

**USAID/Bulgaria**  
**Operational Plan**

**FY 2006**

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**Program Performance Summary FY 2005:** Two major events shaped Bulgaria's political scene in 2005: the signing of the treaty of Bulgaria's accession to the European Union (EU) on April 25, 2005 and the Parliamentary elections in June 2005. The EU accession treaty was an impetus for the country to move quickly forward with important legislative changes required by the membership. The rush to meet EU requirements was counter balanced by mid-year elections, which substantially slowed down reform efforts for several months during the summer. This was followed by another surge in legislative activity, several weeks before the European Commission (EC) published its October monitoring report. Even so, the country did make significant progress in achieving its ambitious goal of EU accession. The report of the European Commission confirmed that Bulgaria should be able to accede to the EU on January 1, 2007, provided that promised reforms are implemented. However, behind a mixed overall assessment lies the very harsh reality of Bulgaria's progress - or lack thereof - in several key sectors over the last six months. The EC has identified six areas where Bulgaria reforms lag behind. Reform of the judicial system, development of institutional capacity, and fighting against corruption and organized crime are among the biggest concerns expressed by the EC. The government will need make significant progress to prevent the Commission from recommending a one-year delay.

The parliamentary elections of June 2005 demonstrated citizens' distrust in political parties. With a depressingly low voters' turnout, at around 56%, the leftist coalition led by the Bulgarian Socialist Party won the elections with only 33% of the vote. This produced a fragmented Parliament, followed by prolonged wrangling over the composition of the new government. EU accession constitutes the glue holding together an otherwise fractious ruling coalition. A delay of Bulgaria's planned EU accession in 2007 will shake political stability in Bulgaria and possibly its strong western orientation. Although the formation of the new government removed most short-term political uncertainty, there remains a significant risk of renewed political instability in late 2006. The biggest surprise of the elections was the success of the Ataka coalition, a radical Bulgarian nationalist formation with electoral platform hostile to the U.S. as well as to the Turkish and Roma minorities.

Over the last several years Bulgaria has made impressive progress towards long-term stability and sustained growth. As a result of sound macroeconomic policies and deep structural reforms, average growth has reached levels comparable to that of the eight recent EU entrants (EU8) at close to five percent per year in 2000-2004, with projected 5.7% in 2005. A broad structural reform program contributed to solid economic performance. Growth is led by the private sector which now accounts for 75% of the economy - on par with the EU8 average. Integration with external markets has expanded, Foreign Direct Investment (FDI) flows increased, and investor confidence has improved both domestically and externally. Per capita income increased by an average 6.4% per year since 1998 (at purchasing power parity in real terms). Unemployment has been reduced substantially to 10% in October 2005 from 18.1 in 2000, and continues to fall. Stability, growth, and Bulgaria's extensive social protection system contributed to a substantial reduction in poverty.

Despite overall positive performance Bulgaria continues to be one of the poorest countries in Central and Eastern Europe. The gross national income per person in 2004 is still 92% of the 1989 level. Pockets of poverty persist among certain groups, particularly the unemployed, ethnic minorities (Roma), and large households. The torrential rains and floods that hit the country between May and August have caused severe damage and impacted 3.2 million Bulgarians. While much of the bill to cover the damages (estimated at EUR 456 million or 2.1% of the GDP) will be paid by the government, the effects of the flood will continue to make the life in the impacted regions even more difficult.

## I. Democratic Reform

A. Country Situation: According to the Freedom House Nations in Transit (NIT) 2005, Bulgaria's democracy score has improved from 3.25 to 3.18, continuing the positive trend since 1997. The conclusion is that albeit slowly, the country is consolidating its move forward towards democracy. According to NIT, Bulgaria has made progress in achieving a more mature and active civil society, in dealing with corruption, and in improving local and national governance. However, the scores for media, judicial reform and electoral process remained stagnant. Driven by the EU accession priorities, the legal framework for the functioning of the justice system has undergone important changes, including the

adoption of a new Penal Procedure code in October 2005. Although accounting for only 2.19% of the state budget, the budget for the judiciary increased by 12% in 2005 compared to 2004. All legal professions now have ethical codes, although, there is little evidence of enforcement of these codes. The National Institute of Justice continued to implement training program for magistrates in close cooperation with foreign donors. For the first time training courses for court clerks were organized. In spite of these positive developments, the justice system suffers from a lack of accountability and remains inefficient. Systematic delays in implementing an automated case management system have further exacerbated the issues. The first national Ombudsman was finally elected in April 2005, but the Ombudsman does not have an office and is generally ineffective. While efforts to combat corruption have had some impact, notably in relation to administrative/petty corruption, the country continues to suffer from substantial organized crime and high-level corruption, which law enforcement and judicial institutions have been unable to effectively counter.

With regard to local government, despite the decentralization strategy approved in May 2005, reform has not progressed as expected. The government lacks a clear reform vision for the overall fiscal decentralization process and progress in national reform has been mixed. The general elections in June 2005 and the negotiations to form a coalition government considerably delayed the implementation of the Government of Bulgaria's (GOB's) Fiscal Decentralization Program. The major step that would drive the decentralization reform in the country would be the political decision to undertake constitutional changes that would give the authority for municipalities to set local taxes.

The effective and sustainable integration of Roma remains a major concern. The efforts to implement the Framework Program for Equal Integration of Roma into Bulgarian Society lack sufficient strategic approach, coordination, and finance. Key reforms in combating discrimination in education, healthcare, and housing are still outstanding. The unemployment among Roma (8 to 10 % of the population) is as high as 90 %, living conditions in their neighborhoods are poor, and health and educational problems persist. The increased levels of inflammatory racist rhetoric and physical confrontations with Roma have become more commonplace over the past several months and have received wide media coverage. During the recent national elections, anti-minority rhetoric entered mainstream media and the political arena. This trend culminated in the entry into Parliament of an extremist anti-minority party that is anti-NATO, anti-U.S. and opposes Bulgaria's joining the EU. There is increasing concern about the spread of Wahhabi fundamentalist Islam in Bulgaria, especially among the Pomak population in the Western Rhodopi region. Although there is concern about the rise of extremism in the country, the Mission does not believe that Bulgaria is currently vulnerable to conflict or crisis.

With the Parliamentary elections in June, the lengthy negotiations for the establishment of a new government, and finally its complicated coalition structure, the GOB's commitment to reform has stalled.

**B. U.S. Assistance Priorities:** In FY 2005, USAID democracy portfolio in Bulgaria focused on Rule of Law (ROL), strengthening local governance, and supporting civil society by building the capacity of independent media, non-governmental organizations (NGOs), and encouraging public-private partnerships as an approach to address community issues. Thus, USAID programs directly contribute to the MPP goals for: reforming Bulgaria's law enforcement and judicial system so as to enable it to combat crime and corruption; reinforcing democratic systems and human rights, under-girded by effective local institutions and a multi-ethnic community; and, promoting regional stability.

The rule of law program continued to be the centerpiece of our assistance efforts with three major components: justice sector reform, anti-corruption efforts, and reducing trafficking in persons. To address the many judicial reform issues in Bulgaria, the Mission has taken a comprehensive approach with both a bottom-up and a top-down approach by working at the national and local levels with regional, district, and appellate courts, lawyers, governmental entities, non-governmental organizations, and professional organizations. USAID provided a mix of technical assistance, training, grants, and equipment to improve court administration/case management, improve the capacity of magistrates and court staff, and assist with drafting and implementing key laws and regulations to support more effective rule of law. These efforts were complemented by initiatives to strengthen the professional development of attorneys, a quintessential element of any effectively functioning judiciary, by introducing and implementing new

standards and procedures for admissions and discipline; providing sustainable continuing legal education; promoting methods for alternative dispute resolution; and, remedying the lack of practical training so universally recognized in Bulgarian legal education. The Mission's anti-corruption activities aimed to strengthen the GOB's institutional capacity to prevent corruption and enhance transparency and accountability, especially in the government audit, internal controls, and public procurement areas. In addition, civil-society components promoted anti-corruption public awareness, monitored public administration work, and investigated corruption allegations. The anti-trafficking activity aimed at building the capacity of Bulgarian institutions at the national and local levels to identify the associated risks and cope with this problem.

In the local governance arena, USAID assistance focused on fiscal decentralization, building the capacity of municipalities to cope with increased responsibilities, and supporting NGOs that advocate on behalf of local governments. Community-level activities provided increased opportunities for ethnic minorities and encouraged greater ethnic and religious tolerance. Building stronger civil society organizations, strengthening parliamentary practices, and improving the advocacy of the independent media further supported Bulgaria's transition to a strong democratic society.

### C. Program Performance:

Judicial Reform: USAID's major achievement in the justice sector is the National Institute of Justice (NIJ), established in 2004 and already recognized by the magistrates as their training institution which now receives state funding. As a result of our assistance, NIJ improved its administrative capacity, infrastructure, and competence to develop new training modules and programs. The Institute delivered almost 8,500 training days this year and trained all new magistrates, introduced mentor judges, and began delivery of continuing magistrate training program. Thus, NIJ has been directly contributing to the improved professionalism of the judges. A good sign of the growing maturity of the institution is the fact that now USAID is only covering 20% of the cost for training of magistrates, compared to 90% in the past. The improvement in both the quality and availability of judicial training help magistrates better manage the dispensation of justice at all levels. USAID continued to build partnerships with 21 Bulgarian courts helping them to address issues of effectiveness, transparency, and independence. Over the past year USAID provided technical and drafting assistance for important legislative changes such as amendments to the Judicial System Act define clear rules for the appointment and promotion of magistrates and the establishment of the court administrator's position. The Attorneys Act mandates a rigorous professional qualification exam, continuing legal education, a modern Code of Ethics, and permits the creation of law firms. Legal clinical education has been introduced, accepted and institutionalized. Passage of the Mediation Act in late 2004 and its implementing regulations in early 2005 establish the legal basis for court-referred mediation, a national register of mediators, a Code of Ethics, and qualification standards for mediators, and several mediation centers are operational and sustainable. To avoid the delays of court proceedings, many individuals and businesses are starting to opt for mediation, obviating the need to file court proceedings. Having cases referred to mediation frees judges to focus their time on more complex matters. A reduction in case backlog is already noticeable as older cases are being referred and successfully mediated.

In spite of the progress, the Freedom House's Nations in Transit score for Judicial Framework/Independence remained stagnant at 3.25. The results are not satisfactory and might threaten Bulgaria's EU accession on January 1, 2007. From USAID perspective, the performance of our judicial reform programs has been mixed. A key reason for this result is the lack of a strong political will in the country to move quickly with the reform. In addition, difficult and controversial coordination, particularly with the EU, has been a major stumbling block. Two years before graduation USAID wants to make sure that reform efforts in the important areas of our involvement are either sustainable or can rely on other donors' support. There is hope that our efforts will be successful, based on the productive relationship we have built with the new Spanish EU technical twinning partner in providing assistance to the NIJ and in strengthening the Supreme Judicial Council (SJC). The USG remains the only donor with a comprehensive ROL program, which serves as bridge funding for the large EU projects planned for Bulgaria.

Anti-Corruption: As a way to improve the transparency of Bulgarian public entities USAID funded the

GOB's state-of-the-art Public Procurement Register and made significant advances in involving business associations in monitoring public procurement. Fraud detection and procurement training for NAO auditors continued in FY 2005. One hundred and twenty professionals benefited from this training, while a leading business association received a grant to monitor public procurement. Updated NAO manuals systematically reformed procurement procedures. This led to more regular and consistent detection of procurement violations, which attracted more media attention. In an effort to bring Bulgaria's internal audit function more in-line with EU requirements and international best practices, USAID continued to support targeted ministries in streamlining the work of their internal administrative controls to assure adherence to effective management policies, and fraud prevention and detection. Two hundred and forty-five professionals from government and auditing bodies were trained in Freedom of Information legislation in FY 2005. USAID supported Coalition 2000 in its efforts to monitor corruption trends and promote the appointment of a National Ombudsman and local ombudsmen. During the past two years, our efforts in building transparent and accountable state entities have been greatly supported by the EU, which has energized policy reform efforts of the government.

Local Governance: The local government system at both the policy and local capacity levels grew stronger over the past year largely due to USAID assistance efforts. USAID-supported policy changes and the improved financial management of the local governments led to the most stable local fiscal environment in the last ten years. The adoption of the Municipal Debt Act provided a consolidated and clear framework for municipal borrowing, including a reasonable debt ceiling for long-term debt and transparent borrowing procedures. USAID provided considerable assistance at all stages of the legislative drafting process, and the Act received strong support from the investor community. Another important development was a \$15 million loan portfolio guarantee agreement for municipal infrastructure projects signed between USAID and HVB Bank Biochim, the fourth largest bank in Bulgaria. This is the first USAID Development Credit Authority (DCA) agreement totally dedicated to Bulgarian municipalities. USAID's program has directly and indirectly impacted the level of domestic and foreign investment in the assisted Bulgarian municipalities resulting in new jobs and improved infrastructure. The position of a local economic development (LED) specialist, previously unknown in Bulgaria, has been created in 16 municipalities and a dedicated LED department has been established in an additional 13 municipalities, leading to several substantial investments and the creation of hundreds of jobs in a number of communities.

The USG continues to be the only donor in Bulgaria who has been providing systematic assistance to the local governance reform efforts since the mid-1990s. The institutions established with our support as well as the best practices introduced through our programs will remain as one of the most prominent landmarks of USG assistance in Bulgaria. The EU PHARE program has allocated EUR 10-15 million from their FY 2005 funds for training of municipal staff to adequately access EU structural funds. However, these funds will not be available until 2007.

Civil Society: On the civil society side, USAID-assisted community foundations moved closer to sustainability by demonstrating capacity to raise local funds. The growing financial and in-kind contributions from individual and corporate donors (\$250,573 in FY 2005 vs. \$177,873 in FY 2004) demonstrate an increased interest in local philanthropy. One of the key developments in the last year has been the devolution of responsibility for social service delivery from national to local governments through the decentralization process and involvement of private providers. Contracting out to non-profit organizations by local authorities affords an efficient alternative that improves service delivery by providing better-quality at lower cost and increases accountability in the use of public resources. USAID assisted two municipalities to develop model procedures for contracting of social services (day care centers for street children, soup kitchens and shelters) that we will now widely replicate. USAID also continued working with social service NGOs supporting marginalized groups such as the disabled, street children, and other vulnerable populations. The NGOs were trained to operate successful businesses to earn income to further their missions. By developing an income-generating venture as a social enterprise and through enhancing the entrepreneurial culture, the NGOs have started overcoming major challenges for financial sustainability and created opportunities for disadvantaged groups and communities. In FY 2005 there were 20 operational social enterprises, with half of them now earning income to support the social mission of the NGO.

Ethnic Tolerance: USAID worked in 13 Bulgarian communities with Roma and Turkish populations in an attempt to demonstrate working models for ethnic integration, ready for nation-wide replication. The model introduced by USAID resolved conflicts through the local community and has altered traditional attitudes and prompted a search for alternative avenues for ethnic reconciliation. As a result, new mediation centers were established in four towns. These new centers, along with three existing ones, provided 181 mediation services during 2005, with 47% of the cases resulting in full resolution and 23% partial resolution. Also during FY 2005, 162 ethnic minority representatives (Roma and Muslim) completed comprehensive leadership training and 42 participants passed the exam for trainers and were certified. This training improved the capacity of Roma and Muslim leaders to address community issues and participate in the political process. In 2005, the program also registered 89 sustained jobs in three towns and 143 new jobs created by the supported micro-businesses in four other towns.

Media and Elections: USAID views Bulgarian media as major partners in advocating for reform. The activity focused on the qualitative side of the media development process by building high professional standards through training. In FY 2005, 120 journalists received specialized training in both technical skills and reform issues. The USAID-supported weekly anti-corruption investigative television program, "Na Chisto," won a series of awards, exposed corruption by the National Posts Director, improved access to information at the Ministry of Energy, and expedited passage of the Private Enforcement Act. USAID assisted the main political parties in Bulgaria to develop campaign plans and messages that reflect the concerns of the voters. To encourage youth participation in the elections, USAID conducted a national, nonpartisan, voter education and get-out-the-vote (GOTV) campaign targeting young urban voters in twenty cities throughout the country. The target group, eligible voters aged 18-29, had a 57.3% participation rate compared with the national turnout of 55.7%. In cities where the campaign took place, illustrative polling of the target group suggests that over 75% of those surveyed knew about the GOTV campaign and over half said that it influenced their decision to vote.

## II. Economic Reform Assistance

A. Country Situation: Bulgaria has maintained macro-economic stability with strong growth (estimated at 5.7% in 2005), relatively low inflation (4.5% estimate in 2005), and falling unemployment. The private sector share of GDP continued to grow - the gross value added generated by the private sector reached 75%, and the private sector provided 75% of the total employment in the country. According to Central Bank, the credit activity grew in the country and domestic credit reached 45% of GDP, although still below Western European standards. Continuing the current pace of reforms will enable the country to cope with the competitive pressure and market forces within the EU. During the year Bulgaria's progress in the economic sector was challenged by events, both internal and external: the Parliamentary elections in mid 2005 and the increasing price of fuel in the international market, to name two. Nevertheless, Bulgaria's performance with respect to the Global Competitiveness Report continues to improve, although a bit slower than expected. This year the country ranked 58th, moving up from the 59th place last year. Bulgaria continues to outrank the other two E&E countries scheduled to graduate, Croatia and Romania, which ranked 62nd and 67th respectively. The inflow of Foreign Direct Investment in to the country continues to grow. For the period January-September 2005, it amounted to EUR 1.3 billion which is 11.5% higher compared to the same period in 2004.

Despite sustained macroeconomic stability and continued economic growth in FY 2005, the GOB's commitment to reform remained stagnant in FY 2005 and several issues continue to impede improvement of the business environment. Deficiencies in Bulgaria's judicial system, which is not sufficiently effective in solving commercial disputes, registering businesses and enforcing court judgments, hamper the development of a more supportive business climate. Government interference in the private sector has become a larger constraint this year. Energy sector reform needs further efforts to support the effective functioning of competitive, private energy market and its successful integration into the newly-established regional common energy market. Small and medium enterprises (SME) continue to be burdened with excessive licensing requirements. The consultation mechanisms for public-private dialogue with business associations on policy matters related to business are still evolving and require additional USG

assistance. Further improvement of labor market performance is constrained by education and vocational training systems which has not adapted to respond to current needs of employers. With the financial sector becoming more competitive through introduction of new and riskier products and the increasing number of financial conglomerates, the lack of coordination between banking and non-banking regulatory institutions might pose a threat to the integrity of the financial system. In addition, money laundering is increasingly more sophisticated and detection is becoming much more difficult.

**B. U.S. Assistance Priorities:** The USAID economic assistance portfolio addressed these challenges in three ways. First, our programs focused on streamlining the enabling environment for business development to reduce barriers to market entry and attract investments to the country. To improve the business climate USAID worked on commercial law reforms that relieve the court system from several administrative activities. Activities under this priority also assisted with the development of the energy sector regulatory framework and secondary legislation - critical for the continued privatization in the sector and the opening of the electricity market. Second, by providing technical assistance to Bulgarian SMEs and business consulting firms, USAID strengthened the capacity of local business consultants to provide services to SMEs in growth-oriented industry clusters with the greatest potential for job creation and increased exports. To bridge the gap between demand and supply of labor, the labor market program implemented initiatives to improve the employability of young people. Third, by implementing micro-lending programs and loan guarantee mechanisms, the USG empowered the private sector to grow and undertake investments in order to maintain and expand local, regional, and global market shares. At the same time, the USG continued to invest in building strong financial sector institutions and regulators. USAID programs directly contribute to the MPP goal for fostering economic development and job creation that will increase prosperity, encourage regional cooperation, enhance stability, and expand the potential for U.S. exports and investment. In addition, our activities contribute to achieving the counter-terrorism and regional stability goals.

#### **C. Program Performance:**

**Business environment:** In 2005, our most significant accomplishments were the areas of enforcement of judgments, company registration, and commercial dispute resolution. USAID lead the reform of Bulgaria's grossly ineffective judgment enforcement system that was not compatible with European norms. With the passage of the Law on Private Enforcement Agents, Bulgarian businesses and foreign investors are much more confident that their interests will be better protected and their commercial cases will be finalized in a timely manner. The businesses further benefited from the opening of the two mediation centers in the country offering an inexpensive and swift alternative to the cumbersome judicial process while at the same time relieving the courts workload. Following lengthy lobbying efforts supported by USAID, a noteworthy breakthrough was the decision of the government to remove the currently antiquated process of business registration from the court and transfer it to the executive authorities. Collaboration with the World Bank was crucial and resulted in incorporating a conditionality addressing business registration reform in the Bank's new loan to Bulgaria. As a result, the GOB adopted a Reform Strategy and formed a working group which received extensive technical assistance from USAID to develop draft legislation. The real impact of the reform is yet to be seen, but at least three things will happen: the company registration will be simplified and expedited, the judges will be relieved from dealing with administrative matters, and the procedure will be transparent, thus reducing the opportunity for corrupt practices.

**Economy Restructuring:** In 2005, USAID supported the restructuring of two key sectors in Bulgaria - energy and transport. In June 2005, USAID completed its support to the Ministry of Transport and Communications regarding the sale of the concession rights for the two Black Sea airports, Varna and Bourgas. As a result of USAID technical assistance, the transaction was completed in compliance with the highest international standards for transparency and openness and a concession contract was signed with the selected winner. The concession deal will result in more than USD 1.5 billion in revenue to the country. The transaction is of significant importance for the further development of the Black Sea tourism industry, one of the competitive sectors in the country. However, two of the participants in the tender filed a legal challenge and the final implementation of the transaction is now subject to judicial determination. In the energy sector, USAID assistance helped the country to move closer to the establishment of a competitive energy market and its integration into the regional market. After the successful privatization

of the electricity distribution companies last year, in 2005 USAID supported the privatization of four electricity generation companies by developing the regulatory framework for electricity generation. As a result, Bulgaria received four bids with highly competitive prices for two of the utilities. The first agreement for the privatization of the thermal power plant in Varna was signed in October 2005. USAID continued to provide assistance to the State Energy and Regulatory Commission (SEWRC) in order to build their capacity to act as an independent regulator playing a critical role for the liberalization of the energy market. USAID worked closely with the SEWRC on the energy sector tariff reform and finalized the tariff methodologies and the regulatory Chart of Accounts for the natural gas and the heat supply sectors.

**Private Sector:** In FY 2005, the number of SMEs in the country continued to grow and so did their contribution to the GDP, thus proving the importance of the small and medium enterprises for the Bulgarian economy. To improve the competitiveness of the SMEs and prepare them for the European market, USAID successfully continued to implement its second generation enterprise development program by working extensively with private business consulting firms that provide a broad range of services to export-oriented SMEs in industry sectors with high growth potential, such as biotechnology, information and computer technologies, agriculture, tourism, commercial wine production. Throughout the year, a broad range of interventions were implemented to promote investments and new product development in these key areas. As a result of the expanded provision of services, USAID-supported business consulting firms' revenues increased by an average of 23%, and the revenues of SMEs receiving USAID funded consulting services by 8%. The increased revenue is a prerequisite for growth of the private sector and for creation of new jobs.

**Labor market:** In the labor market, USAID focused on and played an instrumental role in addressing one of the most pressing issues identified by the business community - the shortage of people with practical knowledge and skills relevant to the new economic realities in Bulgaria. Education and training institutions still fail to provide these skills and there are few incentives for companies to develop and train staff. To overcome these challenges, USAID undertook a concerted effort targeted towards improving the market orientation of universities and their ability to deliver up-to-date skills by launching an extensive network of Career Development Centers (CDCs). The aggressive promotional campaign among students and employers resulted in more than 50,000 students signed up for using the services of the CDCs and more than \$100,000 committed by businesses to support the centers. From a different perspective but again with the objective to prepare young people for the new realities of the labor market, USAID continued to educate the entrepreneurial spirit of young people by supporting entrepreneurial and business training at schools and the establishment of student operated companies. In FY 2005, 32,000 students from 220 schools in 81 cities and 81 student companies throughout Bulgaria were given the opportunity to demonstrate their outstanding business and entrepreneurial skills at national and international events.

**Financial Sector:** A key aspect of USAID financial sector efforts has been strengthening the capacity of the Financial Supervision Commission (FSC) and the Bulgarian National Bank (BNB) to combat money laundering through the development of anti-money laundering manuals and provision of formal and on-the-job training. USAID was instrumental in assisting with the development of landmark draft legislation protecting the rights of the increasing number of borrowers. The legislation is modeled on the "Truth-In-Lending" Regulation Z of the United States and is in compliance with EU directives. In order to provide the best insurance protection for bank depositors, as well as help build a stronger commercial banking sector, USAID has been assisting the Bulgarian Deposit Insurance Fund to design and introduce risk-based deposit insurance premiums recognizing that banks engaged in more risky activities should pay higher premiums. Our advisors were instrumental in helping the BNB to develop its plan for establishing a modern Cash Center. This facility will enable the Bank to produce Euro banknotes and coins and incorporate measures against counterfeiting.

**Access to Credit:** To improve access to credit and enhance business opportunities in key competitive sectors of the economy such as: energy efficiency, agriculture, tourism, high technology, and light manufacturing, the Mission continued to utilize the Development Credit Authority (DCA) portfolio guarantee vehicle. At the end of September 2005 the cumulative utilization of the five active DCAs

exceeded \$60 million. In FY 2005 alone, the USAID-partner banks extended over \$14.8 million in loans, of which over \$11.7 million was used to improve the Bulgarian private companies' competitiveness in the targeted sectors. Another \$3 million was agricultural credit and the remaining \$ 173K was for energy efficiency projects. USAID micro-credit program, implemented by the Nachala cooperative, continues to be an alternative lending mechanism accessible to start-up businesses and women entrepreneurs, covering 88% of the territory of Bulgaria. The current number of clients of the cooperative is 2,400 (close to 50% of them are women) and their cumulative number exceeds 12,500. More than 56,000 jobs have been created or sustained due to this micro-finance program. At present its active portfolio amounts to \$3.7million. Nachala is already financially and operationally self-sustainable. An important recognition for its work has been the fact that in May 2005, the cooperative received the award for the best credit cooperative in Bulgaria for 2004. The second microfinance program funded by USAID and graduated in FY 2004 (USTOI cooperative) continues to operate and is sustainable both operationally and financially.

### III. Social Reform and Humanitarian Assistance

A. Country Situation: Although the government is pursuing an active employment-creation policy, which has resulted in a decline in unemployment to a record low of 10 % in October 2005, unemployment levels are double the EU average and remain among the highest in the region. With a minimum wage of EUR 77, average salary of EUR 190, and average pension of EUR 67 monthly, Bulgaria maintains the lowest compensation levels in the region. With aging population, inadequate delivery systems, and excessive infrastructure, the modernization of health and education services poses a major challenge for the country. Health care reform continues at an uneven pace and often is cited as a reason for public discontent. The population's health status is well below the EU average. Although HIV/AIDS infection rates remained low, a World Bank report warns about the possibility of a pandemic increase in the region. The educational system is also failing to meet the needs of the country's job market. Substantial investments in health and education will be required to reverse the deterioration of social indicators and to improve Bulgaria's competitiveness. Although the new coalition government has identified the health and educational reforms as a priority, their commitment to a change remains only on paper. The recent strikes of the teachers and the scandal with the dismissal of prominent medical doctors from the boards of several leading hospitals in the country pose a concern as to the ability of the GOB to implement the reforms.

U.S. Assistance Priorities: Due to its graduation in 2008 and the shrinking resources, USAID has not been approaching the social issues in the country in a systematic way. Further, in the early 1990s the USG strategy did not include health and educational reform efforts. Nevertheless, several programs have significantly contributed to social reform efforts in the country. Our social sector activities focused on consolidation of pension reform and health care reform, with emphasis on hospital restructuring and decentralization. In addition, a number of activities already described under the democracy or economic sections also have major social impacts. The ethnic integration program creates jobs for minorities and addresses key health and educational issues that the Roma and Muslim minorities face. USAID labor market efforts in addition to responding to the needs of the employers, directly contribute to reducing the unemployment level in the country by creating new opportunities particularly for the young people. In addition, through our participant training programs and support to the American University in Bulgaria we directly promote the development of a qualified workforce in Bulgaria capable to deal with the competitive challenges of the EU accession and the market economy.

C. Program Performance: In FY 2005 USAID graduated two important programs contributing to the social reform in Bulgaria - the pension reform and health finance reform programs. The models and practices implemented through these programs can be used by all the countries in the region which have not yet embarked on health and pension reform.

Pension Reform: USAID leaves in Bulgaria a sustainable legacy of a three-pillar pension (mandatory public, mandatory private, and voluntary private) system to provide better retirement income for future generations. At present close to 3 million Bulgarian workers participate in private pension schemes and the net assets managed by Bulgaria's eight private pension companies amount to more than BGN 1

billion (approximately \$600 million) which is 2.5% of the GDP. The success of pension reform extends not only to improving the social protection landscape in Bulgaria but it also has a long-term positive impact on the financial markets and economic growth and development as the private pension funds are strengthened and become mature institutional investors.

**Health Reform:** In the health sector, our assistance dealt with the health finance reform focusing primarily on in-patient financing and hospital care restructuring. Given the lack of experience in managing the health sector in a market-based environment, USAID has identified the niche as crucial for restructuring the system and improving its efficiency and transparency. This was one of the most important steps in the reform and the government lacked the capacity to implement it alone. One of the most important USAID achievements was the establishment in the Ministry of Health of the National Health Accounts (NHA) division to compile, analyze, and report on national health expenditures. Bulgaria is the first Central and Eastern European country to institute health accounts. NHA describes who is spending how much and for what health services. This broad profile of the flow of financial resources through the system provides new and useful information to decision-makers on efficiency, equity, and impact. Another aspect of our health reform effort focused on measuring financial inputs for services delivered. A new inpatient financing system based on Diagnostic Related Groups was developed and applied in thirty-eight pilot hospitals. With USAID assistance, over 1,800 coders from all Bulgarian hospitals were trained in preparation for national implementation. As part of the hospital restructuring effort, assessments in over thirty-three hospitals were conducted. A variety of recommendations resulted from this work ranging from consolidation of underused departments to conversion of some facilities into another type of health facility more useful for their communities. Although none of the recommendations have been implemented thus far, the World Bank is very interested in our assessments and will use the same model to assess the hospitals throughout the country. There are some indications by the Ministry of Health that the restructuring of the hospitals will be piloted in two regions starting in 2006.

**Human Capacity Development:** In 2005 USAID continued to build the capacity of individuals to implement reform models effectively by providing short-term tailored trainings in the United States, Bulgaria, or other countries. EU accession demands helped define USAID training priorities. These priorities facilitated the travel of Bulgarian decision makers and professionals to EU countries to examine the most appropriate EU models for reforms as Bulgaria readies itself for EU membership in 2007. 295 participants from indigenous institutions and organizations benefited from 24 tailored training events, thus bringing the total number of Bulgarians trainees to 2,700. Participants included ministers and other high-level governmental officials, members of the Parliament, mayors, Supreme Court judges, and key business association leaders. Examples of training results include: new judgment enforcement legislation drafted and passed; and reduced case delays and customer service strategies in targeted courts. The Small Grants component of the participant training program continued to produce tangible results for a large group of beneficiaries. Grant funds were used to establish computer and information centers in poor Roma neighborhoods, develop a regional economic development plan, enhance professionalism and ethnic tolerance through multi-ethnic training of journalists, and a series of seminars to involve citizens in local government.

**American University in Bulgaria:** Established in a region that has a long history of conflict driven by ethnic tensions and nationalist tendencies, the mission of the American University in Bulgaria (AUBG) is to educate future leaders committed to serving the needs of the region by promoting the values of an open, democratic society. Fiscal year 2005 was a difficult one for the University. AUBG's financial performance was less than stellar as the operating deficit climbed from \$1 million to \$1.6 million. This was primarily due to lower-than-expected enrollment numbers. Nonetheless, the future is promising and AUBG has made positive strides towards financial sustainability. The University successfully recruited the largest freshman class ever for school year 2005/2006 (FY 2006). This growth in numbers was achieved while holding average net tuition steady at approximately \$4,500 per student. In spite of the financial setbacks, AUBG only withdrew \$1.1 million from the principle of USAID's endowment of approximately \$10 million, which is 30% less than last year's drawdown. It also marks the second year in a row that AUBG has not exceeded its projected drawdown.

**Humanitarian Assistance:** From May 2005 through September 2005, Bulgaria experienced several waves

of torrential rains that caused heavy flooding throughout the country. The damage proved extensive and over 3.2 million people or one-third of the Bulgaria population was affected. USAID accessed funding through the Office for Foreign Disaster Assistance (OFDA) (\$1.45 million) and the U.S. State Department (\$250,000). The funds were used to provide equipment for immediate recovery efforts such as pumps, generators, protective clothing, inflatable boats with outboard motors, and chemical toilets and for direct assistance (food, water, and heating materials) to the affected population.

## **FY 2006 Program**

### **SO: 183-0130 Economic Growth and Increased Prosperity**

#### **Improve Economic Policy and the Business Environment**

Improve Economic Policy and the Business Environment: (\$1,450,000 AEEB). USAID will provide assistance in streamlining commercial legislation primarily pertaining to company registration. Efforts to improve the system of judgment enforcement will include: technical assistance (TA) and training to the Ministry of Justice to effectively exercise its supervisory role over private enforcement agents; TA to the chamber of private enforcement agents to develop budget and management skills; and TA and training to build skills in the private enforcement agents' profession. USAID will fund an advocacy campaign for the passage of a critical law transferring the system of business registration from the courts to a user-friendly administrative agency. USAID will assist three commercial mediation centers by helping to prepare business plans and training trainers in commercial mediation. Four USAID-developed commercial law courses (collateral law, company law, alternative dispute resolution, and corporate governance) will become sustainable through their integration into the curriculum of the National Institute of Justice, the Attorneys Training Center and other local institutions. Over one hundred judges and lawyers will benefit from these training events in FY 2006.

Using bilateral funds to supplement a USAID regional energy program, the Mission will enhance the capacity of the State Energy and Water Regulatory Commission (SEWRC) to regulate the energy sector. Activities include, but are not limited to, funding SEWRC membership in the energy regulators regional association, and SEWRC participation in association meetings in such areas as licensing/competition and tariff/pricing. Through exchange of visits and internships under a partnership between SEWRC and the New Jersey Board of Public Utilities, the SEWRC will acquire additional technical expertise in setting rates and tariffs and valuing plant and equipment in the water sector to support it with its newly-assigned responsibilities for the water sector. Principal contractors and grantees: Bearing Point (prime), National Association of Regulatory Utility Commissioners (prime).

#### **Improve Private Sector Competitiveness**

Improve Private Sector Competitiveness: (\$1,736,000 AEEB, \$366,561 AEEB carryover). USAID will support small and medium enterprise (SME) development through TA and trade and finance facilitation to private companies and local SME consulting firms in key sectors: information technology (IT), tourism, food and agriculture, and apparel. Four resident American volunteers will work with local consulting firms and associations to help them improve the quality of services. At least five publicity and/or investment events will be organized throughout the year in priority sectors to help attract investment. USAID will conduct a public awareness campaign targeting SMEs to create awareness of the implications of new regulations and tax regimes. USAID will provide technical advisory support to the Economic Growth Council and the Invest Bulgaria Agency regarding effective licensing regimes.

USAID will work with 180 schools to implement entrepreneurship training. At least 100 student-operated mini-companies will be mentored to develop entrepreneurial expertise among youth. Institution strengthening support to the Business for Education Foundation will ensure the sustainability of a USAID-supported network of Career Development Centers in Bulgarian universities and vocational schools. USAID will fund the Stevens Institute of Technology Master of Science in Information Systems program at Sofia University to develop management skills in information technology leaders. Principal contractors and grantees: Volunteers for Economic Growth Alliance (prime), Junior Achievement Bulgaria (prime), Stevens University, (prime).

#### **Strengthen The Financial Services Sector & Increase Access to Capital**

Strengthen the Financial Services Sector & Increase Access to Capital: (\$1,634,310 AEEB, \$100,000 AEEB carryover). USAID will assist the Bulgarian National Bank and the Financial Supervision

Commission to finalize anti-money laundering manuals as well as provide on-the-job training for more than one hundred regulators. To develop supervisory approaches for the conglomerate institutions in the financial market, USAID will use TA for: drafting conglomerates legislation, preparing agreements between bank and non-bank regulatory bodies and joint training initiatives. Significant attention will be devoted to raising general public awareness of new financial products as well as consumer protection safeguards. At least four financial sector educational events will be organized for judges aimed at enhancing judges' knowledge of the financial sector, including regulatory aspects.

Pending regional approval, USAID will co-fund a Global Development Alliance (GDA) for a wind farm project to provide clean energy for Bulgarians and support investment by an American company. Another potential GDA will create a country-wide microfinance network for Roma entrepreneurs. Principal contractors and grantees: Emerging Markets Group (prime), EnCon Services International (prime), TBD.

## **FY 2006 Program**

### **SO: 183-0220 Enhanced Rule of Law**

#### **Promote And Support Anti-Corruption Reforms**

Promote And Support Anti-Corruption Reforms (\$1,350,000 AEEB, \$650,000 AEEB carryover). During FY 2006, USAID will provide TA and training to staff at the National Audit Office (NAO), the Public Procurement Agency (PPA), the Internal Control Directorate in the Ministry of Finance, the Ministry of Health, and the Ministry of Regional Development and Public Works to improve internal controls and procurement procedures. USAID will promote the Public Procurement Register through a public awareness campaign targeting the private sector. USAID will also provide specialized training to build the capacity of the PPA, and will target ministries, oversight bodies, and business associations to monitor public procurement. USAID will also address high level corruption by providing TA to the NAO to develop a web-based public register disclosing the assets of high ranking government officials.

USAID will provide training and TA to the NAO to establish an integrated framework to build internal control and audit capacity in target ministries and oversight bodies. USAID will assist in preparing audit reports at participating Ministries to assist in the development of implementation experience in internal controls and provide oversight for procurement and various accounting activities. These units will provide methodological guidelines to ensure a system of checks and balances in budget spending units.

The Center for the Study of Democracy (CSD) will focus on developing the capacity of a national ombudsman by drafting administrative regulations to facilitate implementation of responsibilities associated with the office. CSD will provide specific policy reform recommendations to the GOB to assist in developing anti-corruption and good governance measures. Principal contractor and grantee: DPK International (prime) and the Center for the Study of Democracy (prime).

#### **Reduce Trafficking In Persons**

Reduce Trafficking In Persons (\$145,000 AEEB, \$600,000 AEEB carryover). USAID will support anti-trafficking efforts in conjunction with other USG programs. USAID will provide TA, training and capacity building to the national and local Commissions for Combating Human Trafficking. Efforts are underway to identify additional anti-trafficking activities to fill critical gaps that are not being addressed by other donors. Principal partner: International Organization for Migration (prime).

#### **Strengthen the Justice Sector**

Strengthen the Justice Sector (\$4,000,000 AEEB, \$83,010 AEEB carryover). As perhaps the weakest component of the judicial sector, the Supreme Judicial Council (SJC) is a major focus of USAID assistance. Through the use of study tours for stakeholders in the reform effort, USAID will build the SJC's capacity to oversee court administration; develop a program-based budget in an independent,

transparent and objective manner; adopt needed standards for court administration and judicial recruitment/promotion; and serve as the national court administration office. USAID will support 22 model courts with the implementation of their court improvement plans so as to increase their effectiveness, transparency and independence. By providing software, hardware and technical support, USAID will provide assistance for courthouse automation, and public access. An additional component of the court improvement plans focuses on improving bench-bar relations which will also aid in improving court performance. The best practices pioneered in the court improvement plans used by the model courts will provide guidance for formulating new court standards. USAID will also provide approximately 50 grants to local non-governmental organizations to support judicial reform efforts with courts at the local level.

USAID will assist the National Institute of Justice (NIJ) to improve its capacity to function as a training institution for magistrates and court clerks. In FY 2006, a class of 50 incoming judges will attend the NIJ's six month training program. A continuing needs assessment will also identify courses and training programs that will be developed. One thousand judges, court clerks and administrators will receive specialized training. USAID will work closely with the Ministry of Justice to produce amendments to the legal education act to require that law faculties include clinical education in their curricula and thus ensure the sustainability of the USAID's efforts in this area. USAID will support the development of the new civil procedure code or possible revisions to the current one to reduce case delay and expedite resolution of the backlog of court cases. In addition, amendments to the Judicial System Act and possible new implementing regulations will be pursued. Principal grantees: East West Management Institute (prime) and ABA/CEELI (prime).

#### **FY 2007 Program**

#### **SO: 183-0220 Enhanced Rule of Law**

#### **Promote And Support Anti-Corruption Reforms**

Promote And Support Anti-Corruption Reforms:

#### **Reduce Trafficking In Persons**

Reduce Trafficking In Persons:

#### **Strengthen the Justice Sector**

Strengthen the Justice Sector:

#### **Strengthen the Legislative Function/Legal Framework**

Strengthen the Legislative Function/Legal Framework: For this SO, the Mission is not requesting FY 2007 funding. FY 2006 funding will be spent in FY 2007 and USAID will start closing out its activities in the country.

#### **FY 2006 Program**

#### **SO: 183-0230 Local Governance More Effective and Accountable**

#### **Mitigate Conflict and Support Peace**

Mitigate Conflict and Support Peace (\$229,070 AEEB). The ethnic integration program will continue funding local mediation centers and projects in 10 towns with significant minority populations to address economic, education, and social issues of Roma and Bulgarian Muslims. USAID will increase its efforts to train Roma and Muslim leaders and to promote inter-ethnic tolerance by conducting a number of national and regional events focused on disseminating best practices of ethnic integration already

implemented at the community level. Principal grantee: Partners Bulgaria Foundation (prime).

### **Strengthen Civil Society**

Strengthen Civil Society (\$600,000 AEEB). The Community Funds program will consolidate its assistance to the existing community foundations and social enterprises by providing matching funds for their community initiatives. An expanded social contracting procedure allowing municipalities to contract out to indigenous non-governmental organizations for provision of social services will be implemented in seven new municipalities. Additionally, small-scale community initiatives developed by Peace Corps volunteers will receive support. Principal grantees and agencies: Counterpart International (prime) and Peace Corps (prime).

### **Support Democratic Local Government & Decentralization**

Support Democratic Local Government & Decentralization (\$2,431,000 AEEB, \$102,440 AEEB carryover). USAID will consolidate its work on fiscal decentralization to ensure sustainability of the reforms through drafting legislation and regulations as well as ensuring their effective implementation through practical training for municipal officials. USAID's legislative efforts will target a Constitutional amendment to allow municipalities to set their own local tax rates. The issue of municipal insolvency is also another legislative priority. USAID will complete technical assistance to indigenous local government support organizations. These organizations will serve as USAID "legacies" to build the capacity of municipalities to successfully advocate for and implement greater fiscal autonomy after USAID graduation. The local government portfolio will also focus on the replication of successfully implemented management practices during earlier program phases with support from "legacy" organizations such as the National Association of Municipalities of Bulgaria and the Foundation for Local Government Reform (a think tank and training institution). Principal contractors and grantees: Research Triangle Institute (prime), International City/County Management Association (prime), National Association of Municipalities (prime), Foundation for Local Government Reform (prime), and several regional associations of municipalities (subs).

### **FY 2007 Program**

**SO: 183-0230 Local Governance More Effective and Accountable**

#### **Mitigate Conflict and Support Peace**

Mitigate Conflict and Support Peace:

#### **Strengthen Civil Society**

Strengthen Civil Society:

#### **Support Democratic Local Government & Decentralization**

Support Democratic Local Government & Decentralization: For this SO the Mission is not requesting FY 2007 funding. FY 2006 funding will be spent in FY 2007 and USAID will start closing out its activities in the country.

### **FY 2006 Program**

**SO: 183-0420 Program Support Objective**

#### **Establish & Ensure Media Freedom & Freedom Of Information**

Establish & Ensure Media Freedom & Freedom Of Information (\$105,000 AEEB).

USAID will continue advocacy and public awareness efforts in key areas of reform specifically ethnic integration, anti-trafficking, and judicial reform. This program will continue to produce the anti-corruption TV show Na Chisto. Through its Media Development program, USAID will give exposure to prominent national and local Roma local leaders, journalists, and professionals to promote a positive image of Roma in an effort to counter the increasing level of inflammatory anti-Roma rhetoric. While the training of journalists will continue within this program, the number of journalists trained will be reduced in reflection of the growing maturity of broadcast journalism within Bulgaria. The strengthening of the institutional capacity of the Broadcast Training Center to ensure its sustainability beyond USAID assistance is a priority. Principal grantee: Broadcast Training Center (prime).

### **Improve Quality of Workforce through Vocational/Technical Education**

Improve Quality of Workforce through Vocational/Technical Education (\$1,200,000 AEEB, \$297,943 AEEB prior year recoveries). During FY 2006, USAID will continue to fund U.S.-based, in-country, and third-country training opportunities for Bulgarian officials, non-governmental organizations, and entrepreneurs with increased focus on in-country and third-country trainings. USAID will train approximately 300 individuals through this program. Participant training resources will also be used to support the local partner entities through tailored human capacity, furthering the impact of ongoing USAID programs. Principal contractor: World Learning (prime)

### **Increase Capacity of Higher Education to Contribute to Development**

Increase Capacity of Higher Education to Contribute to Development (\$200,000 AEEB carryover). USAID will conduct a financial assessment of the American University in Bulgaria (AUBG), a key recipient of significant USAID funding since 1991. This assessment will focus on the management and operations systems at AUBG. The result of this review will be that AUBG, USAID and other stakeholders will be able to measure AUBG's progress towards financial sustainability and ultimately, long-term viability. Equally important, it will enable stakeholders to identify areas where AUBG needs assistance and subsequently to target assistance more effectively. Beyond the improved effectiveness of operations achieved by implementing suggested refinements, AUBG will also be better-positioned to request assistance from other donors by having a better understanding of its needs. Principal contractor: to be determined (TBD).

### **Program Support**

Program Support (\$1,592,730 AEEB, \$422,000 AEEB carryover). This activity will continue to be the major support vehicle for program activities, staff, and logistics. Program Development and Support resources will be used for program-related audits, studies, final assessments, and close-out evaluations, as well as for activities in support of selected partner organizations and legacies. These legacies will institutionalize or seek to further the goals of USAID programming after the Mission closes in 2008. These funds will also support staff critical to manage and oversee USAID programs. Various contractors and grantees.

### **Provide Emergency Assistance**

Provide Emergency Assistance (\$250,000 AEEB carryover). Assistance for flood-affected areas will help address key equipment needs of schools and kindergartens and needs for food and winter heating of affected communities, and accelerate the process by which lives of the most affected population begin to return to normal. Principal grantee: CARE International.

### **FY 2007 Program**

**SO: 183-0420 Program Support Objective**

**Establish & Ensure Media Freedom & Freedom Of Information**

Establish & Ensure Media Freedom & Freedom Of Information:

**Improve Quality of Workforce through Vocational/Technical Education**

Improve Quality of Workforce through Vocational/Technical Education:

**Increase Capacity of Higher Education to Contribute to Development**

Increase Capacity of Higher Education to Contribute to Development:

**Program Support**

Program Support:

For this SO, the Mission is not requesting FY 2007 funding. FY 2006 funding will be spent in FY 2007 and USAID will start closing out its activities in the country.

## **Results Framework**

### **183-0130 Economic Growth and Increased Prosperity**

#### **Program Title: Private Sector Development**

- 1.3.1.: Improved Business Climate
  - 1.3.1.1.: Improved and Transparent Legal and Regulatory Environment (in cooperation with US Treasury and USDA)
  - 1.3.1.2.: Improved Social Sector Performance to Promote Business Opportunities
  - 1.3.1.3.: Effective Legal Policies and Practices to Promote Transparency (in cooperation with ROL team)
- 1.3.2.: Jobs Created through Strengthened Private Sector
  - 1.3.2.1.: Sustained SME Growth
  - 1.3.2.2.: Trade Capacity Built and Promoted
  - 1.3.2.3.: More Efficient Labor Markets
- 1.3.3.: Improved Access to Financial Resources
  - 1.3.3.1.: Reduced Barriers to Credit
  - 1.3.3.2.: Increased Investment in the Economy
  - 1.3.3.3.: Sustainable Micro-lending Mechanisms Developed
- 1.3.4.: A More Competitive Agricultural Sector, USDA

### **183-0220 Enhanced Rule of Law**

#### **Program Title: Rule of Law**

- 2.2.1.: A Strengthened Judicial System
  - 2.2.1.1.: Improved Court Administration
  - 2.2.1.2.: Improved Capacity of Legal Professionals
  - 2.2.1.3.: Key Laws and Regulations Support Effective ROL
- 2.2.2.: Reduced Corruption through Enhanced Transparency & Accountability
  - 2.2.2.1.: Procurement Policies and Procedures Enacted and Implemented to Increase Integrity
  - 2.2.2.2.: Strengthened External and Internal Audit Mechanisms
  - 2.2.2.3.: Increased Capacity of CSOs and Media to Demand Greater Transparency and Accountability of Public Institutions
- 2.2.3.: Improved Law Enforcement Mechanisms (US Treasury, DOJ)
  - 2.2.3.1.: Regional Criminal Justice against organized crime
  - 2.2.3.2.: Prosecutorial Strengthening
  - 2.2.3.3.: Frauds and Financial Crimes Task Force

### **183-0230 Local Governance More Effective and Accountable**

#### **Program Title: Local Governance**

- 2.3.1.: Authority, Responsibility & Resources Decentralized to Local Government
  - 2.3.1.1.: Key Laws to Support Decentralization in Place
  - 2.3.1.2.: Increased Fiscal and Administrative, Decision-making and Service Delivery Capacity of Local Government
- 2.3.2.: Increased Ability to Address Community Building Issues
  - 2.3.2.1.: Increased Citizen Participation, Especially by Vulnerable Groups, in Policy Decisions
  - 2.3.2.2.: Increased Community Generated Resources to Address Local Problems

### **183-0420 Program Support Objective**

#### **Program Title: Cross-Cutting Programs**