

Data Sheet

USAID Mission:	Romania
Program Title:	Expanding the Market-Driven Private Sector
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	186-0130
Proposed FY 2004 Obligation:	\$11,290,000 AEEB
Prior Year Unobligated:	\$1,170,000 AEEB
Proposed FY 2005 Obligation:	\$10,306,000 AEEB
Year of Initial Obligation:	FY 2002
Year of Final Obligation:	FY 2006

Summary: USAID's program to expand the market-driven private sector includes training and technical assistance to: improve government policies and regulations, strengthen business-related NGOs and government institutions, promote business competitiveness and increase exports, and promote the transfer of remaining state assets to private ownership.

Inputs, Outputs, Activities:

FY 2004 Program:

Policy, Legal and Regulatory Reform (\$2,400,000 AEEB). USAID activities will support insurance reform, introduce mortgage-backed securities and mortgage bonds, and improve listing and corporate governance rules for recently merged stock exchanges. USAID support for the National Securities Commission will improve anti-money-laundering and other fraud-detecting measures. The legal framework for non-bank micro-lending services will be strengthened as well as agriculture subsidy elimination, food sanitation standards improvement, and legislation for a market information system to comply with EU requirements. In the energy sector, legislation will be drafted for the newly liberalized market. Principal contractors: Deloitte Touche Tomatsu (DTT) (Prime), Urban Institute (Prime), Cooperative Housing Foundation (CHF) (Prime), InterNews (Prime), USDA (Prime).

Strengthen Market Institutions (\$2,750,000 AEEB, \$420,000 AEEB carryover). USAID will assist business associations, chambers of commerce, and government agencies to improve collaboration and services for small businesses. A specialized Arbitration Chamber of the National Securities Commission and supervision functions of the National Bank of Romania will be strengthened. Telecenters will be established in five poor, rural communities to promote economic growth. USAID will continue technical assistance and training to improve the sustainability of private agribusiness and water users associations. Assistance will be provided to the Romanian Water National Authority to improve water management, moving Romania closer to EU's requirements. Principal contractors: DTT (Prime), CHF (Prime), PA Consulting (Prime), and Chemonics (Prime).

Improve Competitiveness (\$5,640,000 AEEB; \$750,000 AEEB prior year recoveries). USAID support will increase competitiveness of private companies by improving their access to capital. New financial instruments will be developed to provide long-term capital by attracting new companies to list shares, issue bonds, and trade debt instruments. Micro-lending organizations will be started in seven new counties. USAID support will improve productivity, product quality, and marketing in regional tourism and apparel. Technical assistance will be provided to government agencies to improve the business climate and to business associations to improve export services. USAID will provide technical assistance to new service centers for agricultural exports and clusters of high value agricultural producers. Training will be provided to improve the competitiveness of energy utilities, while developing instruments to mitigate market risks, transform the current electricity producer into a power exchange, and promote electricity exports. Technical assistance will help four industries and two local water utilities increase competitiveness and profitability while achieving environmental compliance. USAID will also support Romanian-American partnerships working on economic growth activities that will improve enterprise

competitiveness. Principal implementers: DTT (Prime), CHF (Prime), Academy for Educational Development (AED) (Prime), MASHAV (the Israeli Foreign assistance Agency) (Prime), and Chemonics (Prime).

Promote Privatization (\$500,000 AEEB). USAID will facilitate the privatization of state-owned assets of the Ministries of Transport, Construction and Tourism, and Economy and Commerce (including two power plants). Technical assistance and training for 135 water users associations will facilitate the transfer of state-owned irrigation systems to private associations. Technical assistance will continue to the Ministry of Industry and Resources and associated agencies as the privatization of the electricity industry progresses. Principal contractors: DTT (Prime), Chemonics (Prime).

Romanian-American partnerships (\$750,000 AEEB carryover). USAID will use these funds to support partnerships working on economic growth activities.

FY 2005 Program:

Policy, Legal and Regulatory Reform (\$2,606,000 AEEB). USAID will provide training and technical assistance for policy development and drafting of new legislation for the National Securities Commission to improve commercial conflict resolution, business regulation, export, and micro-finance legislation. USAID will continue to support policy reforms in agriculture and energy sectors to conform to EU requirements. Principal contractors: DTT (Prime), Urban Institute (Prime), CHF (Prime), InterNews (Prime), PA Consulting (Prime), USDA (Prime). -+

Strengthen Market Institutions (\$2,150,000 AEEB). USAID will continue to assist with the merged Stock Exchange and development of sound corporate governance. Assistance will be provided to business organizations and local authorities to develop their capacity in decision-making. USAID will assist with the creation of additional microfinance and information technology services in underserved areas. Private agri-business as well as government agencies will be supported to increase their capability to attract funding for infrastructure. Principal contractors: DTT (Prime), CHF (Prime), PA Consulting (Prime), USDA (Prime), Chemonics (Prime).

Improve Competitiveness (\$4,050,000 AEEB). USAID's support will increase private participation in the stock market and use of financial instruments to raise funds, and reform pension and insurance systems. USAID will also increase competitiveness and exports of small businesses in at least two additional sectors. Activities to increase competitiveness in agriculture, energy, and environment will be continued. Expansion of micro-finance services will be targeted to the poorest regions of the country. In the energy sector, two municipal heating utilities will be restructured to prepare them for privatization and improve customer service. Principal contractors: DTT (Prime), CHF (Prime), AED (Prime), MASHAV (Prime), Chemonics (Prime).

Promote Privatization (\$1,500,000 AEEB). USAID will assist the GOR to sell public assets' shares on the stock exchange. Assistance will be provided to privatize electricity generating companies to increase efficiency and access to investment and trade opportunities. Assistance will also be provided to ameliorate environmental liability for privatization transactions and to preclude impediments to attract foreign capital. Principal contractors: DTT (Prime), Chemonics (Prime).

Performance and Results: USAID assistance during the year contributed to the disbursement of \$8.1 million in small business and housing loans and leveraged \$27 million for home mortgages and \$400,000 for information technology. State-owned irrigation equipment was transferred to 87 water-users' associations, bringing more than 560,000 acres under improved private management. USAID leveraged \$41 million in other donor funds for irrigation systems and \$40 million from the EU to implement the Small and Medium Towns Infrastructure Rehabilitation Program. Advisors completed the ten-year strategy for energy sector reform and a plan for privatizing the electricity industry. By the end of the current strategy Romania will have a legal framework for business that will bring it closer to EU requirements; the Government of Romania and NGOs will have the skills to implement critical legislation and regulations; private businesses will be more competitive in international markets; and 75% of the GDP will be generated by private businesses.