

# 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.

**Donald L. Pressley**  
*Assistant Administrator, USAID  
Bureau for Europe and Eurasia*

# Table of Contents

<b>After the Wall, Facing the Challenge of Change</b> . . . . .	<b>1</b>
<b>Towards a Market Economy</b> . . . . .	<b>7</b>
<b>From Dictatorship to Democracy</b> . . . . .	<b>17</b>
<b>Helping People in Need</b> . . . . .	<b>29</b>
<b>The Challenges of the Next Decade</b> . . . . .	<b>39</b>

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.

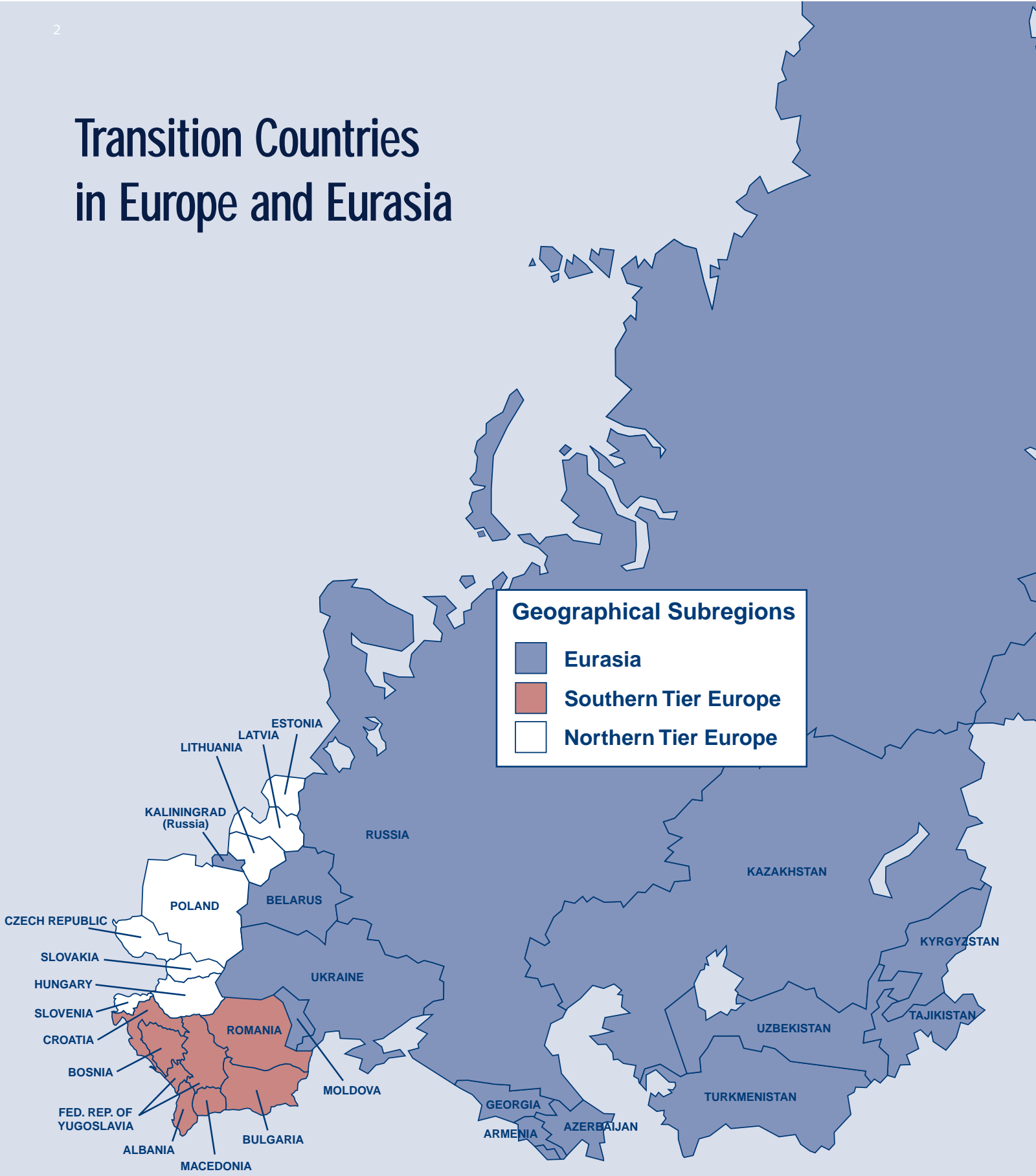
The first reaction of the people and around the world was euphoria, symbolized best by the young people who danced in front of the Brandenburg Gate and on top of the Berlin Wall the night of November 9, 1989. And it was no wonder.

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

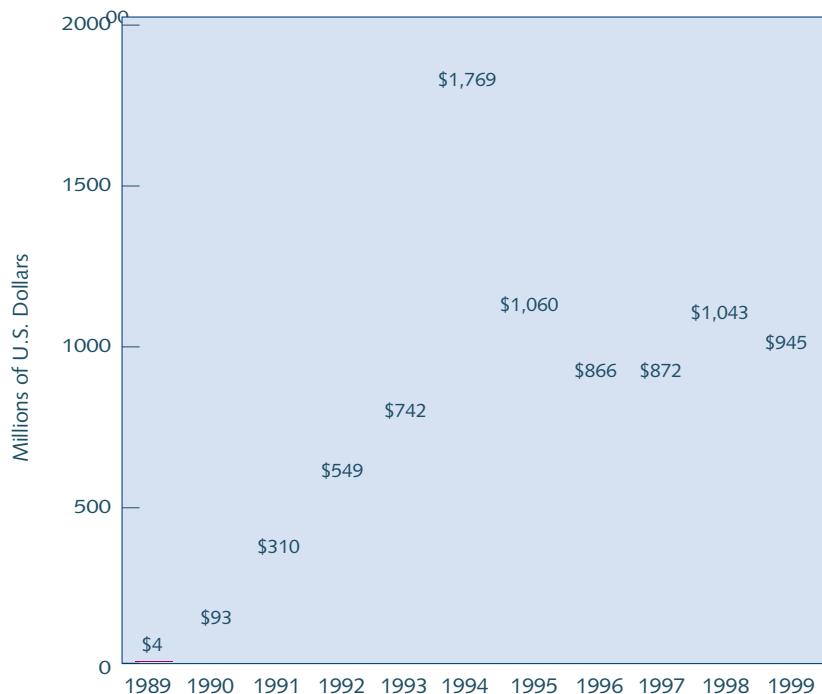
## *The U.S. Stake*

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.



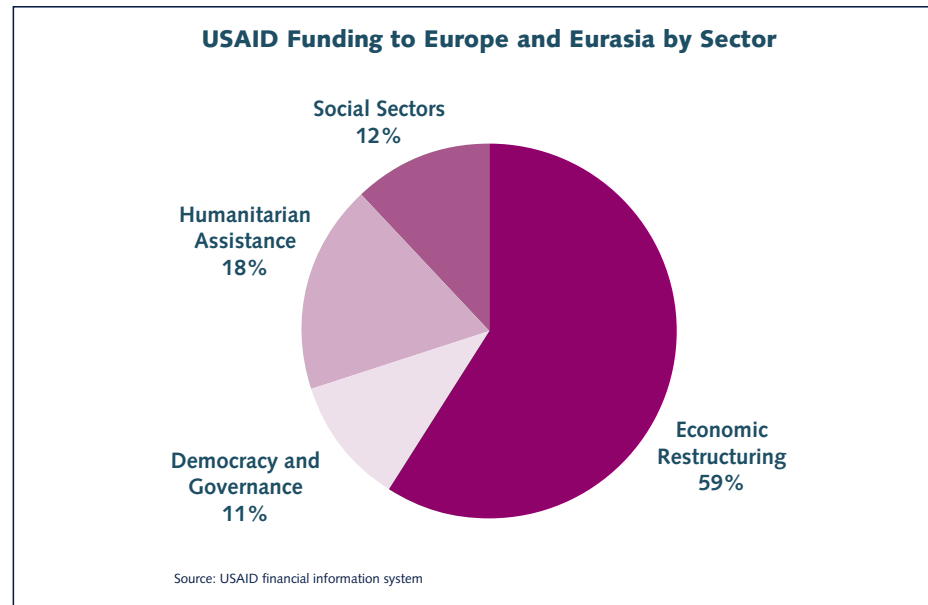
Source: USAID financial information system

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



# Towards a Market Economy

*From the reviewing stand in Moscow's Red Square, visitors can now gaze across the cobblestones, where Soviet tanks and missiles once rumbled by during the Cold War, and see a new row of privately-owned shops. The once-sleepy downtown of Vilnius, Lithuania, is bustling with commercial activity. In Sofia, Bulgaria, young stockbrokers are making trades on the new stock exchange, where listings went from one company to 31 in its first year.*

*From Poland and Slovenia in the west, to Kazakhstan and Russian Siberia in the east, the economic changes in Central and Eastern Europe and Eurasia during the 1990s were profound and, in some cases, astonishing. In 1989, the state controlled almost every aspect of economic activity—bureaucrats set prices, established production quotas for factories and farms, decided which companies got credit and how much, and determined wages and working conditions.*

*Governments owned not only utilities and public transportation, but almost*

*every other economic enterprise as well. Private businesses were banned or severely limited. The region was filled with factories employing thousands of workers they didn't need, to produce shoddy goods that no one wanted. For years, the whole system was propped up by subsidies and noncommercial trading relationships and sustained by wasteful use of energy that polluted the land, air and water.*

*That system crumbled when the Berlin Wall fell and the Soviet Union imploded. Today, the countries of the region are moving—some quickly, and some far too slowly—toward open, market-driven economies. Prices have been freed. State-owned enterprises have been sold to private owners. New economic institutions are leading to improved economic policies and management. A commercial law framework is being put in place and enforced. Sound banking systems and practices are beginning to emerge. Commercial lending to productive private enterprises is growing. Governments are encouraging small and medium enterprises by reducing red tape and improving their tax policies.*

## USAID Programs

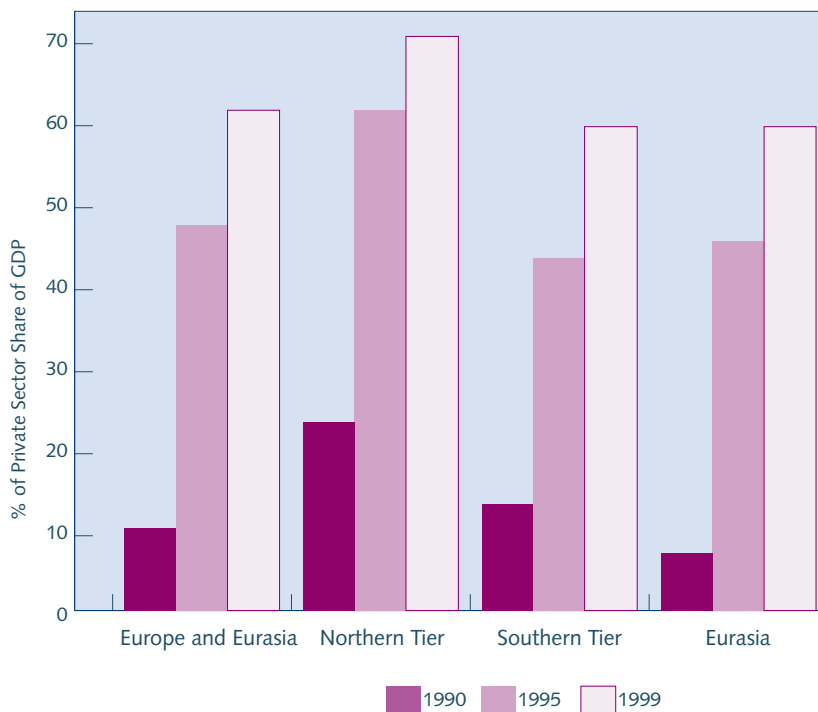
- *Privatization*
- *Fiscal Policy Reform*
- *Financial Sector Reform*
- *New Enterprises*
- *Energy & Environment*

*In the 1990s, USAID supported and accelerated these dramatic changes through the transfer of expertise, best practices and experience. In so doing, USAID built lasting partnerships with the men and women of the region who took the risks and did the hard work needed to transform their countries from old to new economies.*

## FOUNDATIONS FOR A NEW SYSTEM

*Creating a private sector in a former command economy starts with transferring state-owned enterprises into private hands and encouraging the growth of new businesses. For the private sector to succeed, however, a series of changes are required. Laws must be clearly written and fairly enforced by a competent judiciary. Burdensome regulations must be eliminated and competition fostered. Fiscal systems must be reformed to reduce budget deficits and encourage investment. Private businesses need uniform accounting systems in order to prepare financial statements which shareholders and banks can understand. Citizens must gain confidence in financial institutions to promote savings and productive lending. And, good macroeconomic policies and management practices must be adopted to promote non-inflationary growth. During the 1990s, USAID helped transfer thousands of state-owned businesses, farms and housing into private hands. Voucher programs gave many citizens the opportunity to become shareholders of privatized companies. To encourage private sector expansion, USAID supported new legal frameworks, better-functioning government ministries, new tax codes and budget systems, sound financial institutions and professional associations.*

*Statistics for the region are impressive. Twenty-three of the 27 countries have either completed the privatization of state-owned enterprises or have privatization programs well under way. Private enterprises in nine countries have adopted international accounting and auditing standards and two regional federations are promoting the acceptance of such standards in member countries. Modern banking systems have been developed in 21 countries. Fiscal reform, has improved tax collection in 13 countries, and seven have cut their budget deficits to below three percent of GDP.*



Source: EBRD Transition Report (1999)

Source: EBRD Transition Report (1999)

### *'The land belongs to me'*

In the former Soviet Union, agriculture was dominated by huge collective farms, where farmers worked as employees of the state. USAID helped Moldova's government break up these collectives, transforming them into smaller farms owned by the people who once labored on the massive, state-owned farms. Eighty-nine percent of the former collective farms were broken up, and today, 730,000 Moldovan farmers are the proud owners of two million individual land parcels. The success of this program was replicated by USAID in Georgia, where all the collective farms are now gone. USAID followed up by helping to register some one million agricultur-

al land parcels, prompting one Georgian land owner to remark, “From now on the land belongs to me. I have five children and six grandchildren. They work the land, and it will provide for us now.”

### Best Accountant of the Year

Ms. Valentina Bezhina, who lives in Kazakhstan’s large industrial Karaganda region, works for the Mediton Corp. In 1999, Mediton attempted to convert its accounting systems to new market-oriented standards, but lacked training or technical support. After this conversion attempt failed, Ms. Bezhina took USAID-sponsored training in financial

“Only private property can turn ‘agricultural workers’ brought up in a communist spirit into farmers like our ancestors used to be, with their careful attitude toward land, agricultural equipment, and quality work...”

— Nicolae Jechiu, Director  
Colnarg-Agro Limited Liability Company, Moldova

and managerial accounting. Soon after, she began to provide numerous useful ideas that improved Mediton’s financial performance, making her a key part of her company’s decision-making process. She became a consultant to several companies, and she won Kazakhstan’s national

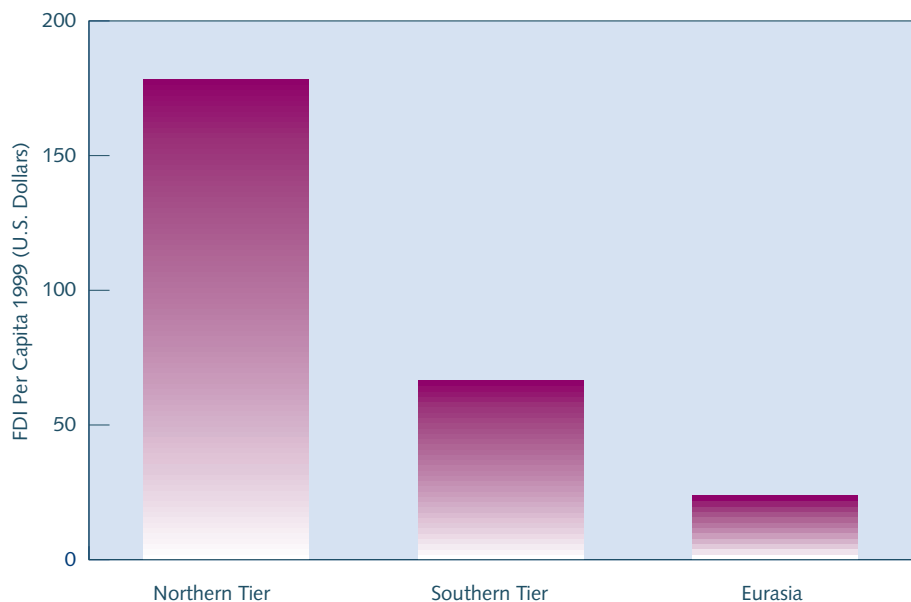
competition for Best Accountant of the Year. USAID efforts to reform accounting in Central Asia have not only had a positive impact on economic development, but have improved the quality and dignity of the lives of thousands of people like Valentina Bezhina.



Ms. Bezhina wins national accounting competition in Kazakhstan.

### Economic Reform Attracts Foreign Investment

On average, the countries that have advanced the most in economic reform have attracted the highest rates of foreign direct investment.



Source: EBRD Transition Report (1999)

## *Restoring Confidence in Latvia's Banks*

In early 1995, Latvia's largest bank collapsed, leading to political and economic turmoil and eroding public confidence in the banks and the government. Within days, USAID-funded banking experts provided assistance to design and set up a depositor pay-out system. This allowed for the orderly and timely repayment of over 13,000 household depositors. Over the longer term, these experts helped the Central Bank establish a bank supervision

system based on international standards and provided practical assistance to upgrade the on-site inspections of the remaining banks. USAID also helped enact regulations that tightened bank risk management and put in place a complete training process for bank examiners. Numerous risky banks lost their licenses. Bad loans dropped significantly. By 1998, Latvia's banks were on the right track. Foreign banks were investing in the banking system, a sure sign of progress. Public confidence returned, with deposits by individuals and companies rising 85 percent between 1995 and 1998.

The Northern Tier countries, which introduced the most wide ranging economic reforms, enjoyed a high average annual growth rate of 5 percent between 1996 and 1998.

## *Stopping a Phony Share Sale*

In April 2000, the management of Ukraine's Stinol Chemicals Plant told the company's minority shareholders that management wanted to issue new shares worth 10 percent of the company's stock price to raise new capital to buy plant equipment. But the move was really a ploy to increase management ownership of the company. The new shares were on sale for only 24 hours, on a first-come, first-served basis and could be purchased only on the premises of the chemical plant. Management grabbed all the shares. The minority shareholders turned to Ukraine's Securities and Stock Market State Commission, a regulatory body set up with USAID assistance. The commission canceled the phony share sale, denounced it as a violation of minority shareholder rights and declared that the law required minority shareholders to have a fair chance to buy into new stock offerings. Shareholder rights were protected thanks to USAID-supported development of new laws and institutions that ensure the proper functioning of securities markets and increase public awareness and investor understanding. Effective protection of shareholder rights is a basic building block of private economic growth.



Security exchange professionals from Eurasia complete regional training seminar on financial market operations, regulation, and oversight. Over 12,000 financial sector professionals have been trained in Eurasia.



## HELPING ENTREPRENEURS

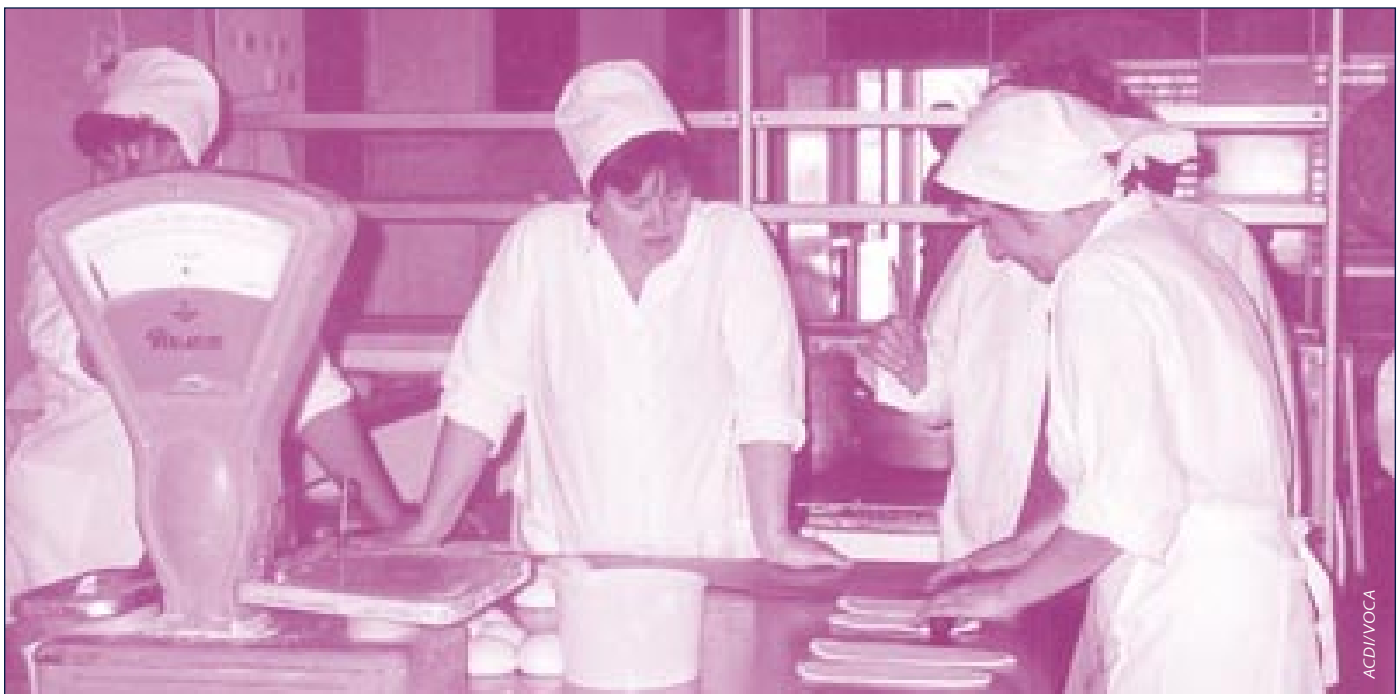
*The collapse of authoritarian rule left most citizens unprepared to operate in a private, market economy. After so many years of state control, it was hard to find people in the region who knew much about starting a business, managing a banking system, investing in a company, figuring out profit and loss, or any of the other basics of a market-based economy. The countries were short on cash as well as knowledge; almost all needed outside investments to get their economies back on their feet. Throughout the decade, USAID helped people who wanted to become entrepreneurs gain the financing, training, new technologies, expertise and experience they needed to build vibrant growing businesses, the cornerstone of a strong market economy.*

### *Twelve Hundred Loaves a Day*

When the Communist system collapsed, Lidiya Tsukrenko's family almost did too. Ms. Tsukrenko, who lives in the little town of Vepryk, Ukraine, about 50 miles south of Kiev, lost her income when the government-owned company she worked

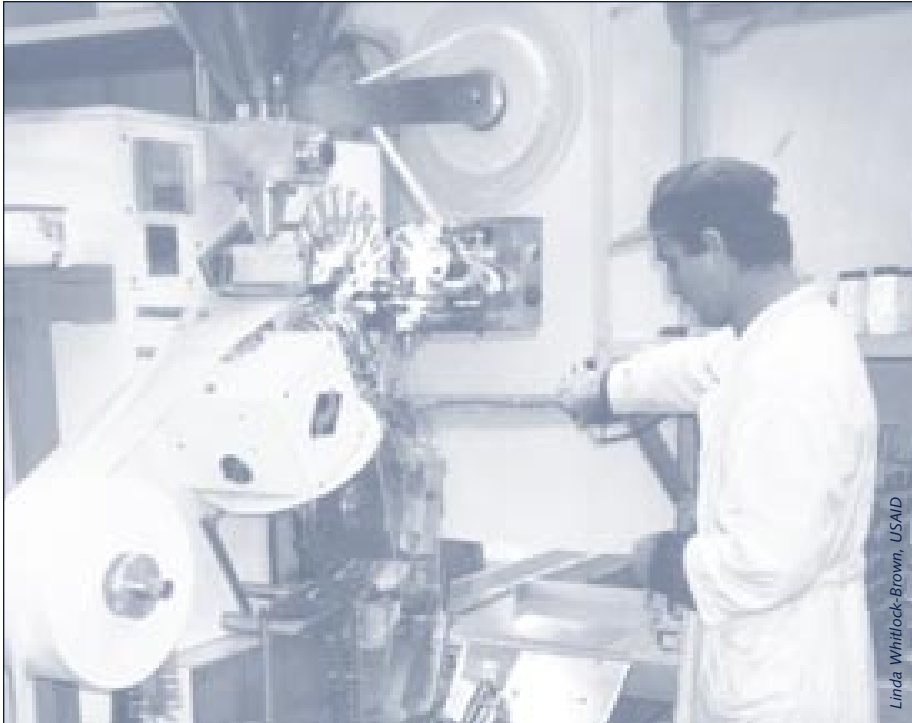
for couldn't make payroll. To earn the cash the family needed, Ms. Tsukrenko got financing from a local source, bought used equipment and started the VITA Bakery in 1995, milling flour in the barn of her small farm and baking bread in her kitchen. She was soon making 300 loaves of bread a day, but realized she had to expand to survive. In 1997, Ms.

Tsukrenko applied for a \$12,000 loan from a USAID-financed loan company. That loan helped her buy a larger flour mill. Before long, she had more than doubled her production of flour and boosted her bread production to 1,200 loaves per day. The bakery now employs 10 people, and Ms. Tsukrenko has never missed a loan payment.



U.S. volunteers help small entrepreneurs, such as these Eastern European bakers, expand marketability of goods through management and production improvements.





Linda Whitlock-Brown, USAID

Small herbal tea business in the Russia Far East purchases new equipment with grants available for non-traditional timber products

*Since 1989, ten Enterprise Funds supported by USAID have invested \$900 million in 16 countries, helping to preserve or create 150,000 jobs.*

### *The 'Dream' Bank*

While Kyrgyzstan's bazaars look colorful and inviting, they can be a hard place to make a living. In 1996, Ryla Primvirdieva began selling rice in the bazaar of Osh, a small market city. At first, she earned a profit of just \$2 per day, barely enough to buy bread and tea for herself and the two young daughters and daughter-in-law she

was supporting. Then she heard about the FINCA Village Banking program. Financed through USAID, the program helps women like Ms. Primvirdieva with small loans, as well as training, advice and a savings program.

Ms. Primvirdieva seized the opportunity, and with 11 other women she organized a village bank called Kyigal ('Dream'). Her first loan allowed her to buy one to two sacks of rice each week, doubling her profits. She qualified for a second FINCA loan of \$57, plus \$25 borrowed from the bank members' collective savings. The new financing has allowed her to increase her inventory again, boosting her daily profit to \$6. She now has savings, and her additional income allows her to purchase luxuries she could not afford only a few months earlier—butter, sugar and meat.

### *Sewing Success*

As she worked at the state sewing factory in Khabarovsk in the Russian Far East, Olga Asmolina dreamed of owning her own dress shop. When private businesses began to sprout up, she realized she had a golden opportunity. She started by renting a small room with sewing machines. In 1998, Ms. Asmolina decided that she would need a loan to survive and grow. She went to Working Capital Russia, a USAID-sponsored program to help new businesses, and received a \$1,000 loan. Soon she had enough business to hire nine employees, including two of the town's best tailors. When the financial crisis hit Russia in August 1998, Ms. Asmolina had to reschedule her payments, but she managed to pay off the loan by the end of the year. She now has three tailors working for her, has added a fashion salon and fitting room, and has upgraded her equipment and product line. Her dream is a reality.

### *Support Services Reach Entrepreneurs*

USAID has helped small and medium-sized businesses across the region grow and develop. In Bulgaria, for instance, a consortium of USAID-funded organizations has trained more than 10,000 entrepreneurs and created or saved over 14,000 jobs. Nine Business Service Centers in Ukraine and Moldova have reached over 35,000 entrepreneurs. Thirty-five percent of those clients have been women.

## *Volunteering to Help*

When Mitch Kam, a 33-year-old American volunteer with the MBA Enterprise Corps, arrived in Kielce, Poland, in 1994, he knew he had his work cut out for him. Revenues at the Piasecki Company, a 300-person, family-owned construction company, were declining. Mr. Kam stayed a year, advising senior management on marketing, management, strategic planning, finance and organizational design issues. By 2000, Piasecki had grown to more than 800 employees with annual revenues of more than \$60 million, making it the seventh-largest general contractor in Poland. Piasecki now is traded on the Warsaw Stock Exchange.

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*A USAID-supported NGO set up micro-loan institutions that created over 40,000 jobs in the region. More than half the loans have gone to women.*

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## *The Dairy Improvement Campaign*

In Albania, USAID has worked with Land O'Lakes, Inc., to aid rural women, who are traditionally in charge of the family cows. USAID and Land O'Lakes teamed to create the Dairy Improvement Campaign, which helps women learn how to produce more and better cow's milk. The campaign provided information and training on cow nutrition, disease prevention, reproduction and sanitation. As a result, women are earning more money and

## *World Trade Organization (WTO) Membership*

Becoming a member of the WTO lowers barriers to trade and provides increased opportunity for economic growth through exports. WTO membership indicates that a country's trade and investment laws encourage foreign investment and promote domestic entrepreneurs. To date, USAID programs have helped 11 countries achieve full membership: Czech Republic, Hungary, Romania, Slovakia, Poland, Slovenia, Bulgaria, Kyrgyzstan, Estonia, Latvia, and Georgia.



Albanian women learn new milk filtering techniques

enjoying higher status. In addition to the economic and food security impacts of the campaign, other organizations are using the new dairy producers' network, which

has grown to over 8,000 women, to deliver information to women on a wide range of health and social issues.

## ENERGY AND ENVIRONMENT

*One of the best kept secrets during the Soviet era was the environmental toll of decades of authoritarian rule: rivers and lakes fouled by industrial plant runoff and raw sewage, poisoned soil, polluted air and the threat of exposure to nuclear waste. Much of the damage was caused by the inefficient production and wasteful use of energy, encouraged by the lack of economic value placed on natural resources. Poorly managed energy monopolies as well as artificially low prices set by government contributed to pollution. The damage was compounded by government indifference and suppression of public opinion. The green movements in the countries of Central and Eastern Europe during the 1980s were among the first attempts at citizen participation. USAID built on this momentum and supported new government agencies and private groups working to raise public awareness about the environment, address existing environmental “hot spots,” and reduce the possibility of additional environmental damage. As part of a U.S. Government team, USAID has worked tirelessly to promote nuclear safety in the region. USAID has improved energy efficiency through restructuring, commercialization and privatization of the energy sector and the development of appropriate regulatory oversight for these new market-oriented systems.*

### *Metering Natural Gas for Conservation*

During the Soviet period, the price of natural gas was kept so artificially low that Russians joked it was cheaper to leave a gas stove on all the time than to waste matches lighting it. The result, of course, was that huge amounts of natural gas were wasted. Although the wholesale price of gas rose after 1991, consumers did not conserve, mainly because most Russian apartments do

not have individual gas meters. A USAID program that links a U.S. utility and Russian counterpart is helping to change that. Vladmiroblgaz and Brooklyn Union Gas have conducted a pilot residential metering project designed to determine how best to improve revenue collection and conserve energy. With USAID financing, 500 meters were purchased and installed in apartments just east of Moscow. Natural gas consumption dropped dramatically. Since then, the pilot

program has been expanded. The Vladmiroblgaz-Brooklyn Union Gas program and others like it are now helping conserve natural resources in cities across Russia.

### *The New Energy Regulators*

Breaking apart old energy monopolies and replacing them with market-oriented systems required a new approach to regulation and oversight in the energy sector. In addressing this challenge, USAID has supported the creation of independent energy regulatory bodies in 14 countries. These new entities operate according to modern and transparent regulatory practices, including increased public participation and less political interference. With help from USAID, the new regulators have developed a regional network to discuss common concerns and link to the U.S. regulatory community.



Representatives from Kyivenergo, a local utilities company in Ukraine, discuss safety performance issues with their U.S. partners at the PP&L, Inc. power plant in Allentown, PA.

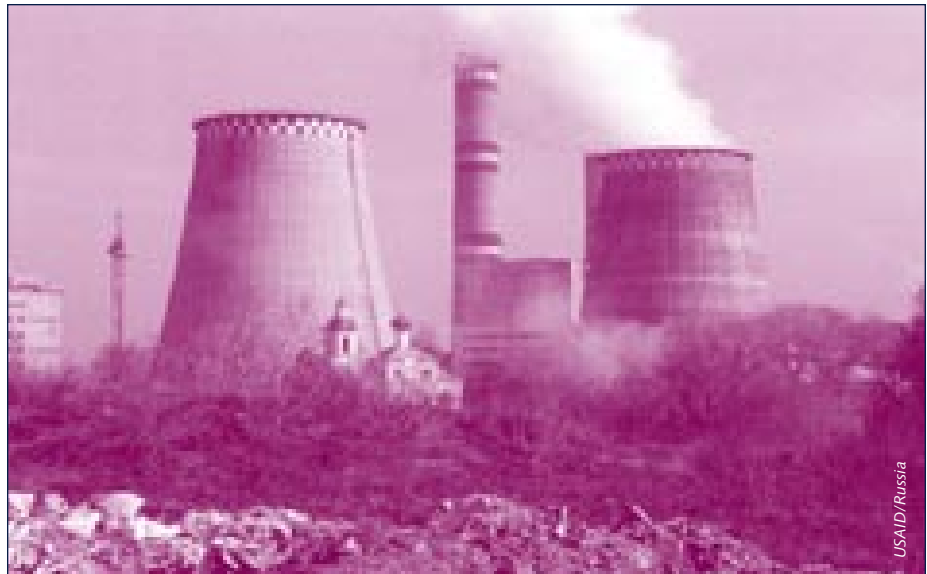
## *Improved Environmental Management*

Citizen organizations were among the first to call attention to environmental issues in the region. By joining forces with independent media these groups became a strong voice for change. Citizen advocacy combined with USAID technical assistance has helped the development and adoption of new laws and policies in resource management. Sound environmental frameworks are now in place in many countries, including Estonia, Hungary, Poland, Romania, and Slovakia. Groundbreaking forestry codes have been adopted in Russia. The Czech Republic and Poland have produced unprecedented levels of investments in environmental improvements.

## *New Technologies to Treat Wastewater*

A high-tech Hungarian environmental engineering firm plans to float a revolutionary new wastewater treatment plant on the Danube River in 2001, thanks to USAID's environmental partnership program, EcoLinks. Managed by the Institute of International Education, this program helps businesses and municipalities develop market-based solutions to environmental problems. The Hungarian firm, Organica Ecotechnologies, received the first EcoLinks Quick Response Award of \$5,000 and used it to visit an environmental company in Vermont, Ocean Arks International, which had developed a system to use biological technology to treat wastewater.

After the U.S. visit, Organica executives



The introduction of a water filtration and leakage control system in Novokuznetk, Russia, reduced pollution and saved the city money.

applied for and won a \$50,000 challenge grant from EcoLinks to prepare a feasibility study to assess the new technology. A joint venture of international investors heard about the program and decided to invest in Organica. With its new funding, Organica is planning to install its own treatment plant on a 176-foot-long barge. The floating wastewater facility will treat more than 8,800 cubic feet of raw sewage every day.

## *Promoting Nuclear Safety*

The devastating explosion at the Chernobyl nuclear power plant in Ukraine, in 1986, released high levels of radiation which eventually killed construction workers at the plant. Airborne contamination spread to parts of Europe, Eurasia, and the Middle East, causing considerable damage to soil and vegetation, natural fauna, and livestock. It exposed the local population to elevated levels of radioactivity, resulting in the evacuation of over 100,000 people from the Chernobyl area. Twelve years after the accident, significant health problems continue to

emerge, including thyroid cancers and childhood birth defects.

The imperative to avoid another Chernobyl accident has been a vital factor behind the commitment of Western leaders and the international community to address nuclear safety in the region. USAID has worked closely with the U.S. Departments of State and Energy and the National Regulatory Commission to mobilize resources from 30 countries to support safer procedures and structures at operating plants and decommission high-risk nuclear reactors. USAID has collaborated on multilateral efforts, such as the Nuclear Safety Account and the Shelter Implementation Fund at the European Bank for Reconstruction and Development. As a result of this work, commitments have been made by Ukraine, Lithuania, Bulgaria and Slovakia to close their oldest nuclear reactors. Chernobyl is scheduled to shut down by the end of 2000.



# From Dictatorship to Democracy

*On August 19, 1991, leaders of the Soviet military sent hundreds of tanks rolling through Moscow's streets, seizing strong points throughout the city and declaring a state of emergency. From the Kremlin, the new Soviet leadership banned protest meetings and closed independent newspapers as it moved to reestablish hard-line control.*

*The events were all too familiar to people who had lived through the crushing of the Hungarian Revolution of 1956 and the Prague Spring of 1968. But this time, something very different happened. After three days of huge protest rallies and civil disobedience, the people prevailed, pushing the region forward into a decade of historic, political change.*

*For more than 40 years, dictatorships dominated by the Soviet Union ruled most of the people of Central and Eastern Europe and Eurasia. Elections were a sham. Parliaments had no real power. Basic democratic freedoms—free speech, the freedom to assemble and organize, the right to form independent parties did not exist. Governments trampled human and civil rights. Vaclav Havel, Lech Walesa and other opposition leaders*

*were harassed or imprisoned. Since the fall of the Berlin wall, new political parties have sprung up, wooing voters in elections in 18 countries. Independent television stations and newspapers have allowed dissenting voices to be heard. New nongovernmental organizations have helped citizens press their governments for change. Independent judiciaries have strengthened the rights of private citizens. Local governments have developed new powers and responsibilities. A new generation has been coming to power in many countries in the region. Despite considerable progress, however, moving from dictatorship to democracy has not been easy, especially in nations that have no history or tradition of democratic rule. Setbacks and reversals continue to hinder progress, especially in Eurasia and Europe's Southern Tier.*

*Still, the overall political trend in Central and Eastern Europe and Eurasia has been toward increased freedom and democratic practices. U.S. government agencies, working with a wide range of organizations in the region and the United States, as well as with international institutions, have supported these changes and the*

## USAID Programs

- *Democratic Elections & Process*
- *Nongovernmental Organizations*
- *Independent Media*
- *Transparent Legal Systems*
- *Anticorruption Initiatives*
- *Local Governance*

*people who made them. During the past decade, USAID has been in the vanguard, forming lasting linkages with courageous people to sow the seeds of a democratic, civil society.*



## CITIZENS IN ACTION

*To survive and succeed, democracy needs civil society—a broad base of active citizens able to influence decisions that affect their lives. Citizens must be able to choose their political leaders at the ballot box, hold their elected governments accountable, and exert pressure on their governments to shape policies that meet the people’s needs and priorities. Democratic societies need vibrant political parties and a free and independent media to engage in public debate of issues and policies. They need strong nongovernmental organizations (NGOs) working for social, economic, and political change. As these citizen groups flourish, they provide vital services to their constituents and become advocates for reform. In a region with little history of democratic practices and institutions, USAID worked with individuals, groups and governments to develop the skills, traditions and institutions that put the people in charge. Since 1989, more than 500,000 NGOs have been created across the region*

“If you want to know why democracy works in some places and not others, de Tocqueville was right . . . it's the strength of civil society.”

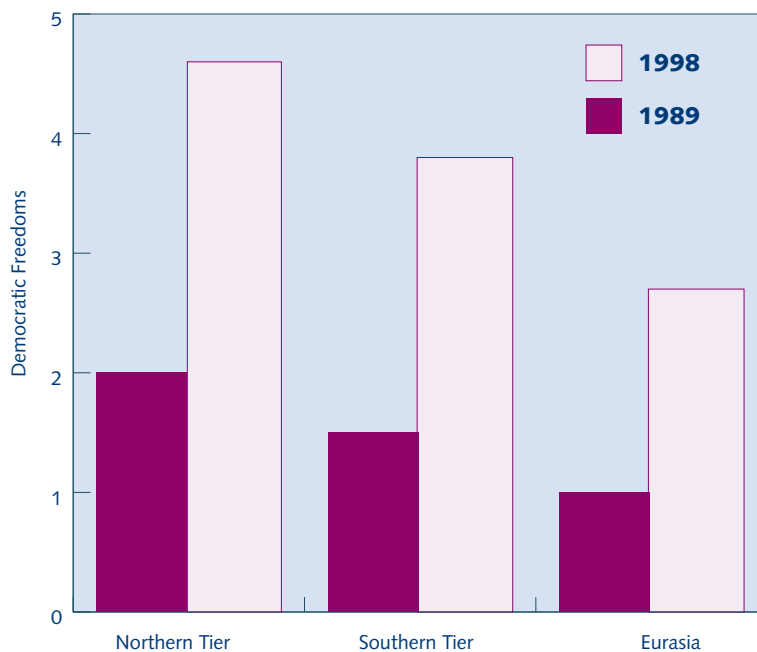
— Russ Edgerton, President,  
American Association for Higher Education

### *Slovakia and Croatia Turn Toward Democracy*

In the fall of 1999, Juraj Mesik, Pavol Demes and Peter Huncik, each the head of an NGO in Slovakia, were honored by USAID and the German Marshall Fund of the United States for putting themselves and their organizations on the line for free elections. The year before, democracy in Slovakia was under siege. Although elections were scheduled, the authoritarian government in power was using strong-arm tactics to bully opponents and consolidate control. With USAID support, Mr. Mesik, Mr. Demes, Mr. Huncik and the leaders of eight other NGOs formed a coalition, Obcianaska Kampan (OK 98), to campaign for free and fair elections.

The campaign coordinated almost 60 separate activities, carried out by hundreds of pro-democracy Slovaks, all designed to encourage people to stand up and vote. In the face of repeated attacks from the state-controlled media and other attempts at intimidation, OK 98 triumphed. On election day, the people voted the autocrats out and put Slovakia on the path to reform.

**Democratic Freedoms Have Increased  
During Ten Years of Reform**



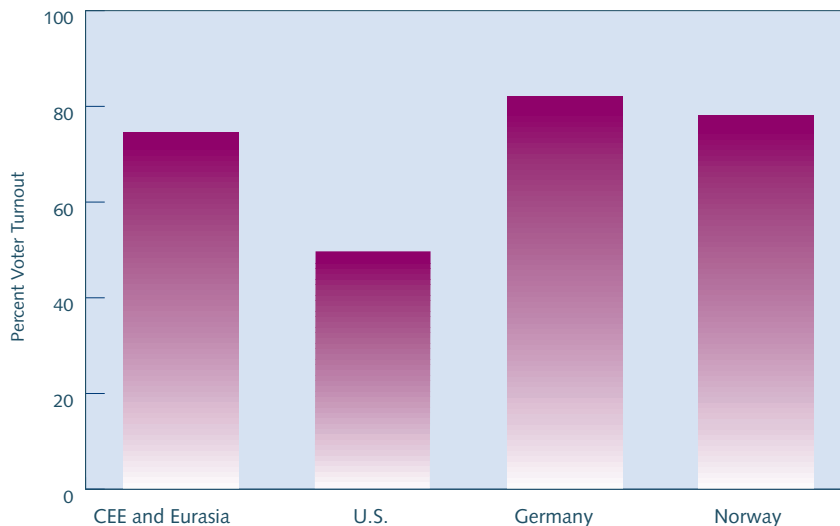
Democratic freedoms include political and civil liberties. Ratings are from 1 to 5, with 5 representing the greatest freedoms.

Freedom House, Freedom in the World (1999)

In early 2000, USAID activities - contributed to a similar result in Croatia. The entrenched ruling party, which had a firm grip on power during the 1990s, was ousted by a resurgent coalition of democratic opposition parties. This was the culmination of five years of USAID assistance to reform-minded groups in Croatia. A broad network of organizations and citizens formed a NGO to monitor voting and ensure transparency in the election process. In a parallel effort, 140 NGOs and trade unions organized a massive get-out-the-vote campaign. The energy and enthusiasm of so many citizens made a difference. The thoughts of Croatian volunteers were captured by one election monitor, Teuta Krasniqi, a student from Split: "I want to volunteer because I want to build a just country."

### Political Participation

Voter turnout in recent elections is, on average, 16 percentage points higher in the region than in the United States, but trails other Western countries.

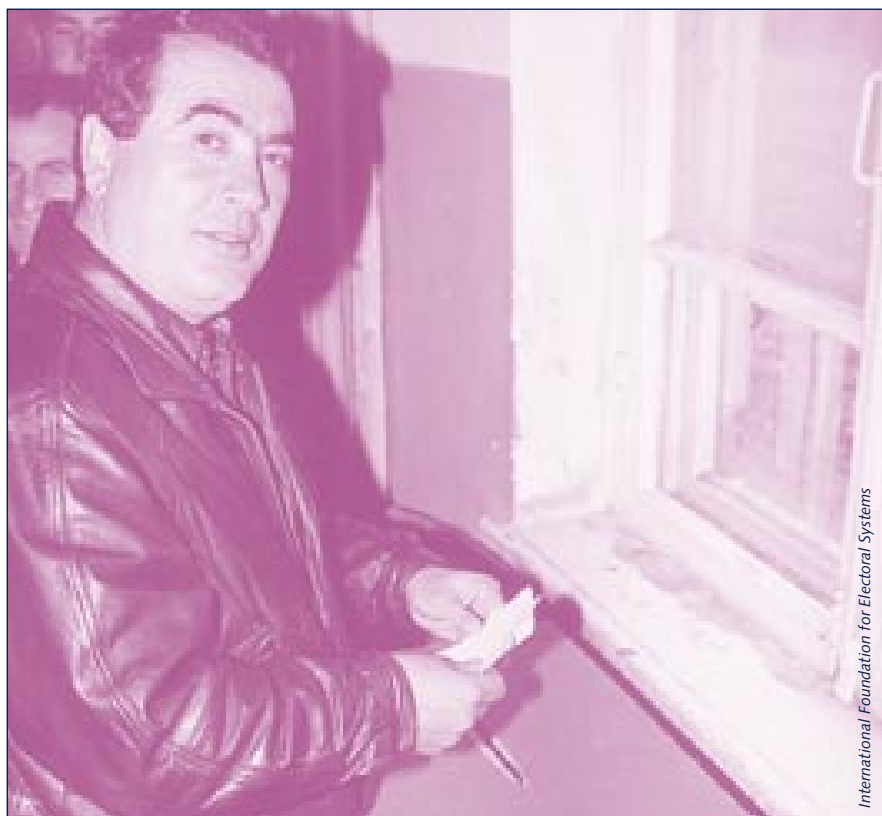


Note: Data are not available for Belarus, Macedonia, Kyrgyzstan, Moldova and Turkmenistan.

Sources: Elections Around the World website; The Center for the Study of Public Policy website.

### USAID Grantees Support Democratic Elections

The National Democratic Institute and the International Republican Institute have trained political party activists in the region in campaign techniques, voter education and election monitoring. The International Foundation for Electoral Systems has strengthened the capacity of election commissions at national and local government levels. Due to these and other efforts, 18 countries held multiparty elections by the end of 1999. More than half the countries in the region conducted elections characterized as generally free and fair by international observer organizations.



International Foundation for Electoral Systems

Voter casts ballot in first-ever local elections in Georgia.

## *An NGO Fights for Azeri Women*

The women of Azerbaijan have been hit much harder than men by the collapse of the Soviet Union. Many more women are unemployed, and men continue to hold a large majority of the country's higher-paying jobs. Women have also lost social benefits, and the country is staggering under the burden of tens of thousands of refugees displaced by a bitter conflict with Armenia. Novella Djafarova is trying to help. She chairs the Women's Rights Protection Society of Azerbaijan, an NGO devoted to

meeting women's needs. In 1997, she came to the United States to attend the Development of Women NGO/ PVO Leadership program. The USAID-funded program provided training and gave Azeri activists the chance to meet with American NGOs focusing on women's issues. For Ms. Djafarova, the program gave her a broader vision of what her organization could accomplish. Once home, she organized training programs for other women and pursued grants for new women's rights activities. Most recently, she received funding from the Canadian Embassy to continue her activities in support of women in Azerbaijan.

With help from USAID, the Eurasia Foundation has invested in citizens throughout the former Soviet Union. From 1993 to 1999, it made over 4,700 small grants, totaling \$94.5 million, in support of civil society, private enterprise development and public administration and policy.

## *A Resource for Russia's NGOs*

In 1995, the Agency for Social Information (ASI) was just a small bulletin that Elena Topoleva and her husband, Andrei Topolev, published through the news agency where they worked. Then ASI acquired a grant from the Eurasia Foundation. That crucial support let the Topolevs hire correspondents and

expand the range of their bulletin. It also helped them attract funding from other donors. By the end of the decade, the bulletin had grown into a major source of information and public relations support for Russia's burgeoning NGO community.

In 1999, the bulletin went to over 500 regional media outlets, promoting the work of NGOs across the country. ASI hosted NGO conferences,



These citizens demonstrate the spirit of NGO volunteerism at Fun Fair 2000 in Yerevan, Armenia.

published reference guides about NGO activities for the news media, organized press interviews for NGOs and arranged meetings between NGOs and government officials with radio and TV coverage. Explains Ms. Topoleva, "We are trying to get people to look beyond the state and do something for themselves by showing them what other people are doing."

### East – East Visit Yields Helping Hearts

The campaign "Generous Heart" started on a rainy April day in Ruse, a town of 200,000 people on the Danube River. The rain did not stop the 150 volunteers committed to raising funds for the local hospital. The campaign resulted from a USAID training course which took the Bulgarian organizer, Jordan De Meo, to Poland, where he witnessed a nationwide campaign gathering funds for children with kidney disease. Hundreds

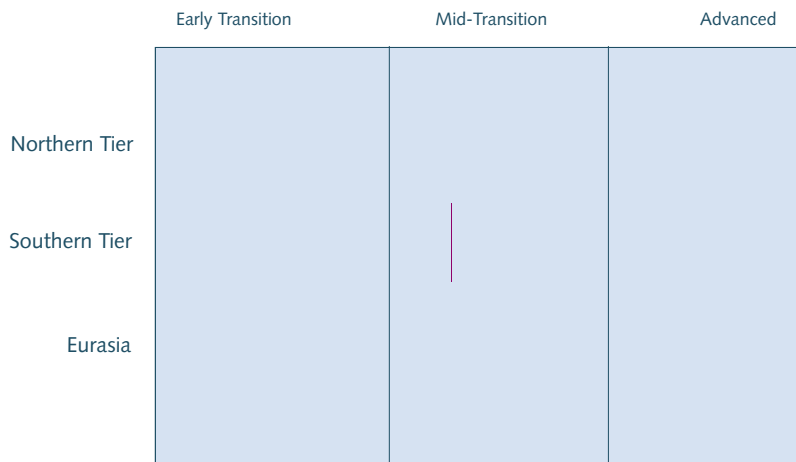
of volunteers crisscrossed the streets of Warsaw, presenting those who gave even a small amount of money with a big red heart. Jordan was so impressed he promised to repeat the campaign in Ruse, his hometown, on one of the biggest Bulgarian holidays, Tsvetnitsa, the day of the flowers.

Despite the poor weather, 5,000 people wore paper hearts that day, and 12,000 lev were collected and donated to the local hospital. Four NGOs helped organize the event, and two Ruse businesses donated stickers, special

shirts, and collection boxes for the volunteers. With the donations, the local hospital leased life-saving medical equipment. The first public fundraising campaign in Bulgaria was covered by regional and national media and touched the hearts of many Bulgarians. Jordan, who is president of the "Forum for Democratic Revival," a Ruse NGO, and a member of a volunteer advisory board to the USAID Democracy Network program, is full of hope and eager to repeat the fundraising event with even greater success.

#### NGO Sustainability in 1999

USAID tracks progress in civil society development throughout the region. Sustainability is a composite measure of seven dimensions of the NGO sector: legal environment, organizational capability, financial viability, advocacy, public image, service provision, and NGO support organizations.



Source: The 1999 NGO Sustainability Index.

"Heroic is the word that comes to my mind when I try to describe the efforts of local NGOs. They are operating out of dilapidated buildings, personal apartments, and with little to no office equipment. Most receive no salary—they are simply volunteers..."

— USAID staffer, from a field visit to World Learning Sub-Grantees in Russia

# INDEPENDENT MEDIA

*Before 1989, governments controlled the newspapers their people read, the radio broadcasts they heard and television programs they watched. In the 1990s, the newly independent media were some of the most powerful voices for and protectors of reform. And it's no surprise that those who wanted to bring down democracy put the media squarely in their crosshairs. USAID has spent a decade supporting people who fought to keep the media independent and effective.*

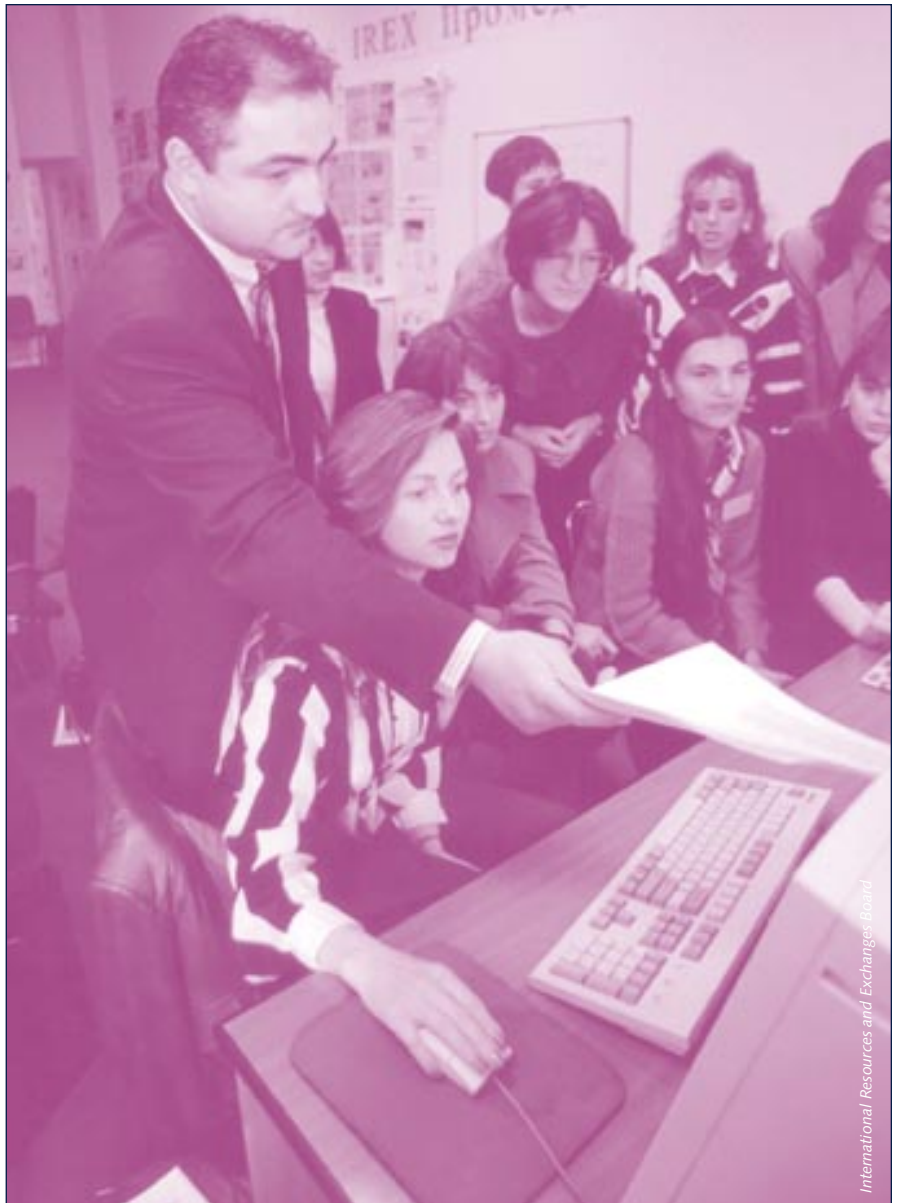
## *Taking on Terrorism in Bosnia*

In 1999, one of Bosnia-Herzegovina's leading independent daily newspapers in the city of Banja Luka, *Nezavisne Novine*, published articles detailing local war crimes. On October 22 of that year, a bomb went off in the car of the paper's editor, Zeljko Kopanja, costing him both legs and nearly killing him. To prevent the horrific incident from intimidating investigative journalism, USAID sponsored a conference in Banja Luka on the protection of journalists shortly after the attack. Representatives from all over Bosnia-Herzegovina, along with representatives from international organizations supporting reporters, came to protest the terrorism. A USAID-funded organization provided Kopanja with a laptop computer so he could keep writing from his hospital bed in Vienna. *Nezavisne Novine* kept publishing.

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*More than 10,000 media professionals from the region received USAID training in objective, fact-based reporting.*

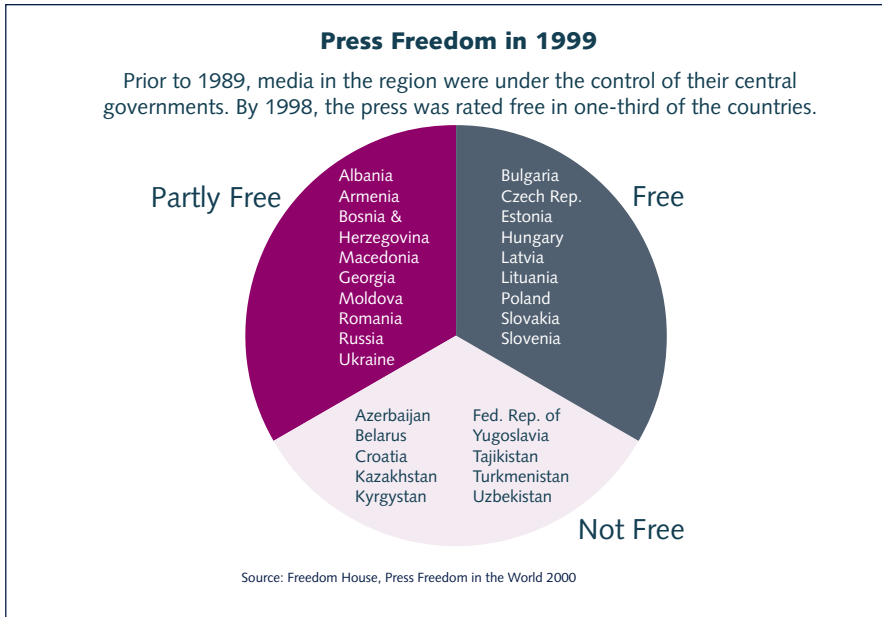
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International Resources and Exchanges Board

Young journalists develop skills in electronic research at the Information and Press Center in Kiev, Ukraine.





### *A TV Choice in Croatia*

Some 85 percent of Croatian adults get their news from television. Until 1999, the only news was government propaganda from the state-controlled Croatian Television. But the government information monopoly has been broken. As part of a USAID-funded program, media experts in Croatia worked with an association of local independent television stations to form a new network, the centerpiece of which is Vijesti (literally, “news”), an independently produced evening news program. Since its debut in December 1999, Vijesti has received critical acclaim and provided Croatian viewers with alternative viewpoints. The Organization for Security and Cooperation in Europe called Vijesti the most credible source of broadcast news available in Croatia.

### *The Power of the Eco-Press*

In 1994, a group of independent journalists in Moldova had an idea that would have landed them in jail during Soviet times: start an independent magazine about the environment and raise the alarm about threats to the air, land and water. The magazine, *Gazeta Natura*, won small grants from USAID to buy printing equipment and expand the magazine’s reach to Romania and Ukraine. *Natura* quickly proved that it was a new breed of magazine. In 1995, its reporters uncovered an explosive story: Moldova’s government had secretly drafted a contract to sell 7,000 hectares of the Silva forest to a foreign firm. *Natura*’s editors rushed the story into print. The government threatened to shut *Natura* down, but it was too late. Citizen groups bombarded the government with demands for public hearings and a parliamentary

investigation. The public pressure worked. The sale was canceled, and the old growth forest was preserved.



A regional television station airs a panel discussion on the role of environmental reporting, as part of National Journalists’ Day in Ukraine.

Institute for Sustainable Communities

# FIGHTING CORRUPTION AND ESTABLISHING THE RULE OF LAW

*A strong democracy requires a strong rule of law, both to protect individual rights and personal freedoms and to combat corruption. Rights and freedoms are the essence of representative government, while corruption corrodes public support for democracy and breeds cynicism and apathy. USAID programs have reached out to support parliaments as they strengthen their capacity to conduct open hearings and enact new laws responsive to the needs of their society. USAID has been a significant resource in strengthening judicial understanding of market economy and democratic principles, modernizing court administration, and joining with people in every country who are willing to fight corruption.*

## *Simple Justice in Georgia*

Kibar Kalbashi is the manager of a company that distributes household products in Georgia. In October 1999, one of his trucks was involved in a traffic accident with the driver of a new Volkswagen Golf. The Golf was damaged beyond repair, but all witnesses agreed it was the driver's fault. Nevertheless, the driver was a well-connected Soviet-era lawyer, confident that bribes and connections could extract a huge financial settlement from a company.

Kalbashi took his case to a young lawyer who had received training under a USAID grant with the American Bar Association's Central and Eastern European Law Initiative (ABA/CEELI). The lawyer

succeeded in getting the case transferred to the capital, Tbilisi. There, a judge who had recently passed the judicial exams administered by ABA/CEELI, presided over the hearing. The newly qualified judge heard the arguments and threw the VW driver's case out of court.

## *Lessons from Mississippi*

Kairat Ospanbekov, an attorney fighting to establish due process and individual rights in Kazakhstan, calls it a "defining moment." Thanks to USAID-sponsored training through the Academy for Educational Development, he was part of a delegation of lawyers from former Soviet countries who were dinner guests at the Mississippi home of Unita Blackwell, a lawyer who was active in the civil

rights movement of the 1960s. "She won 26 cases and set 26 legal precedents," said Mr. Ospanbekov. "She showed me how an ordinary person can change the system."

Back in his home town of Almaty, Mr. Ospanbekov changed the system by mounting a campaign against government officials who were using public posts for private gain. He says he learned an important lesson from

## *USAID Attacks Corruption on Many Fronts*

- Reducing government regulations and licensing
- Training lawyers and judges
- Training business, government and legal associations on ethics
- Developing investigative journalism
- Teaching NGOs to monitor government and fight corruption
- Opening government to citizen involvement
- Supporting anticorruption public education and advocacy
- Helping establish clear and fair tax codes



Hungarian Parliament building now houses a democratic legislature.



Participants take written test as part of the judicial qualification examination process in Tbilisi, Georgia.

American civil rights veterans: “Kings and czars will not give you rights. History is made by ordinary members of society who fight for them.”

### *A Whistleblower in Trouble*

In 1995, the captain of a Ukrainian cargo ship in the Azov Fleet blew the whistle on several fleet officials who allegedly were embezzling funds to their private bank accounts outside of Ukraine. The officials turned these allegations around, accused the captain of wrongdoing and took him to court. The court sentenced him to five years in prison, confiscated his assets and fined him.

From prison, the Captain contacted the USAID-sponsored Citizens Advocacy Office, an independent source of legal support for people with grievances about corrupt officials. It provides free legal advice, representation and

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*USAID has trained over 7,500 judges, academics and legal professionals from 22 countries.*

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research help. Lawyers from the advocacy office reviewed the captain’s case and successfully appealed it in October 1999; the allegations against the captain were dismissed entirely, and all previous sentences against him were canceled. The Citizens Advocacy Office then began working to build a case against the fleet officials.

### *Anti-Corruption Efforts Produce Results*

“Zero tolerance for corruption” has become an important theme in Bulgaria. In December 1999, ten out of 16

Bulgarian cabinet ministers were removed from office, thanks to the efforts of Coalition 2000, an anti-corruption alliance of government organizations and NGOs. The coalition raised public awareness through a sophisticated campaign that included regional and municipal Anti-Corruption Councils, a national media campaign, telephone hot lines, public meetings and a wide range of books, newsletters and brochures.

Coalition 2000’s small grants to community-based NGOs have made a clear impact. Local initiatives have resulted in investigations and prosecution of corrupt practices in public service provision. Independent media has helped raise public awareness of the issues by making corruption a frequent headline topic. The Coalition’s Quarterly Monitoring Surveys are now demonstrating that public tolerance of corruption has decreased significantly.

## COMMUNITY INITIATIVES

*Democracies grow from the ground up. To survive and develop they need vigorous local governments where citizens and organizations can participate in decisions that affect their lives. USAID programs have fostered working relationships between local governments, citizen groups, and the business community to expand economic opportunity, mobilize local resources, deliver municipal services, and address social welfare issues. These relationships have produced innovative approaches to solving problems at the local level. At the national level, USAID has helped lay the foundation for intergovernmental relationships, including revenue sharing and local tax authority.*

### *A Voice in the City Budget*

Until 1995, the people of the Romanian city of Piatra Neamt had never had any say in their city's budget. Then the town's mayor, Gheorghe Ocneanu, decided to get citizens involved. With the help of USAID and the International City and County Management Association, he organized the first community meetings on the budget and opened up the budget process to citizen review.

The mayor and other city officials prepared extensive documents and detailed presentations that explained the city finances to residents. When the meeting opened in February 1995, the residents who attended didn't need much prodding to become actively involved. They suggested 11 new city-funded projects and clamored for more public meetings. That first meeting and the ones that followed have changed the political culture in the city, opening a

new era of citizen involvement while strengthening local government. Today, most major cities in Romania have organized public hearings to debate municipal budgets.

### *Empowering Local Governments*

Municipal governments need the ability to generate revenue if they are to carry out their responsibilities. USAID has helped establish the legal framework for revenue sharing, local tax authority, and the development of municipal credit systems. In some instances, USAID forms strategic alliances with other donors in preparing the conditions for municipal sector loans. This was the case in Romania, where USAID helped formulate policy changes in municipal finance as conditions to EBRD's loan for municipal infrastructure improvements. The new laws established transparency in Romania's fiscal transfer system and gave greater taxing authority to local governments.



Regional Conference brings local government practitioners together to discuss municipal development issues and share lessons learned



## Community Development in Armenia

In Armenia, local governments lacked the resources to meet their communities' needs. USAID responded by initiating the Community Development Project. Through a small grants program managed by Save the Children, rural towns and villages come together to discuss problems, set priorities and determine a course of action.

The 185 inhabitants of Ltsen—a small village in southern Armenia—have learned the importance of community action. Although located in an agriculturally rich area, the people were unable to farm because they lacked irrigation. With a community development grant in hand, the village bought 2,500 meters of pipeline in 1996 and provided the labor to dig ditches in order to tap into the irrigation system of a neighboring village. The new water system allowed farmers to grow new crops, increasing average household income by \$100 per year. Two years later, the people of Ltsen joined together again to rehabilitate a local health clinic and establish a revolving fund to ensure adequate stocks of common drugs at the health facility.

## Technology Makes a Difference

Ninety percent of Hungary's towns and villages are small, rural communities where unemployment was high in the early 1990s, and local



Young students take their turn at the computers in the Internet room at Debrecen Refugee Camp in Hungary.

governments struggled to provide such basic services as education and public health. With help from USAID, however, Hungary's villages got a new tool—called telecottages—to help economic development, education and local NGOs.

A telecottage is a community office run by NGOs and a cadre of volunteers, equipped with Internet-connected computers, a copier, a fax machine and often a small library. Telecottages offer tremendous help to the unemployed. As one staff member said, "In villages, people didn't even have a private phone to get information on jobs. If they saw an ad in the local paper, they had no way to make a call, write a resume or fax it in. Telecottages provide all these possibilities." Students use telecottages to learn computer and Internet skills. Local NGOs use them as a meeting place

or to publish newsletters. This technology makes it possible for rural people to telecommute.

USAID funded 37 telecottages from 1995 to 1998 through the Democracy Network program. They were so successful at reinvigorating rural communities that Hungary's government stepped in to continue support. By 2000, the number of telecottages had grown to more than 100.

Telecottages also have helped refugees. At the Debrecen and Bekescsaba refugee camps in Hungary, USAID sponsored a public-private partnership to set up telecottages. The technology provides refugees access to newspapers in their own language, allows them to search for lost relatives, and improves their language and job skills. The U.N. High Commission on Refugees was so impressed with the results, it is supporting the effort and looking for ways to replicate telecottages elsewhere.



# Helping People in Need

*Creating market economies and establishing democracy offer the people of Central and Eastern Europe and Eurasia the best long-term hope for higher living standards and a better quality of life. In the short and medium term, however, the weight of change has taken a heavy toll on social services and benefits and caused unemployment and poverty to rise. At the same time, the region has been torn by armed conflicts, causing complex emergencies in the former Yugoslavia and its neighbors, as well as in Armenia, Georgia, Azerbaijan and Tajikistan.*

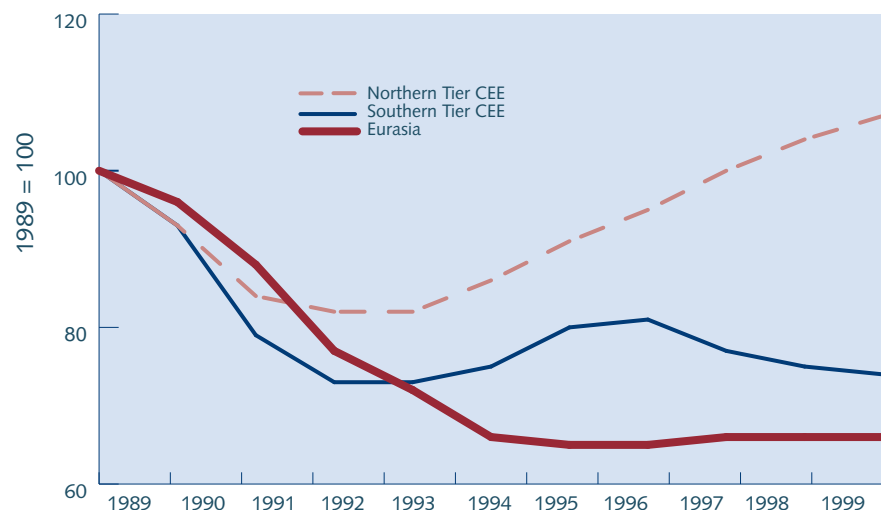
*Health, education, and social protection systems—of mediocre quality and largely bankrupt even in 1989—have continued to deteriorate as governments in the region balance competing demands on tight budgetary resources. The transition from a state-controlled system based on broad consumer subsidies to a market economy has resulted in economic and social pain. Inadequate social services and benefits have emerged as serious issues. Only the Northern Tier countries have recovered and exceeded the standards of living in place at the end of the 1980s, although some of their population groups remain vulnerable without some form of help. Many citizens in Southern Tier and Eurasia countries continue to suffer as living standards remain below 1989 levels as a result of incomplete reform.*

*USAID has been a leader, both in responding to crises and in establishing social programs that make a lasting difference. USAID has worked closely with international donors to meet the region's emergency needs for food, shelter, fuel and medical supplies. A range of cooperating organizations have laid the foundation for in-depth solutions to the region's social problems, by helping groups and communities develop the skills, resources and expertise needed to address these challenges. USAID also has worked with governments to improve the policy and institutional structure for social services. Through this work U.S. assistance has demonstrated ways to improve the quality and availability of health care while cutting costs; put in place improved systems to fight infectious disease; and worked to restructure social benefits.*

## USAID Programs

- Humanitarian Assistance
- Health
- Social Safety Net

**Recovery of Living Standards in Europe and Eurasia**



Note: Living standards as measured by an index of real GDP, where 1989 GDP = 100.  
Source: EBRD, Transition Report (1999).

## FROM CRISIS TO RECOVERY

*The region's social problems were compounded and intensified by the many conflicts and natural disasters that took place during the 1990s. Particularly hard hit were the nations in the Caucasus, as well as those that were part of or bordered on pre-1989 Yugoslavia, where people suffered from ethnic violence, economic collapse and the breakdown of social welfare, education, health and public safety institutions. USAID coordinated with other U.S. agencies, private relief organizations and other developed nations to provide the massive assistance needed not only to respond to crises, but also to help people in the region get back on their feet. Humanitarian assistance is a twofold approach to helping people. First, basic supplies of food, shelter, fuel and medical supplies are provided to stabilize emergency situations. Second, community-based, self-help projects lay the foundation for economic recovery, democracy, and improved social welfare. Since 1992, USAID has helped millions of people in the region survive crises and reconstruct normal lives.*



Chris Hondros for USAID

Delivery of Humanitarian assistance packages for Kosovar refugees staying at camps in Albania and Montenegro.

### *USAID Humanitarian Assistance in Kosovo*

- Food and temporary shelter for refugees during the conflict
- Emergency health care
- Clean water and sanitation for conflict-affected population
- Shelter kits to winterize one-fourth of all seriously damaged, repairable homes
- Agriculture support to help farmers start producing again
- Grants to rebuild communities
- Partnerships to jump-start a market economy and lay the foundations for democracy

In all, 1.3 million refugees and internally displaced persons have been reintegrated. Soon after the conflict ended, Kosovars were moving beyond emergency response to achieving normalcy and building an economic and political system that affords increased choices and opportunities.

## *A Bridge in Bosnia*

Parents in the Bosnian villages of Završje and Zagorica are breathing a sigh of relief since USAID reconstructed the bridge that connects the two villages with the main road to nearby towns. “The children who must cross the bridge to catch the school bus on the main road can do so without the fear of falling into the river,” says Rada Lijesnica, a mother of two. The bridge was so badly damaged by heavy fighting during the war in Bosnia that vehicles could not use it. Pedestrians, including Ms. Lijesnica’s children and other students, had to inch their way across on narrow, wobbly wooden planks. Završje is a primarily Croat village, while Zagorica is home to Croats, Serbs and Muslim Bosnians. Most of the families in the area left during the war, but many have returned. The bridge is helping village life return to normal.

## *Helping the Victims of Violence*

Following an outbreak of violence in Khojand, Tajikistan, Diloram Atabaeva, the manager of the local NGO Support Center assisted by USAID grantee Counterpart International, organized 20 NGOs into a coalition to aid people displaced by the fighting. Within two months, the coalition provided assistance to children and the elderly. The NGO group also organized a celebration to lift community spirits and demonstrate broad-based support for those most affected by the violence. Today, the Khojand NGO Support Center continues to strengthen the community’s NGO network through training, consultations, and information dissemination.

## *TV Promotes Tolerance in Macedonia*

As the bombs started in Kosovo, the first production meeting was taking place in Macedonia on a children’s television show designed to reduce ethnic hatred, the source of many of the region’s humanitarian crises. The Kosovo conflict didn’t slow the production, and the weekly program, *Nashe Maalo* “Our Neighborhood”, went on the air in October 1999. *Nashe Maalo* is a collaboration of USAID-funded organizations, Search for Common Ground and the Children’s Television Workshop (CTW), and other donors, that worked closely with Macedonian writers and producers. The show is aimed at children, aged

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*Throughout the decade, more than 18 percent of USAID resources in the region have been used to provide humanitarian assistance.*

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7 to 12 in multiethnic societies, and is currently telecast in Macedonian, with a soundtrack dubbed in Albanian, Turkish and Roma. Each edition features stories of cooperation and understanding among children of diverse ethnic and religious groups. Viewership is high, with one survey of 1,200 children showing that 85 percent watched it.



Victims of civil war in Tajikistan care for each other in a local hospital.



## BETTER HEALTH CARE

*Faced with economic crises at the beginning of the decade, virtually all governments in the region cut back on national budgets for health. These reduced resources have caused the continued deterioration of mediocre systems. With the collapse of healthcare, epidemics have increased and health indicators related to infant and child mortality and life expectancy have worsened in many instances. USAID has helped countries cope with these conditions. Pilot programs and U.S. health partnerships have helped local health-care providers learn the latest techniques, solve problems in innovative and cost-effective ways, and put scientific research into practice, saving lives and improving the quality of life throughout the region.*

*USAID-funded vaccinations of more than 500,000 children in Central Asia have prevented epidemics of measles and other childhood diseases.*

### *Saving Children in Chelyabinsk*

The letter to the staff of City Pediatric Hospital No. 8 in Chelyabinsk, Russia, was short and heartfelt: “The greatest thanks to all medical personnel of the resuscitation department for saving the life of my little son, Alosha. It is wonderful that such departments exist where the

Through the American International Health Alliance, USAID has supported more than 80 U. S. health partnerships with the region. The U.S. partners—physicians, nurses, administrators and technical personnel from more than 25 states—donate their time, effort, needed supplies and equipment. Volunteer hours and donations add up to nearly \$3 for every \$1 invested by USAID.

lives of children can be saved, and where children can receive such qualified help and care.... You give life to children and happiness to their parents. Thank you!”

Alosha was born with complications that required intensive care in a little town 170 kilometers from the hospital. Thanks to a partnership between the Russian hospital and three facilities in Tacoma, Washington, Alosha received the care he needed. Under a USAID-sponsored program, Tacoma physicians had come to Chelyabinsk to train their counterparts in the best ways to transport, treat and resuscitate at-risk newborns when needed. The Tacoma hospital also donated five pulse oximeters (portable devices to measure and control the bloods oxygen content) to their Russian counterparts, more than doubling the number available to the city’s health-care workers. On the night Alosha came into the world, Chelyabinsk doctors used their new skills and the donated equipment to ensure the little boy lived.

### *Improved Reproductive Health*

During the Soviet era, women in Eurasia routinely used abortion to control the size of their families, often at risk to the mother’s life. Since 1991, USAID-funded programs have promoted access to and knowledge about modern contraceptive methods through mass media campaigns, changes in medical curricula, new



Young women of the former Yugoslavia write a plan of action for women’s health during a training session.

training programs for health-care providers and health education for young people.

- In Central Asia, use of modern contraceptives increased 20 percent. Rates of induced abortion declined by 27 percent in Kazakhstan and 50 percent in Uzbekistan and Kyrgyzstan.
- In Russia, USAID has extended modern family planning information and services to more than four million women. Annual abortion rates in USAID-assisted areas dropped more than 11 percent, while remaining constant at control sites.

## Health Care with a Human Face

Like other Central Asian countries, Kyrgyzstan inherited a health-care system that relied heavily on costly in-patient hospital care at specialized facilities. Through USAID's effort, the emphasis shifted from treating patients after illness strikes to primary preventive care through networks of Family Group Practices. As part of this transition, more than 1,500 specialized physicians were retrained as family physicians, and their clinical skills were upgraded.

One of them, Dr. Makenbaeva, used to work as an obstetrician providing a narrow range of care to a limited group of patients. She became a member of a family group practice, treating everyone from babies to grandparents. "The idea of family medicine was brought to us by life itself," she says. "We would see fathers and children with their wives and mothers. It was unfortunate, because they could not receive care, since we were limited to caring for women only." Care by family physicians has resulted in earlier diagnoses and treatment of common conditions. In October 1999, First Lady Hillary Rodham Clinton presented an award to the Kyrgyz health reformers for their achievements.

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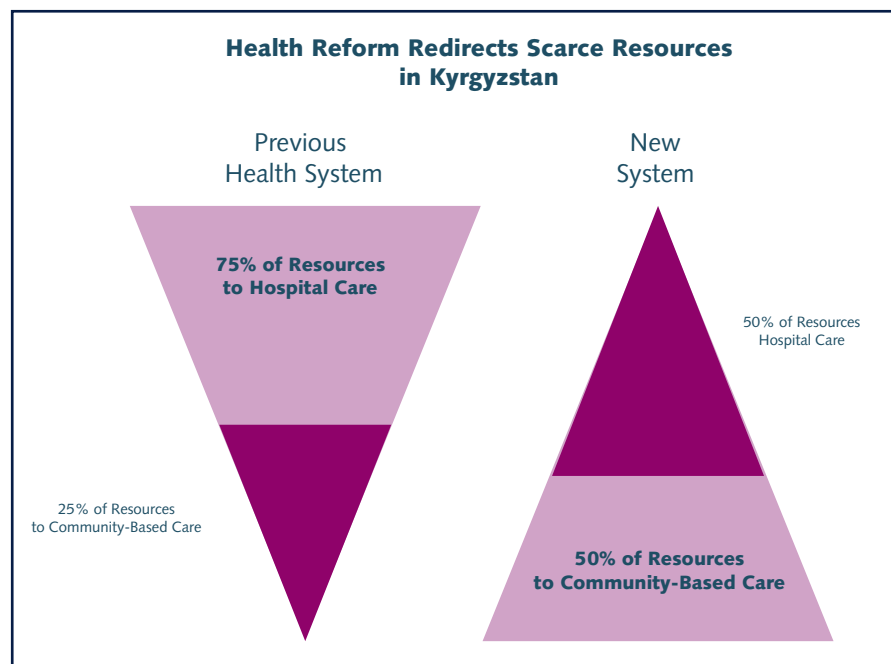
*More than 700 family group practices in Central Asia are reaching over 2.6 million people as a result of USAID activities in community-based, primary health care.*

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Harriett Destler, USAID

A family physician treats both mother and child at a community-based, primary health care facility in Kyrgyzstan.





## RESTRUCTURING SOCIAL BENEFITS

*A hallmark of the old socialist system was the provision of a basic level of social protection to all its citizens, including universal subsidies for housing, utilities, and social services, and income after retirement, irrespective of need. By 1989, central and local governments could no longer afford to subsidize populations to the same degree as before. During the past decade, USAID has worked with several countries to improve pension system design, financing, and administration and to meet the near-term needs of people through the development of targeted subsidy programs.*

### ***Pension Reform in Kazakhstan***

In 1996, five years after independence, Kazakhstan was in trouble. Its old, inefficient Soviet pay-as-you-go pension system was bankrupt. USAID's Pension Reform Project sent a Kazakh team to Chile to study the Chilean private pension system model. The team concluded that privatizing Kazakhstan's pension system could spark the development of capital markets and spur the development of private life insurance products, such as annuities, to pay private pensions. Kazakhstan put a new pension system in place in 1998. Workers now contribute 10 percent of their wages to a private pension fund of their choice. This fund, through an asset management company, invests the contributions to build savings for retirement.

As a result of the reform, the pension system is functioning well, and all pensioners are receiving their monthly payments on time. Moreover, the new private pension system accumulated \$650 million in assets, which has been used to purchase corporate bonds. These bonds, in turn, enable Kazakh businesses to raise the capital they need to expand and modernize.

### ***Targeted Subsidies in Ukraine***

Early in the decade, the Ukrainian Government recognized that it had



Older woman in Georgia benefits from the Winter Heating Assistance Program which targets single pensioners, living alone.

to take a close look at government spending levels and begin to tackle the issue of universal subsidies. In close coordination with local governments, Ukraine initiated a policy which introduced the recovery of real costs for housing and utilities while also protecting the neediest. Universal subsidies for communal services were replaced with financial assistance targeted to help the poor. USAID provided technical expertise to help the municipalities conduct income surveys and objectively determine cut-off points for government aid. Three months after enactment of the

enabling legislation, the national housing subsidy program opened 750 offices across the country. As many families started to pay for housing and related services, those in the low income brackets received subsidies. By 1999, over four million families were being helped with targeted subsidies and the government was realizing a net budget savings of \$1.2 billion. The success of this program demonstrated that economic reform could be compatible with social protection and laid the groundwork for other targeted social assistance programs in the region.

## ASSISTING THE MOST VULNERABLE

*Hubert Humphrey once said that a society may be judged by the way it treats its most vulnerable citizens. During the 1990s, children throughout the region—especially orphans and those with special needs—bore a heavy burden from the collapse of the countries' economies and social safety nets. Women and the elderly were also vulnerable, as were ethnic and religious minorities. Throughout the decade, USAID has worked with governments and NGOs to assist those who needed help the most.*

“Thanks to participation in USAID projects, we took our first steps towards changing the lives of people with handicaps and assisting their integration into society.”

—Michaela Frycova,  
Director of the Czech  
Republic's Foundation  
for the Integration of the  
Mentally Handicapped

educational institutions to be incapable of learning have done poetry readings; and previously isolated aggressive youth learned to work as a team. BelAPDI YP has also encouraged the government to change key social policies, allowing disabled young people to attend state summer camps and physically disabled youth to attend state secondary schools.

### *New Hope for Romania's 'Orphans'*

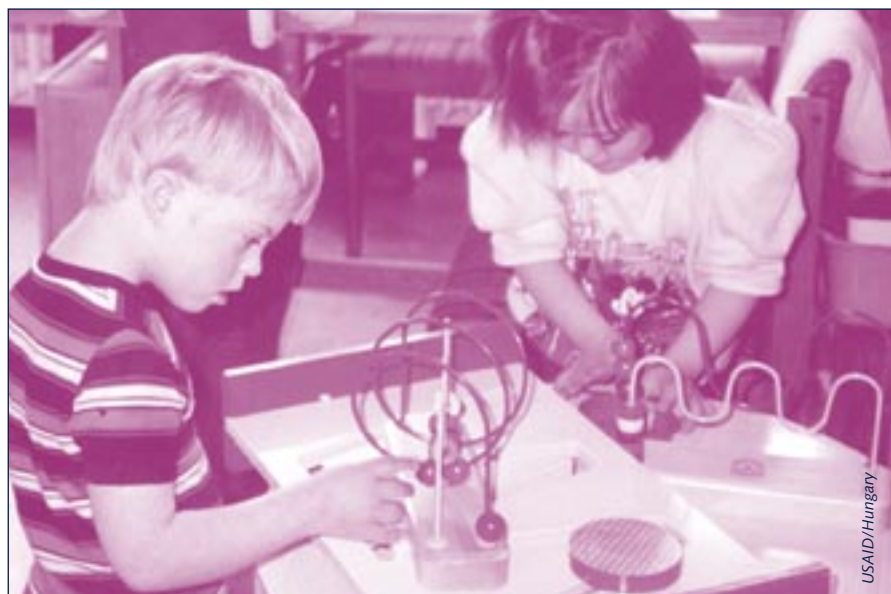
One of the most serious challenges facing Romania's newly established democracy in the early 1990s was child welfare; more than 100,000 children lived in deplorable conditions in state-run institutions. This was a well-known fact when Ana, a 20-year-old Romanian woman, learned she was about to become

a single mother. Having grown up in an orphanage, Ana wasn't sure where to go. She had no family to help her and she couldn't go back to the orphanage. Finally, Ana did find help at the Maternal Center in Cluj, run by USAID-supported World Vision International.

The Maternal Center is a shelter for new mothers who are at risk of abandoning their children. It has two main goals: to help the mother feel responsible for her child's care and to strengthen the bond between mother and child. The Center is part of a larger USAID effort focused on keeping children out of institutions by addressing child welfare issues at the community level. The staff at the Maternal Center in Cluj gave Ana a place to stay and parenting skills to use with her new born child. Best of all, they gave her hope for the future.

### *Help for Disabled Youth in Belarus*

In 1991, Ludmila Veko, the mother of a mentally retarded child, started the Belarusian Association of Assistance to Handicapped Children and Young People (BelAPDI YP) to help mentally and physically disabled children and youth. With the help of USAID-supported Counterpart International, BelAPDI YP expanded its work to include 57 chapters in all six regions of Belarus. The organization provides activities for disabled youth and support for their parents, and has been responsible for many success stories. A young man once branded unfit for work by the state learned to compose his own music; children once considered by state



American toys help children with Down's Syndrome develop coordination of small motor movements.

### *Advancing Gender and Youth Issues*

- A USAID Central Asia study found that for general health needs, men go to hospitals (expensive) and women to local clinics (less costly). Wanting to expand access to more cost-effective health care, primary health clinics are creating outreach programs focused on men, which in turn should reduce overall health care costs.
- Drawing on World Bank research, USAID is developing special programs in Kyrgyzstan to meet the needs of young, unemployed, rural males. Seeing no hope for the future, these young men have been driven toward anti-social behaviors such as crime and drug trafficking.
- Alienated youth are a rich recruiting ground for extremist groups. In Uzbekistan—where 57 percent of the population is under 25 years of age—USAID targets youth in its efforts to promote a democratic culture. USAID bolsters youth participation and activism through civic education, student associations, neighborhood cleanups and healthy lifestyle campaigns.

### *Bringing Domestic Violence out of the Shadows*

Thanks to USAID's help, Russian television is shining a spotlight on a dark subject: domestic violence. USAID helped sponsor a series of grants for national television programs that added coverage of domestic violence to existing programming. One of the grant winners, Russian Public Television, devoted a popular program to the work of women's crisis centers around the country. The television show had an immediate effect. Natalia Sereda, director of the Women's Alliance Crisis Center in the town of Barnaul, reported that the local govern-

ment organized a special domestic violence awareness campaign, complete with public service announcements and radio jingles. The local legislature stepped up funding for abused women, and the local government agencies started coordinating more closely with the crisis center. "From our perspective," Ms. Sereda said, "it is very important to support similar projects all over Russia for the purpose of attracting attention to the problem of domestic violence in general and supporting the activities of regional crisis centers in particular."



Counterpart International

NGOs teach vocational and craft skills to young men in Central Asia, helping them earn a living.

### Filling a Critical Gap

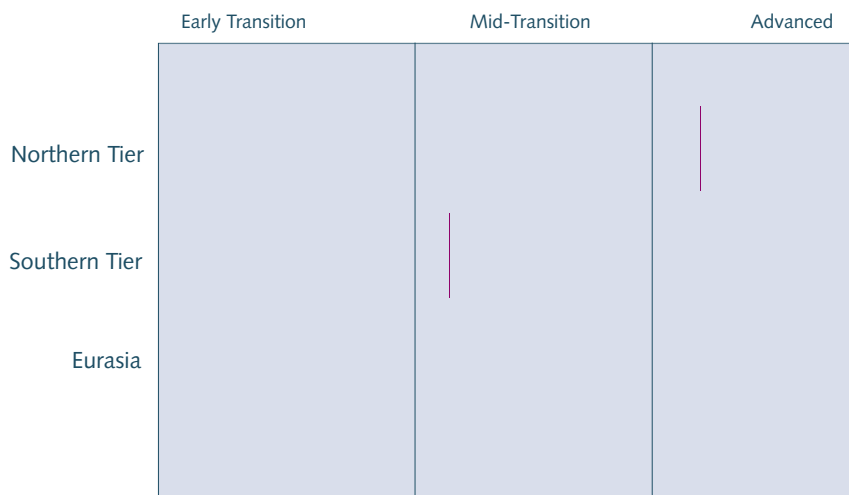
Local NGOs make a real difference in their communities. Across the region groups are forming to respond to the needs and priorities of their constituents. Increasingly, these organizations are emerging as the "third sector" -- working with government and private business to solve problems, share and distribute information, and deliver services to vulnerable groups. Their involvement in social issues also creates an advocacy base for future reforms.

The types of social services provided by NGOs range widely, including homeless shelters, soup kitchens, health and nutrition support, substance abuse rehabilitation, legal protection, and basic skills training. They help mobilize resources to improve schools, playgrounds and community centers.

With assistance from USAID-funded grantees, indigenous NGOs are deepening their roots in their communities and becoming more entrepreneurial. They are learning to broaden their base of resources to include domestic public sources, domestic private philanthropic sources, and earned income from economic activities. The work of these voluntary organizations in the social sectors serves not only the people who need it the most, but strengthens the fabric of civil society for everyone.

### NGOs Help Provide Social Services

Increasingly, NGOs are developing the capacity to fill a critical social service gap left by underfunded local governments.



Source: The 1999 Sustainability index.

### Lasting Service

Project Hope began its life in the Czech Republic with USAID financing. The program focused on finding ways to improve the health of infants, children and women by helping local health facilities and professionals do a better job of providing services. From 1991 to 1993, USAID funds helped Project Hope support nursing education, cancer screening for women, and health-care management. In Prague, for example, Project Hope supplied training and equipment for breast and cervical cancer

treatments. In Brno, the program opened a clinical unit that served as a model for patient management and practice. But the goal was always to make Project Hope a long-lasting program that could sustain itself, without USAID. That goal was achieved by 1994. Project Hope found other sources of funds, including donations from private corporations. In February, 1996, the program won the congratulations of President Havel for its lasting contribution to the well-being of Czech infants, children, and women.



# 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.

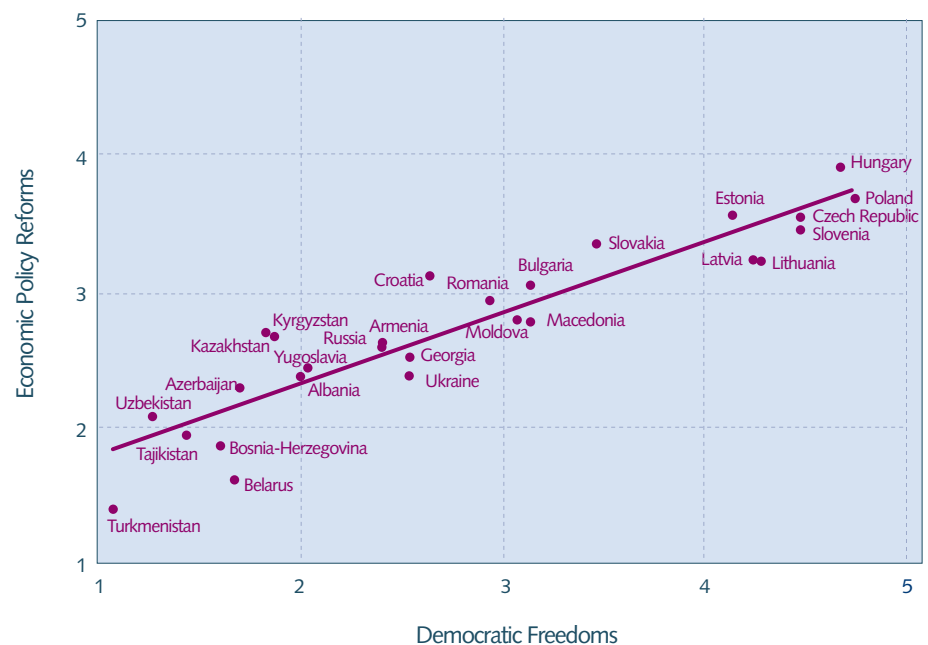
Progress in the rest of the region is mixed. While promising changes have occurred, reform is far from complete. Key economic and political institutions are still being

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).



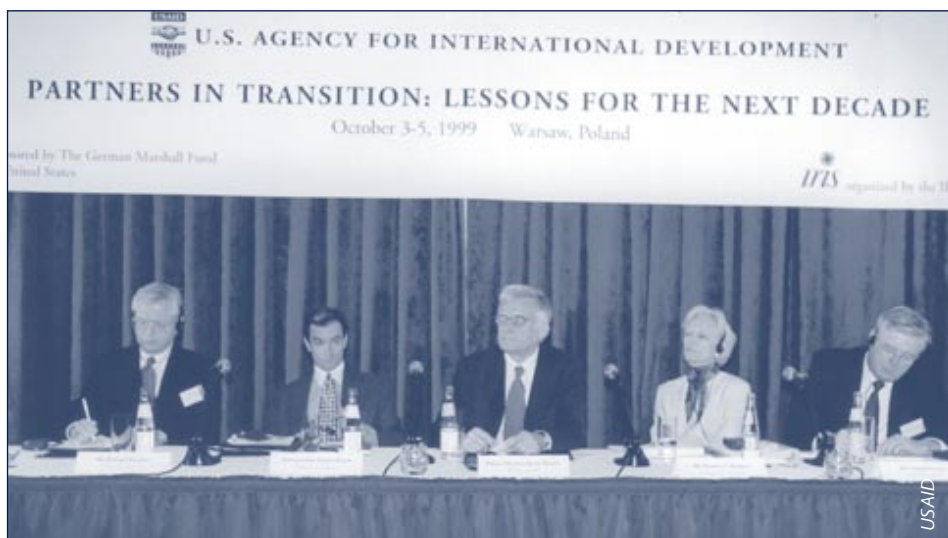
## Looking to the Future

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

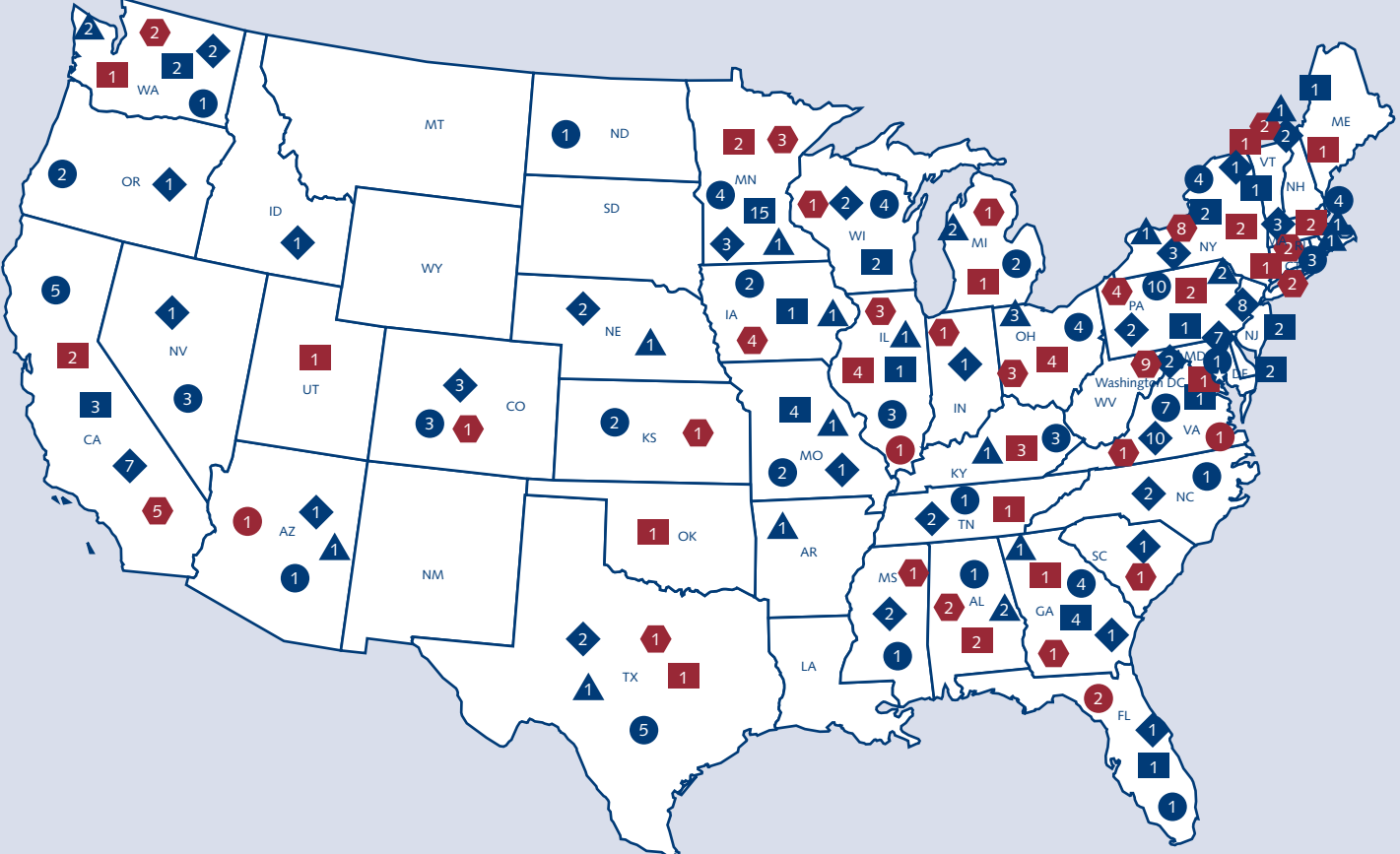
government reform, and macroeconomic policy development.

### *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

