

Data Sheet

USAID Mission:	Bulgaria
Program Title:	Private Sector Development
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	183-0130
Proposed FY 2004 Obligation:	\$8,121,000 AEEB
Prior Year Unobligated:	\$359,000 AEEB
Proposed FY 2005 Obligation:	\$7,050,000 AEEB
Year of Initial Obligation:	1992
Year of Final Obligation:	FY 2007

Summary: USAID's program to foster development of a competitive, transparent, and business-friendly environment conducive to job creation and private sector growth includes training and technical assistance to: strengthen policy development and advocacy skills; increase business and trade capacity for enterprise development; and improve access to financial resources and microfinance.

Inputs, Outputs, Activities:

FY 2004 Program:

Improved Business Climate (\$4,350,000 AEEB, \$50,000 AEEB carryover). In FY 2004, USAID will continue to implement activities addressing administrative and regulatory barriers to business. In the energy sector, USAID will support activities to establish a sound energy legal framework and regulatory system capable of enforcing and implementing market-based tariffs, accounting practices, and all related regulatory functions. In the commercial law area, USAID will provide support to simplify registration and licensing requirements in order to decrease costs and reduce opportunities for corruption. USAID will support consolidating pension reform through development of comprehensive regulations. USAID will work to develop sound procedures and IT applications that guarantee the rights of fund members and ensure fair valuation of the assets of private pension companies. Training will be provided to the Financial Supervision Commission and the private pension companies to meet the new regulatory rules. Principal contractors: Nathan-MSI, Pierce Atwood, Bearing point, and Carana, (all Primes).

Jobs Created through Strengthened Private Sector (\$2,050,000 AEEB, \$309,000 AEEB carryover). In FY 2004, USAID will launch a new activity that will be the final or legacy phase of its private sector development portfolio. USAID will remain committed and engaged in enterprise development and will continue to fund technical assistance, training, and trade facilitation activities through support to local consultants and indigenous businesses. The new program is expected to create business systems and consultancy tools that will continue to fuel increased economic prosperity after USAID/Bulgaria graduates in 2007. Through extensive use of local consultants and work through local business services providers, the program will deliver expert technical assistance leading to increased sales, new jobs, and increased small- and medium-enterprise (SME) productivity. FY 2003 carryover funds will be used to launch the initiative. Implementer: to be determined.

Through its existing labor market program, USAID will continue to build the capacity of the Ministry of Labor and Social Policy and the Labor Inspectorate to undertake policy and program evaluations and to develop and implement programs promoting sustainable employment and investments. In addition, USAID will assist local governments, employers, and NGOs in the design of investment and employment strategies, as well as strategies for active labor market measures for youth and minorities employment. FY 2004 funds will provide the last tranche of assistance to the trade unions in Bulgaria to continue the tripartite dialogue, thus contributing to the efficiency of the labor market. Carana, ACILS (primes).

Improved Access to Financial Resources (\$1,721,000 AEEB). USAID will continue the delivery of micro-lending services to micro- and small businesses in an effort to reduce poverty, create new jobs, and

increase income generation for self-employed. Principal contractors: Opportunity International and CRS (Primes)

In FY2004, the Mission will launch a new financial sector activity to provide technical assistance to banking sector institutions in order to achieve a transparent, modern, and well-regulated banking/financial sector that meets the needs of savers and borrowers, and offers stimuli for growth and employment. The activity will build on USAID banking programs to be completed in early 2004. It will also provide a comprehensive and integrated approach to financial sector assistance. Implementer: to be determined.

FY 2005 Program:

Improved Business Climate (\$3,400,000 AEEB). USAID will continue the commercial law and energy sector reform programs in order to: streamline business registration; implement the business dispute resolution program; simplify and streamline judgment enforcement; and enable transparent energy rate-making practices to be in place along with International Accounting Standards. Implementer: to be determined.

Jobs Created through Strengthened Private Sector (\$2,250,000 AEEB). USAID will further extend assistance to SMEs and private sector development through local consultancy organizations. USAID's program will focus on strengthening the capacity of indigenous support centers to facilitate employment, trade and investment. The SME program will enhance the ability of Bulgarian business to cope with competitive pressures before EU accession and beyond by promoting entrepreneurship, sound business practices, innovation, trade, and investment. Implementer: to be determined.

Through its Labor Market activity, USAID will continue to assist selected municipalities to develop more efficient local labor markets and develop the analytical capacity and skills of local authorities geared towards creation of long-term employment. USAID will ensure increased public awareness of active labor market programs that will create sustainable employment and promote local business opportunities. Principal contractor: same as above.

Improved Access to Credit (\$1,400,000 AEEB). USAID will graduate its micro-lending activities and will develop and negotiate a tailored Development Credit Authority (Loan Guarantee) to facilitate credit for the localized micro-finance institutions. This effort will secure debt financing for the indigenous micro-credit providers, thus protecting long-term sustainability and access to credit for small entrepreneurs, and institutionally rooting the micro-lenders in the banking system. USAID will continue its efforts to improve the transparency and efficiency of the financial sector to stimulate economic growth. Implementer: to be determined.

Performance and Results: With USAID support, the SME sector continued to grow and create jobs. In FY 2003, more than 2,600 private businesses were assisted, leading to job creation, increased exports, establishment of new business linkages in the region and internationally, and introduction of critical quality management and industry standards business practices. The two micro-finance programs continue to provide opportunities to small and disadvantaged micro-entrepreneurs. Active clients increased to more than 5,400 (71% of them women), 2,900 new jobs were created, and another 16,000 were sustained. Three loan-guarantee facilities implemented by two Bulgarian banks placed 163 loans exceeding \$15 million in 2003. The bank privatization was successfully completed. Bulgaria's pension reform now serves as a model for its neighbors, and labor market efficiency is improving.

Continued USAID support will leave behind a more prosperous Bulgarian economy, buoyed by: a credit system that meets the needs of Bulgarian entrepreneurs, especially SMEs and small farmers; a strong banking sector that efficiently transfers savings into investment; mechanisms for the delivery of highly-valued business development services; a regulated energy market that meets international standards for setting rates and tariffs; a fiscally sound and sustainable pension system that permits workers to retire with greater security; and a more efficient labor market with greater long-term employment opportunities.