

Data Sheet

USAID Mission:	Europe Regional
Program Title:	Strengthening the Financial Sector
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	180-0140
Status:	Program Support Objective
Planned FY 2006 Obligation:	\$400,000 AEEB
Prior Year Unobligated:	\$648,000 AEEB
Proposed FY 2007 Obligation:	\$550,000 AEEB
Year of Initial Obligation:	1992
Estimated Year of Final Obligation:	2009

Summary: Activities under this objective help develop sound, vibrant, private financial sectors in Southeast Europe in support of sustainable economic growth based on private sector development and job creation. A core element in all the programs is regional harmonization and meeting international standards to ensure faster integration of financial markets into the international financial system.

Inputs, Outputs, Activities:

FY 2006 Program:

Strengthen The Financial Services Sector and Increase Access to Capital (\$400,000 AEEB, \$23,648 AEEB carryover, \$624,352 AEEB prior year recoveries).

Partners for Financial Stability (PFS) is a regional activity designed to accelerate the development of sound, well-functioning financial sectors in the region through activities that supplement and leverage bilateral mission programs. PFS activities are designed to promote more dynamic, effective and integrated financial markets which offer new financial products and services, leading to more trade and financial flows among the Eastern European countries and better economic outcomes. In mid-2005, the geographical focus of PFS shifted to Southeast Europe (SEE) from the eight Central and Eastern European countries. The priorities under PFS-SEE are: capital markets/corporate governance; insurance and pension reform; bank supervision; accounting/auditing; financial sector research; and anti-money laundering.

PFS-SEE activities focus on strengthening the institutional and human capacity of the SEE financial sector and fall under four broad categories: 1) supporting existing local organizations/associations/networks, e.g., research institutes, commercial banking, accounting and auditing associations, stock exchange networks, pension and insurance regulators, economic faculties and professional training institutes, that work or plan to work region-wide across SEE, through the provision of sub-grants, technical assistance and advisory services; 2) organizing workshops and training seminars on various priority financial sector topics; 3) conducting cross-country research and analysis on financial sector issues; and, 4) disseminating information through the PFS website. A basic tenet of PFS-SEE is to leverage the knowledge and experience of the new Central European members by having their institutions, organizations, associations and individual experts provide training, exchanges, and technical assistance. Contractor/grantee: East-West Management Institute (EWMI).

South East Europe Mortgage Finance Network: This activity will end in 2006 with a Mortgage Finance Conference in Bucharest bringing together mortgage finance professionals throughout the region to discuss the latest legal and policy developments in both primary and secondary mortgage markets, credit risk management, diversifying funding sources, regulation and supervision of mortgage lending, the importance of new mortgage insurance products, and implementing standardized underwriting criteria. Principal contractor: Urban Institute.

FY 2007 Program:

Strengthen The Financial Services Sector and Increase Access to Capital Strengthen Financial Sector Contribution to Growth (\$550,000 AEEB). In 2006 the program will include seminars/workshops and

training sessions to bring together SEE public and private sector financial sector practitioners with Central and Eastern Europe and international experts. These will cover such challenges as: 1) new financial sector products; 2) more effective financial sector supervision across all areas: banking securities, insurance, and pension; 3) improved money laundering prevention and enforcement; 4) better accountability and governance based on a strengthened accounting and auditing profession and the adoption of new procedures; and 5) integration of SEE capital markets. Support may also be provided to develop new courses at the Training Institute for Bank Supervision at the National Bank of Poland, which trains bank regulators from all over the region, and to finance technical expertise to support and complement mission programs and capabilities and help manage regional activities. All of these activities are designed to promote regional financial sector integration and harmonization based on best practices and international standards.

Performance and Results: In 2005, under PFS, insurance regulators from several SEE financial sector regulatory authorities participated in a joint study tour at the Polish Insurance and Pension Regulator. PFS co-sponsored with the Slovenian based Center for Excellence in Finance a training program on internal audit for Central Banks in which five SEE Central Bank representatives participated. Three SEE economics research institutes met in Macedonia to discuss experiences on key cross-border issues and potential collaboration to build first class economic research capabilities in the region. In 2005, PFS continued its groundbreaking series of anti-money laundering seminars which bring together judges, prosecutors and financial intelligence units from five to six countries in the region to discuss practical ways to cooperate to enforce the new anti-money laundering laws. PFS published its fifth Survey of Reporting on Corporate Social Responsibility of the largest listed companies in 11 SEE and CEE countries in September 2005. This survey, the first of its kind in the region, is widely reported on by international and local business publications, raising investor interest in companies in the region. In 2005, PFS also entered into arrangements with numerous CEE financial sector partners to provide training and advisory services to their SEE counterparts in 2006.

The Southeast Europe Mortgage Finance Network continues to meet biannually to promote the expansion of mortgage markets in the region. It has been active in promoting mortgage related legal reform in the participant countries as well as helping to standardize underwriting criteria for mortgage lending. A study has been completed analyzing the feasibility of establishing a private Southeast Europe Mortgage Fund which would help mortgage lenders access long-term financing from the Euromarkets. It concluded that such a Fund is not premature. The feasibility study has led to the possibility of OPIC support for such a transaction in 2006 which would greatly increase the access of SEE mortgage lenders to long-term financing.

US Financing in Thousands of Dollars

Europe Regional

180-0140 Strengthening the Financial Sector	AEEB
Through September 30, 2004	
Obligations	25,305
Expenditures	23,973
Unliquidated	1,332
Fiscal Year 2005	
Obligations	1,019
Expenditures	1,108
Through September 30, 2005	
Obligations	26,324
Expenditures	25,081
Unliquidated	1,243
Prior Year Unobligated Funds	
Obligations	648
Planned Fiscal Year 2006 NOA	
Obligations	400
Total Planned Fiscal Year 2006	
Obligations	1,048
Proposed Fiscal Year 2007 NOA	
Obligations	550
Future Obligations	0
Est. Total Cost	27,922