

# The Challenges of the Next Decade

**“We seek a trans-Atlantic partnership that is broad and open in scope, where the benefits and burdens are shared, where we seek a stable and peaceful future not only for ourselves but for all the world.”**

—President William Jefferson Clinton

The world is a different place ten years after the fall of the Berlin Wall. Each of the former Soviet bloc countries are now going in their own direction and changing at widely varying paces. The initial exuberance that once led people to dance in the streets of Berlin has been tempered by the reality of change. The path to achieving strong, market-oriented economies and open, democratic societies—where the majority have access to adequate housing, nutrition, health care and education—cannot be traversed quickly or without setbacks.

Throughout the 1990s, the many organizations and individuals that worked on USAID’s behalf have shared in the determination of the people of the region to meet the challenges of reform. This hard work has paid off. By the end of 2000, USAID will have closed bilateral assistance missions in eight of the 27 countries, all in the Northern Tier: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia. The wide-ranging reforms implemented by these countries have generated solid economic growth and achieved significant democratic freedoms. Their success sustains the belief that it is possible to achieve lasting reform in this part of the world.

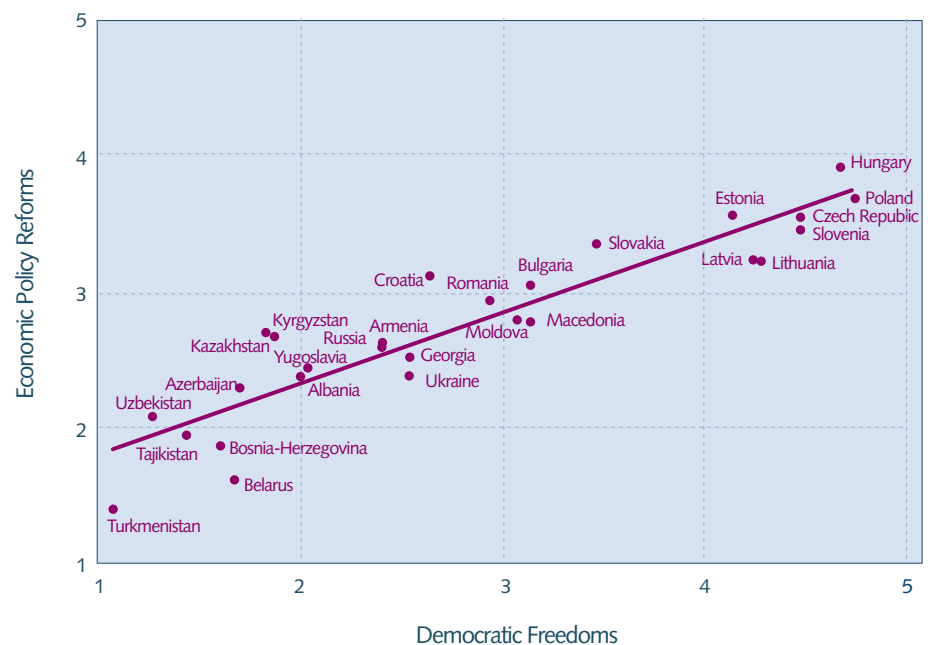
Progress in the rest of the region is mixed. While promising changes have occurred, reform is far from complete. Key economic and political institutions are still being

developed and corruption is a widespread problem. Years of ethnic violence have threatened stability and slowed the transition to democracy and private sector growth, particularly in Europe’s Southern Tier. Many of the nations in Eurasia remain tied to the past without sufficient will or momentum to move forward. It will take a lot longer than originally thought for these countries to join the global economy.

A large and stable middle class—a keystone to enduring democratic systems and dynamic private economies—still needs to

develop. In too many cases, these societies are polarized between a few very wealthy beneficiaries of change and a great number of people who have been unable to access the benefits of reform. At the same time, social services are woefully insufficient, adding to the burden of the common citizen. Toward the end of the decade, one-half of Eurasia’s population and one-quarter of Southern Tier citizens were living in poverty. The turmoil and pain resulting from incomplete reforms have discouraged citizens and led many to long for the certainty of the old Soviet days

**Country Progress in Transition: Europe and Eurasia, 1999**



Note: Ratings are based on a 1 to 5 scale, with 5 representing most advanced.  
Sources: Freedom House, Nations in Transit (1998) and Freedom House, Freedom in the World 1998-1999 (1999); EBRD, Transition Report (1999).

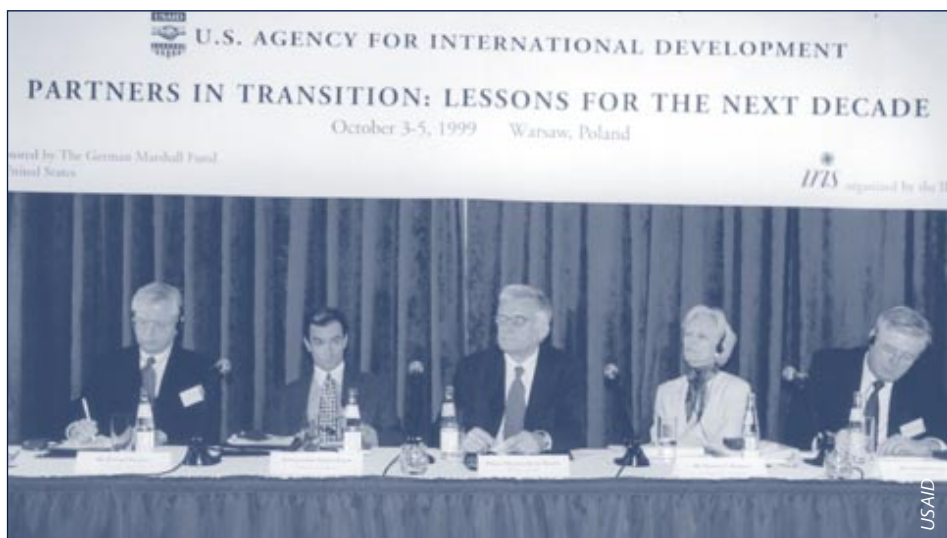
## Looking to the Future

As the world moves into the 21st century, USAID will continue to be a catalyst for change in Central and Eastern Europe and Eurasia. To meet the challenges of the next decade, USAID is modifying its approach in ways that will build lasting relationships that sustain and further

progress long after formal assistance programs have ended. USAID calls this approach Sustainable Partnerships.

Simply put, USAID believes that partnerships between nations, communities, institutions and individuals, are the best

way to help this region overcome the isolation of the past and participate fully in international markets and institutions. When partnerships are established—between Poland and Ukraine, for example, or Hungary and Armenia—they become the cornerstone for future progress.



Opening session of the Partners in Transition conference, held October 3-5, 1999 in Warsaw, Poland.

The countries of the region have much to learn from one another, and much to teach one another. With USAID's support, the peoples of the region and the United States can develop new forms of cooperation that replace bilateral assistance and advance freedom and prosperity.

Fifty years ago, the Marshall Plan assisted a devastated Western Europe. In turn, those nations became America's greatest allies and partners. Today, the United States has an opportunity to do the same for the countries of Central and Eastern Europe and Eurasia. As already demonstrated by countries like Poland, Czech Republic, and Hungary—the nations of this region can become America's allies and trading partners.

The first 10 years after the end of the Soviet system have ushered in change and progress to an area that had long been stagnant. The vibrant political parties, activist NGOs, and bustling private businesses now existing in this part of the world are a tribute to the people of the region and the people of the United States who supported them. In the first decade of the 21st century, USAID will continue its commitment to change in the region through U.S. and regional partnerships which advance the development of market economies, private business, democratic practices and social equity.

## Groundwork for the Future

During the 1990s USAID supported well over 300 partnerships between institutions in the United States and their counterparts in the region. These efforts have demonstrated that when people and organizations with mutual interests are brought together, they can resolve problems and form enduring relationships. Partnerships have been promoted in many areas of the USAID program, including agribusiness, local government, health, environment, energy, higher education and training, and real estate.

### *Sustaining Progress in the Baltic Countries*

In 1998, USAID partnered with the Soros Foundation Open Society Institute to create the Baltic American Partnership Fund. With matching \$7.5 million grants from USAID and Soros, the Fund links Baltic NGOs with their American counterparts and enables them to be a force in sustaining the transition to market democracies.

### *Energy Partnerships: An Ongoing Success Story*

U.S. utilities and regulators from 19 States and the District of Columbia are helping their counterparts in the region turn state-owned energy companies into competitive, commercial businesses. As a result, energy efficiency has improved dramatically and the pace of privatization has accelerated. In turn, the U.S. utilities participating in the program gain long-term opportunities for increased sales and market growth. By the year 2000, the U.S. Energy Association had facilitated 34 energy partnerships in 15 different countries.

### *An Enterprise Fund Builds A Legacy for the Future*

In 1999, the Polish-American Enterprise Fund (PAEF) created a new kind of partnership. With earned proceeds, the Enterprise Fund started the Polish American Freedom Foundation, a private, nonprofit organization that uses income from investments to promote economic and democratic reform without further USAID assistance. As noted by Zbigniew Brzezinski, national security advisor under President Jimmy Carter, 'the Freedom Foundation is USAID's legacy in Poland.'

• USAID Grant to PAEF	\$256 million
• Loans and Investments Made	\$700 million
• Jobs Saved or Created	100,000
• Small Businesses Supported	9,000
• Projected Returns to U.S. Treasury	\$120 million
• Projected Returns to Foundation	\$180 million

Generally, funding for an energy partnership is shared equally between USAID and the participating partners. In 1999, however, a new regional energy partnership in Europe only required 20 percent funding from USAID, with the understanding that USAID support would end after three years.

### *Supporting Cooperation Between Countries in the Region*

Poland's per-capita gross domestic product, once roughly equal to Ukraine's, has nearly tripled. In 1998, USAID helped launch a new partnership, the Poland-America-Ukraine Cooperation Initiative (PAUCI) to bring Poland's lessons to Ukraine. PAUCI provides small grants to Polish and Ukrainian organizations for collaboration on business development, local

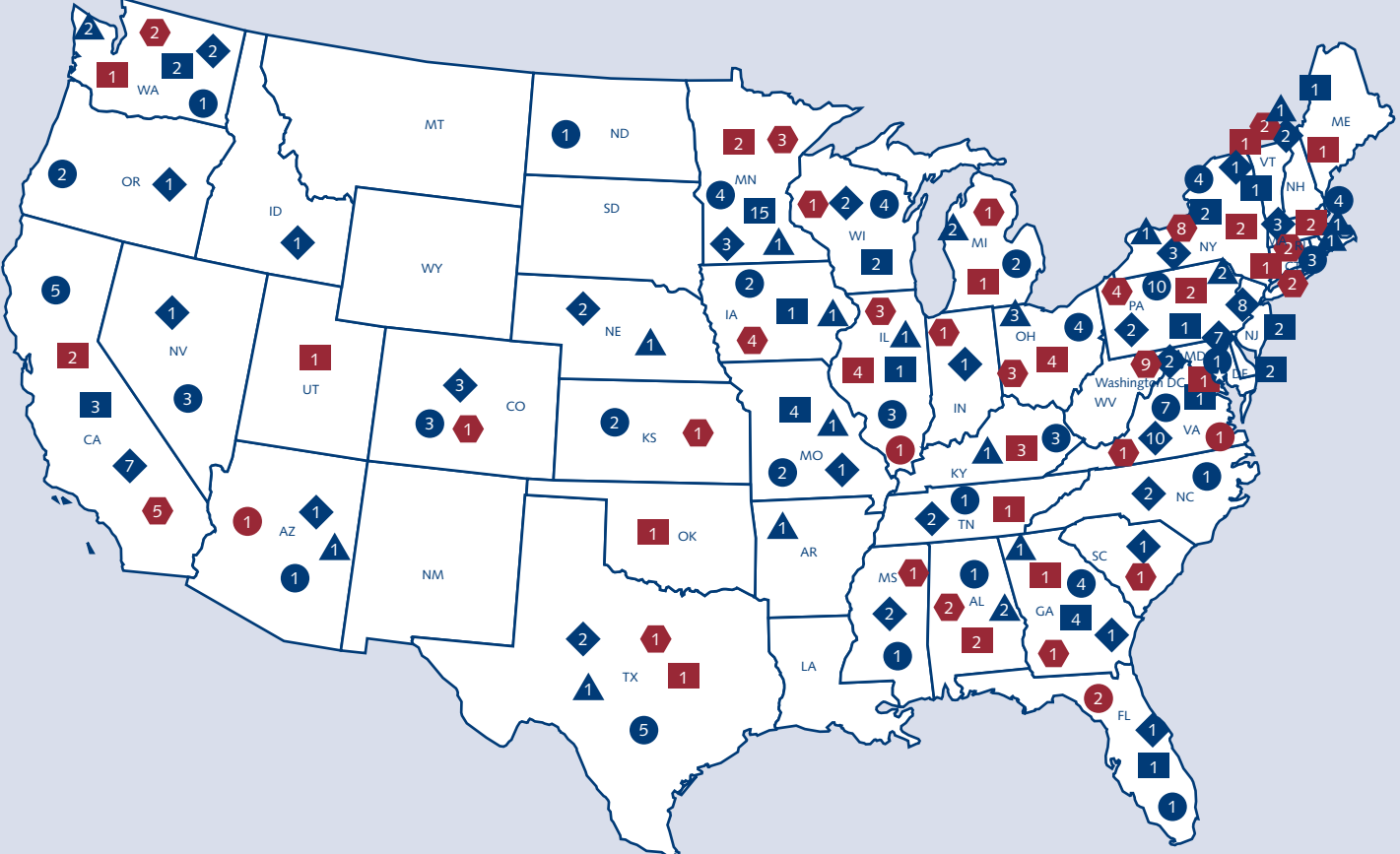
government reform, and macroeconomic policy development.

### *Investing in the Environment*

USAID's Environmental Partnership Grants Program, EcoLinks, promotes practical, market-based solutions to urban and industrial environmental problems. Managed by the Institute of International Education (IIE), the program links businesses, local governments, and associations in the region with counterparts in the United States or in other countries. In two years, the EcoLinks program has awarded 106 grants and involved 74 U.S. groups from 28 different states and the District of Columbia. These partnerships help participating organizations identify and remedy environmental issues, adopt modern technology and best practices, and increase trade and investment in environmental goods and services.

# Ties That Bind:

## *USAID–Supported Partnerships between the United States and the Region, Located by State and Country*



### Number of Partnerships by Sector

■	Agribusiness	43
▲	Local Government	25
●	Health	85
◆	Environment	74
■	Energy	34
⬠	Higher Ed. and Training	59
●	Real Estate	5

