

Data Sheet

USAID Mission:	Croatia
Program Title:	Growth of a Dynamic & Competitive Private Sector
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	160-0130
Proposed FY 2004 Obligation:	\$9,935,000 AEEB
Prior Year Unobligated:	\$1,948,000 AEEB
Proposed FY 2005 Obligation:	\$8,735,000 AEEB
Year of Initial Obligation:	FY2001
Year of Final Obligation:	FY 2007

Summary: USAID's program to support economic development is focused on establishing the conditions to generate private sector employment. USAID programs are assisting Croatian businesses, especially small and medium enterprises (SMEs), to acquire the skills, tools, financing, and services needed for them to compete in local, regional and global markets. USAID programs are working directly with farmers, producer organizations, processors and other market actors to raise the competitiveness of the Croatian agricultural sector in order to compete in national and international markets. Finally, USAID programs are working to improve the investment climate by accelerating the privatization process and supporting the development of a competitive and well-regulated energy sector by strengthening the independent energy regulatory authorities and assisting the national electrical utility with its restructuring and modernization.

Inputs, Outputs, Activities:

FY 2004 Program:

Small and medium enterprise development (\$7,320,000 AEEB, \$1,748,000 AEEB carryover). In order to stimulate private enterprise productivity and profitability, USAID will continue to support the Croatian Enterprise Promotion (CEP) activity. The activity concentrates on improving the quality and exportability of products and services originating in Croatian SMEs. CEP will expand to include a program to enhance business consultants' capability through practicum assignments in 4 business sectors: ag-processing, large scale tourism, small hotels, and wood products. Practicum assignments place a small team of consultants in an enterprise focused on a specific business improvement task. Contractor: Deloitte, Touche Tohmatsu (prime)

The Mission is putting in place a major new SME development activity that will accelerate job creation through improved business performance, and increased incomes in economically distressed areas. These objectives will be achieved through technical assistance to business associations and business clusters that help them improve enterprise efficiency, reduce costs, and improve market access. The Mission is also focusing on improving SME access to finance by participating with lending institutions to create new products and improve and simplify the loan application process for SMEs. A small component of this program will include policy advice to the Croatian Government in pursuing economic reform that creates an improved environment for SME development. Anticipated results from this activity are 20,000 new jobs created, 4,000 SMEs with increased revenue and exports, and a banking sector that is more responsive to small and medium business needs. Implementer to be determined.

Agricultural productivity and markets (\$1,569,000 AEEB). USAID assistance will continue to focus on market linkages between producers and distribution channels, but this year the program will extend to increasing employment and incomes in economically distressed areas of Croatia. Focus areas include increased agricultural production, the development of farmer organizations, and the establishment of market linkages for selected products. Expected results will be greater incomes for individuals along the marketing chain, increases in productivity, job creation, increased outputs of agricultural products, and, ultimately, a more vibrant economy. USAID will provide direct technical assistance to over 3,000 commercial agricultural producers and approximately 100 agribusiness enterprises. Contractors/Grantee:

Development Alternatives Inc. (Prime), FLAG Croatia (Sub), and International Executive Service Corps (Sub).

Improved investment climate (\$1,046,000 AEEB, \$200,000 AEEB carryover). USAID will continue to assist the Croatian Privatization Fund to divest all state ownership in companies and assets. In the energy sector, USAID will work with the independent energy regulatory commission on tariff reform and secondary energy legislation, and will assist HEP, the national electrical utility, in its efforts to unbundle its vertically-integrated operations and restructure its corporate organization as an essential precondition to privatization. In addition, USAID will create a Global Development Alliance in partnership with the World Bank, other bilateral donors, and private sector Croatian businesses to improve Croatia's investment promotion outreach. Contractors: Price Waterhouse Coopers (prime), Pierce, Atwood (Prime), Hunton and Williams (prime)

FY 2005 Program:

Small and medium enterprise development (\$4,656,000 AEEB), Agricultural productivity and markets (\$3,271,000 AEEB), Improved investment climate (\$808,000 AEEB): FY 2005 resources requested in this Budget Justification will continue to fund several ongoing activities as outlined above. These include the new SME development activity promoting job creation and improved business performance; the agriculture sector activities focused on improving on-farm productivity and market linkages; the energy sector activities promoting energy market liberalization; and a small financial markets development cooperative agreement to continue regulatory reform. Same implementers as above.

Performance and Results: USAID strengthened private sector enterprises in key sectors of the economy by delivering high quality technical assistance that improves their capacity to compete. In the critically important tourism sector, USAID-assisted businesses increased their total revenues by 14.17% and increased their dollars spent per tourist by 13.25%. The USAID-assisted Association for Management Consultants (AMC) trained over 200 business consultants representing more than 100 firms in better business practices. As a result, recipients of the training have secured more than 300 paid contracts from interested local businesses representing more than one million Euros of revenue. As a result of two successful test shipments in USAID's agribusiness program, the distributor recently received a standing order for weekly shipments of produce to support U.S. forces in Kosovo which is expected to bring in more than 600,000 Euros in revenues over the next year. Technical assistance provided by USAID has been instrumental in defining new, transparent electricity tariffs that enable customers equal access to the electricity grid in order to transport the purchased electricity from marketers or producers, a critical step towards market liberalization. The Zagreb Land Registry office formally began the process of conversion from decades-old handwritten land registry books to a fully computerized system in September. The new system is based on software and procedures developed with USAID assistance.

By the conclusion of these activities, USAID will have successfully positioned Croatia's SME sector, particularly in agriculture, tourism, and wood products, to compete more effectively and efficiently as the country prepares for EU accession. More specifically, we will have had a direct impact on creating sustainable employment of over 20,000 jobs and increased agricultural income to domestic producers by a significant percent, as measured at the national level.