



A Decade of Change

Profiles of USAID Assistance to Europe and Eurasia

Preface



The historic transformation of the countries of the former Soviet bloc into democratic, independent states with market economies is now only 10 years old. For some countries, the process has resulted in great progress and high hopes. For others, the result of this change is less clear. Still, a decade of change is a worthy period to contemplate, so that the next decade will build on the successes and lessons of the first.

In 1989, and again in 1992, the leaders and people of Central and Eastern Europe and Eurasia called out to the Western world for help—to make the transition to market-oriented democracies.

The United States was at the forefront in responding to that appeal. Many parts of the U.S. government and American populace eagerly joined the effort to show these new independent states how to become market democracies. This publication focuses on the programs and partnerships of the United States Agency for International Development (USAID), the agency that delivers U.S. economic and humanitarian assistance around the world.

Central and Eastern Europe and the republics of the former Soviet Union were a new frontier for USAID in 1989. As a result, USAID had to try new approaches, move quickly, and constantly adjust to changing circumstances.

History will tell how USAID ultimately made a difference and whether its role in the sweeping transformation that took place during the last decade had a lasting impact. This presentation looks at these issues after only a decade of change, from the perspective of the people who benefited from USAID programs.

Their stories, and USAID's story, cannot be captured fully in these few pages. However, we hope that these accounts of real people overcoming tremendous obstacles with the help of USAID will provide readers with a deeper understanding of the progress that has been achieved and the challenges that remain. We want the American people to recognize the economic, political and social issues facing the region. We want American taxpayers to know that, on their behalf, USAID has been active in this part of the world—helping people, providing know-how, supporting change, and, most important, sustaining the hope that, someday, we will all be partners in a shared future of freedom and promise.

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Young people celebrate on top of the Berlin Wall in November, 1989.

After the Wall, Facing the Challenge of Change

Gunter Schabowski, the East Berlin Communist leader and Party spokesman . . . pulled his glasses and a document from an inside pocket and began to read: "Private travel . . . can be applied for without the prerequisite travel permission . . . the permit will be issued promptly."

By now everyone in the room was leaning forward or examining translation devices to be sure they had not been invaded by an alien force. Reporters began to look to each other for affirmation that they were hearing the same words. "Does this include West Berlin?" "Yes, yes . . . permanent exit can take place through all border crossings of the G.D.R., to the Federal Republic of Germany or West Berlin." The wall was open By midnight, East Germans were pouring through border checkpoints.

—Tom Brokaw, Anchor and Managing Editor of NBC Nightly News

To people who grew up during the Cold War, the events that took place in Central and Eastern Europe and Eurasia from 1989 to 1991 still seem hard to believe. In less than two years, the once-powerful Soviet bloc collapsed. The satellite countries of Europe, which had lived under Soviet-backed dictatorships for some 45 years, declared independence. They were followed by the collapse of the 70-year-old Soviet Union itself, which gave rise to yet another diverse group of independent nations, some of which had not ruled themselves for hundreds of years.

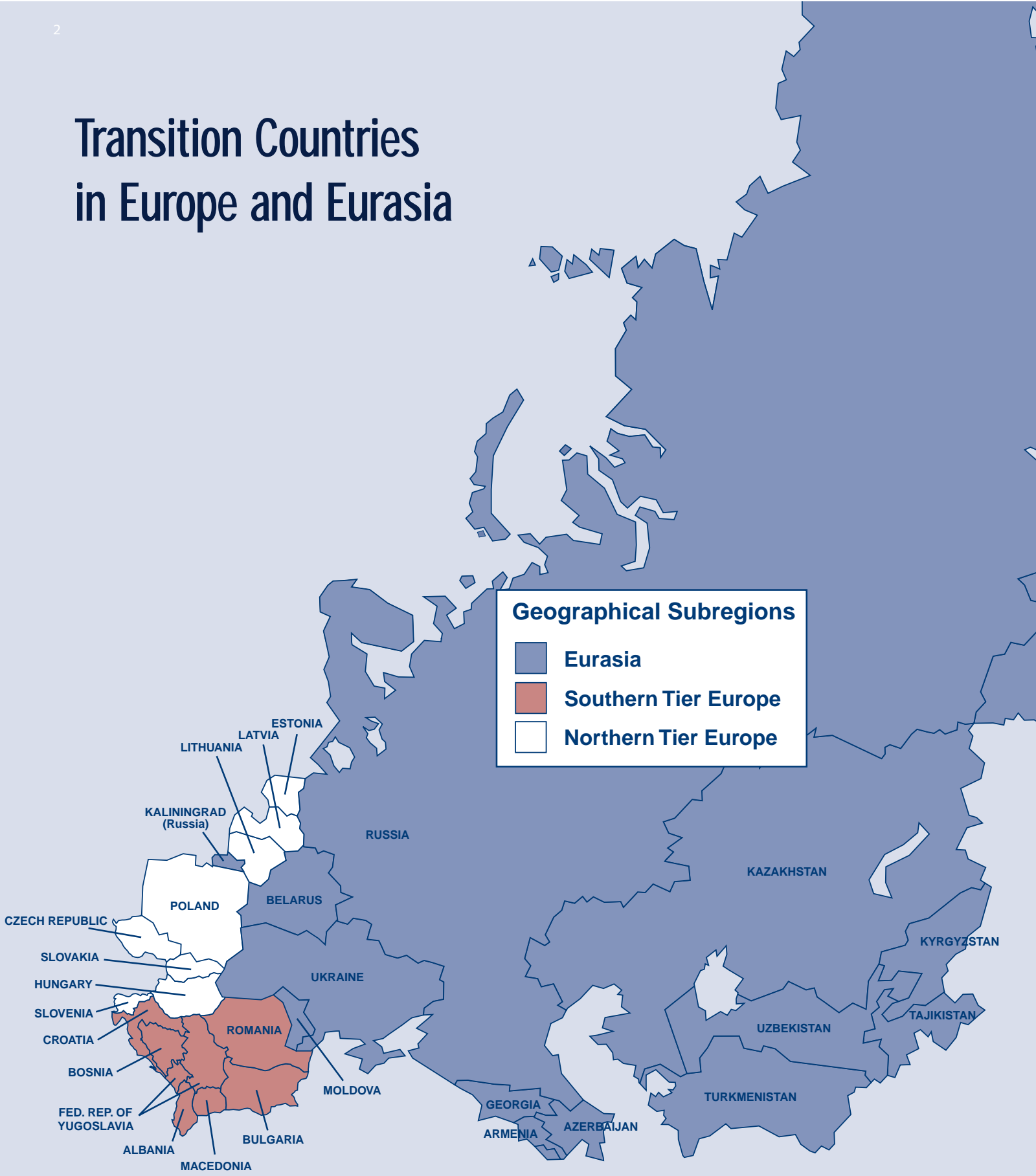
The first reaction of the people and around the world was euphoria, symbolized best by the young people who danced in front of the Brandenburg Gate and on top of the Berlin Wall the night of November 9, 1989. And it was no wonder.

For almost half a century, most of the people of Central and Eastern Europe and Eurasia had been denied the freedoms the people in the West take for granted. They were isolated from the economies of the West, and their rulers made every effort to cut off ties to Western ideas and culture. The people

living in the Soviet Union had been shut off from the West even longer, and government control of almost every aspect of their lives was more complete.

As controls were lifted and isolation ended, however, the euphoria began to change—first to concern, and then to a mixture of hope and fear. A hated authoritarian system was gone, but what would replace it? From one end of the former Soviet bloc to the other, nation after nation faced serious challenges to its economy, capacity to govern, and ability to meet the social needs of its people.

Transition Countries in Europe and Eurasia



The Challenges

Economies in Shambles

Even before the final collapse of the Soviet system, the economies of the region were reeling under the effects of decades of centralized control and mismanagement. Bloated bureaucracies and huge subsidies, which were used to keep the command economies afloat, had driven most of the region close to bankruptcy. The end of Communism pushed country after country over the edge.

The countries of Central and Eastern Europe and Eurasia were not prepared to build market economies and compete in the international economic system. For decades, almost all the factories, banks, utilities, natural resources and other productive assets in the region were owned and operated by the state. Private business was either nonexistent or illegal. Few managers, government officials, entrepreneurs or private citizens knew

how to organize and operate a free-market economy. And, thanks to years of indifference to the environment, the region's air, soil and water were severely polluted.

Democratic Futures at Risk

To keep themselves in power, the authoritarian rulers of the region had spent decades stamping out all traces of civil society. There were few functioning democratic institutions or processes, at either the national or local level. Judiciaries were controlled by the government. Parliaments acted as rubber stamps for the Executive. Governments routinely violated civil and human rights. In fact, most people of the region had lived a lifetime without basic democratic freedoms—independent political parties and nongovernmental organizations, free elections, freedom of religion, free speech

and the right to challenge government policies. As a result, most of the countries of the region lacked the most basic building blocks needed to create democratic rule. At the same time, the new governments were facing economic and social problems that would have challenged even the most well-established democracies.

A Fraying Social Safety Net

By 1989, health, education and social protection systems in the region were largely bankrupt. They continued to deteriorate during the 1990s as the struggling new governments, strapped for resources, cut spending on social benefits. Unemployment and poverty increased in much of the region, with social services and benefits unable to keep pace. In many countries, life expectancy fell, while infant and child mortality increased. Health problems such as tuberculosis and HIV/AIDS grew rapidly.



World Bank

Building in ruins at beginning of decade.

"However profound and indelible the changes that have swept their nation and the rest of Eastern Europe, theirs was a disappointment and disillusionment that could be felt to varying degrees from the rusty shipyards of Gdansk in Poland to the frequently darkened streets of Timisoara in Romania. All through the region, newly liberated people face recession, unemployment and insecurity. Obsolete industries crumble on exposure to free markets, energy shortages loom with the shrinking of Soviet supplies and the crisis in the Persian Gulf, and Western investments are slow in coming."

—New York Times Report,
Fall 1990

USAID: Facing the Challenge



Carl Mabbs-Zero, USAID

Private automobiles were introduced to Albania only in 1991.

and human rights, and promote U.S. national security by decreasing the likelihood of war and diversion of nuclear weapons. Moreover, developing economic and political alliances with the new governments and their people would make it easier to address global challenges such as environmental pollution and the spread of infectious diseases.

A Historic Opportunity, a Dramatic Response

Seizing a historic opportunity to support economic freedom and energize democratic change, the U.S. Congress passed two pieces of legislation to authorize funding for innovative programs: the Support for East European Democracy (SEED) Act in 1989 and the Freedom

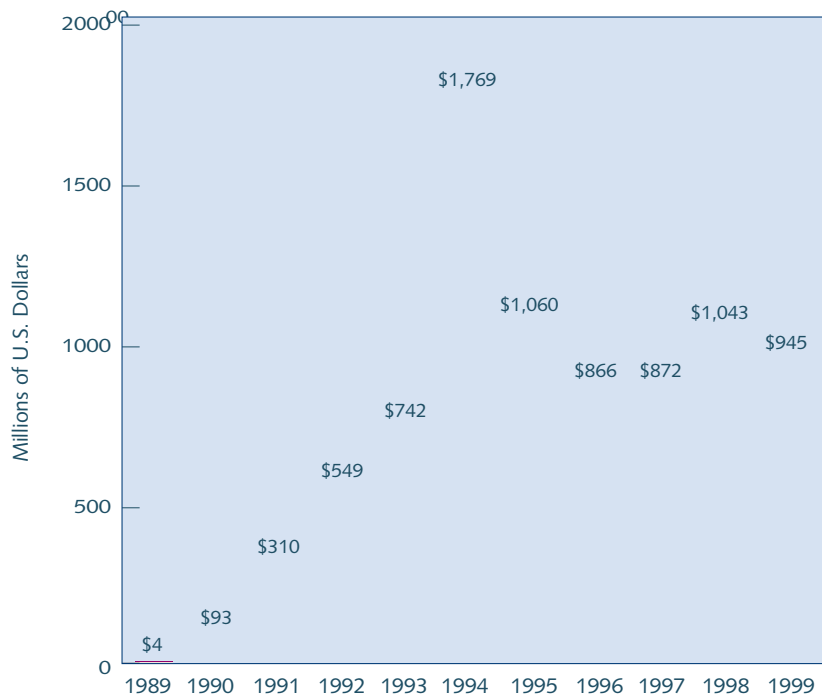
The U.S. Stake

As the people of Central and Eastern Europe and Eurasia struggled to overcome the legacy of Soviet rule, it quickly became clear that the United States had compelling interests in promoting economic stability and peaceful democratic change. The region's 27 countries, which cover one-sixth of the globe and are home to 400 million people, could play a critical role in the global economy. The region's nuclear and other weapons of mass destruction were a major concern. Finally, the United States wanted to respond to the humanitarian needs of the millions of people who became victims of civil conflicts and natural disasters.

A strategy for U.S. assistance to the region crystallized. Helping these countries develop private enterprises and enter global markets would expand opportunities for U.S. trade and investment. Encouraging the development of stable democracies would underline the historic U.S. commitment to democracy

USAID Funding to Europe and Eurasia

USAID funding peaked in 1994, then leveled off during the second half of the decade.



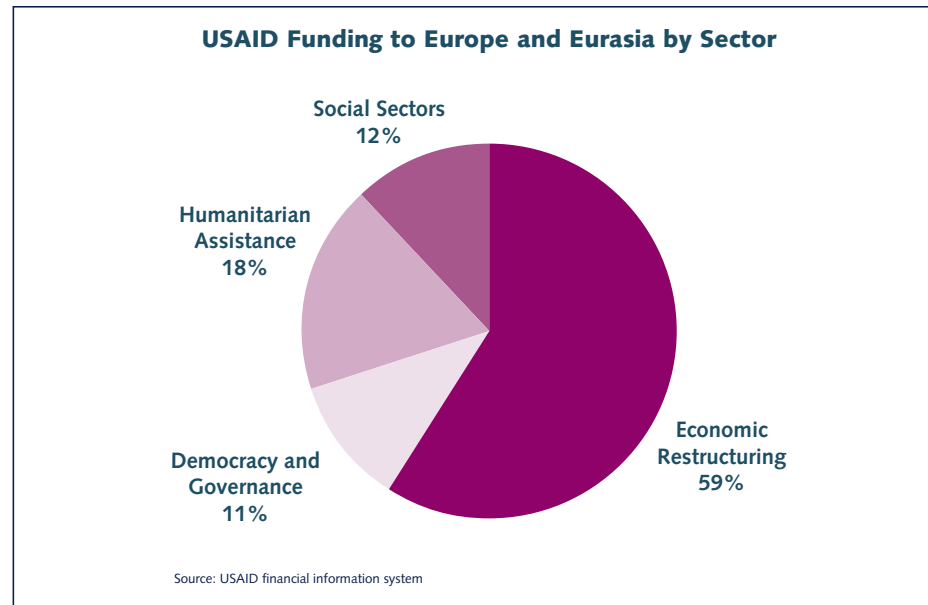
Source: USAID financial information system

for Russia and Emerging Eurasian Democracies and Open Markets (FREEDOM) Support Act in 1992.

The U.S. government responded with the most far-reaching agenda for change in Europe since the Marshall Plan. Between 1989 and 1999, the United States funded economic assistance programs to Central and Eastern Europe and Eurasia totaling \$14 billion. USAID managed 60 percent of this total. Drawing on years of experience, but ready to innovate, USAID moved quickly to assist the region with its historic transformation. USAID initiatives in the economic, democracy, and social sectors complemented one another and promoted national policy change while strengthening local grassroots organizations and businesses. The overarching goal was to create lasting change so that the countries of the region could move beyond U.S. assistance, stand on their own, and become partners in the international arena.

Linkages for Change

USAID has engaged many U.S. grantees and contractors, as well as other U.S. government agencies, to implement programs in the region. USAID has helped nongovernmental organizations (NGOs) across the United States link with counterparts in Central and Eastern Europe and Eurasia to establish the broad



range of grassroots organizations that are the basic building blocks of democracy. USAID cooperated closely with other parts of the U.S. government, including the Departments of State, Commerce, Energy, Agriculture, Treasury, Labor and Justice; the Export-Import Bank; the Overseas Private Investment Corporation and the Environmental Protection Agency. In addition, USAID has collaborated with international donors and multilateral institutions, such as the European Commission, the World Bank, the European Bank for Reconstruction and Development and the International Monetary Fund, as well as public and

private donors from Europe and Japan. These wide-ranging relationships have helped leverage additional assistance funds. In 1997, U.S. assistance made up roughly 13 percent of total donor aid to the region.

Telling USAID's Story

This brief publication cannot describe the thousands of activities USAID supported over the last decade. Instead, the pages that follow tell the human stories of USAID's impact. The individuals and organizations vary, but the themes are similar: USAID programs have been a potent catalyst for change, helping dedicated men and women contribute to a historic transformation.

While these pages show that a great deal remains to be done, almost every country moved forward in some areas during the 1990s. And important lessons were learned throughout the region. With those lessons firmly in mind, USAID will continue to adapt its support for the nations of Central and Eastern Europe and Eurasia as they progress toward freedom and economic prosperity.

"The interesting thing about USAID assistance to the Ministry of Industry and Trade is that the experts didn't just walk in and start giving advice. We created close working teams. . . . The effect was synergistic and very productive."

—Jaroslav Borak, Former Director,
Ministry of Industry and Trade, the Czech Republic