, Vám u. 5–7.
Publisher: Gyula Lengyel
Edited: Anna Lusztig

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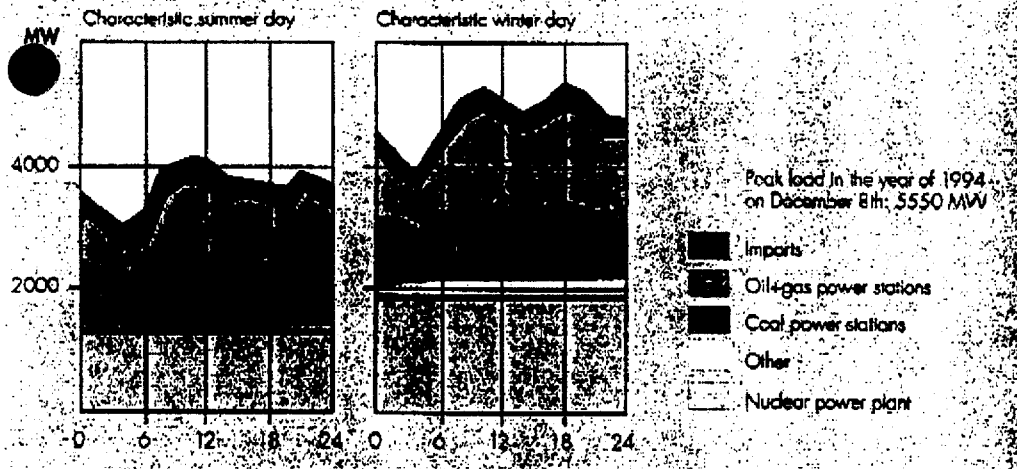
## Parameters of the principal power stations

| Name | Fuel | Blocks, turbines: number | commissioned capacities per unit MW | total power capacity MW | in the year of 1994: heat capacity MW | electricity generation GWh | supplied heat TJ |
|---|---|---|---|---|---|---|---|
| Ajka | coal | 6 | 3x30+12+10+19 | 132 | 395 | 513 | 2000 |
| Borsod | coal | 9 | 4x30+4+4,5+10+12+21 | 171 | 532 | 408 | 2829 |
| Budapest | oil+gas | 16 | min 13–max 32 | 131–163 | 2504 | 587 | 14702 |
| Dunamenti | oil+gas | 12 | 6x215+3x150+40+2x20 | 1820 | 646 | 5222 | 4349 |
| Dunamenti GT | oil+gas | 1 | 145 | 145 | 230 | 629 | 3429 |
| Mátrai | lignite | 5 | 3x200+2x100 | 800 | 55 | 4189 | 174 |
| Inota | coal | 4 | 3x20+12 | 72 | 160 | 86 | 456 |
| Inota GT | olaj | 2 | 2x85 | 170 | – | 0.6 | – |
| Oroszlány | coal | 4 | 1x55+3x60 | 235 | 50 | 1390 | 366 |
| Paks | nuclear | 8 | 8x230 | 1840 | 135 | 14049 | 589 |
| Pécs | coal | 5 | 2x60+2x35+30 | 220 | 521 | 891 | 2885 |
| Bánhida | coal | 1 | 100 | 100 | 38 | 557 | 100 |
| Tiszapalkonya | coal | 7 | 1x50+13+15+7+3x55 | 250 | 315 | 669 | 1655 |
| Tisza II. | oil+gas | 4 | 4x215 | 860 | – | 3137 | – |

## Structure of load curve in summer and winter




## Financial statement

| Assets | billion HUF |
|---|---|
| Intangible assets | 2.2 |
| Tangible assets | 602.2 |
| Investments | 3.6 |
| Stocks | 33.6 |
| Receivables | 24.2 |
| Liquid assets | 11.5 |
| Securities | 1.4 |
| Other assets | 3.3 |
| Total | 682.0 |

| Source of founds | billion HUF |
|---|---|
| Own capital | 602.5 |
| Reserves | 3.9 |
| Liabilities | 71.2 |
| Other debts | 4.4 |
| Total | 682.0 |

| Own capital | billion HUF |
|---|---|
| Subscribed | 537.1 |
| Capital reserve | 78.7 |
| Actuated profit reserve | 3.8 |
| Lost carried forward | 5.9 |
| Retained profit | -11.7 |
| Total | 602.5 |

| | Electricity | Heat | Other | Total billion HUF |
|---|---|---|---|---|
| Incomes | 133.3 | 16.6 | 14.4 | 164.3 |
| Costs | 128.4 | 20.1 | 15.2 | 163.7 |
| Earning per sector | 4.9 | -3.5 | 0.8 | 0.6 |
| Other sales | | | | 11.8 |
| Other expenses | | | | 23.2 |
| Profit before tax | | | | -10.8 |
| Profit after taxation | | | | -11.7 |
| Dividends | | | | |
| Net income | | | | -11.7 |

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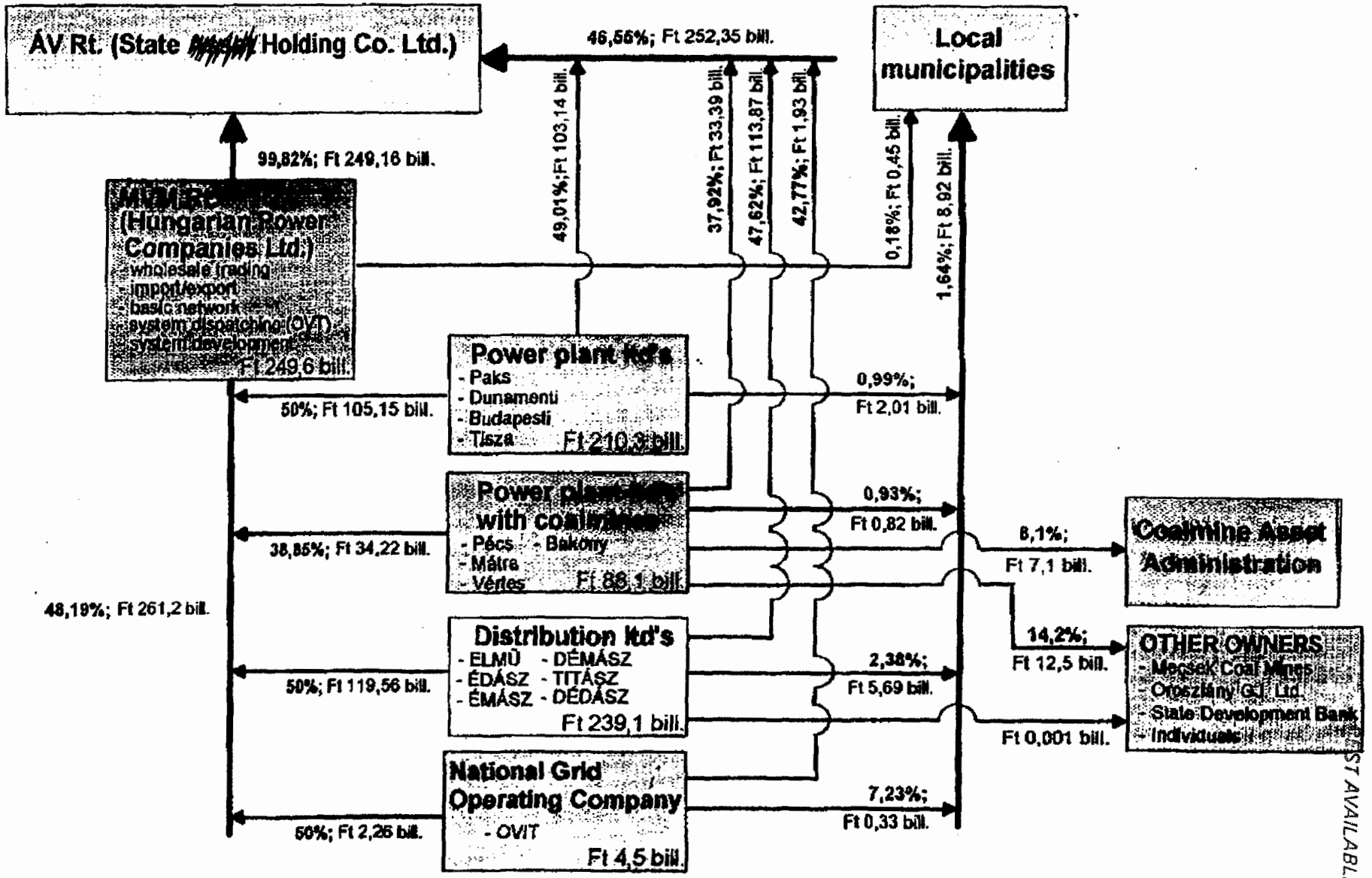
# OWNERSHIP STRUCTURE OF THE MVM GROUP 31ST OF DEC. 1994.




$1 = Ft 120

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