Written Statement of Francis J. Skrobiszewski[1]
for
U. S. House of Representatives
Committee on Financial Services
Subcommittee on International Monetary Policy and Trade
Hearing on
"Rebuilding Haiti's Competitiveness and Private Sector"
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The "Enterprise Fund" Model Employed as a Tool in Haiti's Reconstruction

Rationale for Creation of a Haitian Private Enterprise Development Fund

The widespread destruction in Haiti offers the donor community an opportunity, in the words of President Clinton, to "build back better." Ultimately, it will be the Haitian people who will be responsible for the success of donor assistance programs. And for reconstruction aid to be sustainable, Haitian entrepreneurs must be empowered like never before to "buy-in" and participate in the rebuilding of their own country.

The transformational experiences in Central and Eastern Europe (CEE) and southern Africa indicate that motivating the indigenous private sector can best be accomplished on a business-to-business basis using the proven model of the Enterprise Funds. To build local businesses and demonstrate the merits of a market economy, these innovative financial vehicles successfully provided developmental capital on a commercial basis under difficult conditions to many thousands of emergent entrepreneurs.

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[1] **Francis J. Skrobiszewski** has been involved deeply in the transformation of Central and Eastern Europe since President George H.W. Bush called him to the White House in July 1989 to discuss strategy for assisting Poland's economic recovery. Skrobiszewski drafted the ground-breaking business plan for the **Polish-American Enterprise Fund**, where he served as Vice President; subsequently, he assisted in the restructuring of the **Hungarian-American Enterprise Fund**, where he served as Senior Vice President. At HAEF, Skrobiszewski was instrumental in raising a parallel private fund, and he conceived and managed HAEF's **Hungarian Innovative Technologies Fund**. He also has advised the **Southern Africa Enterprise Development Fund**, the Eurasian Development Bank and the MCC on its fund in the Republic of Georgia. He serves on the Investment Committee of the Polish National Capital Fund, a fund-of-funds investing in emergent venture capital funds financing innovative SMEs. Skrobiszewski has spoken widely on the Enterprise Fund model in private sector development and its applicability in post-conflict reconstruction. A fuller resume is attached.

With a small portion of the billions of dollars being allocated for Haitian redevelopment earmarked for an Enterprise Fund, mandated with the full flexibility of the CEE model (explained in detail below), donors can introduce similar creative, flexible and market-driven approaches to achieve sustainable development in Haiti. In doing so, the donor community would replicate for Haiti approaches business professionals managing the Enterprise Funds have conceived and implemented during the past 20 years.

For Haiti, such Fund would ultimately require an authorized capital base of approximately $200-300 million to ensure the "clout" needed to have meaningful impact in the marketplace, to establish financial intermediaries (e.g., SME and micro-enterprise loan programs to provide short-term working capital, leasing companies, modern mortgage, Ag and commercial banks, etc.), to invest equity capital flexibly in a wide range of private businesses, to provide supportive technical assistance, and to attract the seasoned investment professionals critical to properly managing these assets.

When the initial Enterprise Funds were conceived by the US Congress and the first Bush Administration in 1989, there were no roadmaps. It took a full year from the time the Polish-American Enterprise Fund was legislated to the completion of its first investment in Poland. Later, when the Hungarian-American Enterprise Fund launched its venture capital subsidiary, the Hungarian Innovative Technologies Fund was able to close its first investment in half that time. Haitian businesspeople need financing immediately, and experience exists today to further accelerate the start-up of a Haitian Private Enterprise Development Fund and provide such financing in a disciplined way in accordance with sound commercial practices and procedures designed to protect the Fund's assets.

Moreover, while the US Government was the sole funding source for the Enterprise Funds, it would be possible to consolidate public-sourced capital from a host of donors in a single Fund created and overseen by a lead donor. Also, since there are practical limits to what such a Fund gearing-up can responsibly disburse and prudently manage (and the Haitian economy could realistically absorb), the proposed Fund's entire capital base need not be available to it at the outset. In fact, the Enterprise Funds were provided funding over a multi-year period as progress in deploying capital dictated. Thus, with an initial donor commitment of $25-50 million, the organization of the Haitian Private Enterprise Development Fund could begin, and be expanded when the more substantial targeted funding can be committed.

Like its predecessors, the Haitian Private Enterprise Development Fund should be organized as a not-for-profit corporation managed by a non-partisan Board of Directors comprised of prominent professionals. This Board would hire executive management, develop strategy to carry out the Fund's mission, impose disciplined investment practices and operating standards, and be empowered with flexibility to set direction and take action to achieve objectives without political interference or bureaucratic constraints, but subject to sound governance principles and appropriate donor oversight.

Meaningful and sustainable economic development in Haiti must mobilize the Haitian private sector, and an Enterprise Fund for Haiti built on the approaches employed in the CEE region and southern Africa – adapted specifically to needs, conditions and objectives in Haiti – must be an essential tool in the donor development assistance arsenal.

History and Rationale for the Creation of Enterprise Funds in Central and Eastern Europe and Southern Africa

Faced with widespread socio-economic and political upheaval in the wake of Communist regimes collapsing in Poland and Hungary, US political leaders knew that tangible action had to be taken quickly to instill hope in the local populations and contribute to stability. They recognized that making an unprecedented transformation from entrenched command economies to free markets would require jump-starting the local private sector from the bottom-up, and that capital injections in new businesses would be the critical catalyst in this process. Traditional development assistance would be needed, but alone was insufficient for the task at hand. Reliance on commercial practices executed by business and investment professionals would be necessary to allocate resources quickly, yet in an effective and efficiently manner to achieve the immediate and long-term successes needed. Yet, private investors would be reluctant to put their capital at risk where conditions were so unpredictable and the risks were unknown.

As the Soviet Empire was collapsing in Central and Eastern Europe during the late 1980s and early 1990s, officials in the US Congress and George H.W. Bush Administration conceived of "enterprise funds" and innovatively placed pools of public capital into the hands of private investment professionals to finance entrepreneurs initially in Poland and Hungary on a traditional business-to-business basis. The fundamental concepts behind the Enterprise Fund model were succinctly captured by Kenneth Juster, then-Senior Advisor to the Deputy Secretary of State, at a Rand Corporation conference on September 21, 1990:

> *"The enterprise funds are a bold experiment in a new way of delivering economic assistance. Rather than have the U.S. Government provide a one-time grant to Poland or Hungary, we have developed, instead, the enterprise funds as a means for tapping into private sector expertise to manage U.S. Government grants. The President, in consultation with Congress, has asked a group of prominent private citizens from the United States, and from Poland and Hungary for each of the two funds, respectively, to form a corporation to use U.S. Government money to make*

loans, grants, equity investments and other forms of financial transactions designed to promote private sector development in Poland and Hungary. The hope is that these enterprise funds will be able to manage the U.S. Government grants in a way that an investment banker might do – unencumbered by the bureaucratic constraints normally associated with government activities – and that they will be able to multiply many times over the financial impact of the initial grant."

In November 1989, the US Congress enacted the Support for Eastern European Democracy Act (the SEED Act), which, among other things, provided $240 million for a Polish-American Enterprise Fund (PAEF) and $60 million for a Hungarian Fund (HAEF) to simply promote:

(1) development of the Polish and Hungarian private sectors; . . . and,

(2) policies and practices conducive to private sector development in Poland and Hungary, through loans, grants, equity investments, feasibility studies, technical assistance, training, insurance, guarantees, and other measures.

Under the first Bush Administration, two other Enterprise Funds were created; President Clinton established six others for most of the remaining countries of the former Communist Bloc. All were under Congressional legislation. President Clinton later expanded the concept to accelerate private sector development in 11 countries of "post-apartheid" southern Africa. As that Fund was not created by Congress, it was subject to bureaucratic constraints that did not permit it to operate as freely and flexibly as the original Enterprise Funds did in the CEE.

Arguably, dependent upon the lead donor, it might be possible to create the proposed Haitian Private Enterprise Development Fund with similar ability to make commercially-based decisions and to act quickly and effectively without bureaucratic encumbrances, as the CEE Enterprise Funds were able to do. However, given the critical need for an Enterprise Fund vehicle in Haiti, if the US Government were to take the lead, the less flexible model could be established to initiate the flow of professionally-deployed capital to Haiti's private business sector, pending appropriate Congressional legislation that would free the Fund to operate with the freedom of a traditional private investment firm in accordance with sound business practice.

Twenty+ Years of Measurable Results and Successful Performance of Enterprise Funds in Central and Eastern Europe and Southern Africa

The developmental impact of the first Enterprise Funds indeed was demonstrated quickly by the hope in a better future they instilled through tangible action backed by real capital provided to hundreds and then thousands of emergent Polish and Hungarian entrepreneurs who applied for financing. The basic commercial standards imposed by the Enterprise Funds for venture funding provided local entrepreneurs a rich learning experience in the operation of free markets and the need for instituting their own sound business disciplines. The pioneering SME lending programs and other intermediaries the Enterprise Funds established helped provide the institutional infrastructure for the market economy and influenced local policy development from the bottom-up. They also built local capacity in their hands-on training of the emergent local investment and finance professional, who worked for the Enterprise Funds and also in the management support they provided to local firms receiving their financing. The Enterprise Funds' eventual financial results, under the difficult conditions faced, also have generally been impressive.

Keeping in mind that the Enterprise Funds were conceived to achieve primarily a developmental mission, but operated largely according to commercial principles, their collective results by close of their 2009 Financial Year can be summarized as follows. [2]

Of $1.105 billion the US Government provided in the aggregate to the 10 Enterprise Funds in the CEE region for investment purposes (most, if not all, were also provided a small pool of funds devoted to targeted technical assistance), total net assets of these Funds, including distributions, stand at $1.612 billion, which equals 144% of such capital provided by the Government.

Moreover, in a key measure both of developmental and financial success in demonstrating the indigenous investment opportunities they and their host countries offered, six such Enterprise Funds have attracted a total of $2.714 billion in parallel private equity funds that are continuing to be invested as the original Funds themselves wind-down. (This sum does not include the competing capital of independent investment funds which have entered these markets on the basis of foundations laid by the Enterprise Funds).

With regard to wind-down, six Enterprise Funds have already started returning their public-sourced capital to the US Treasury and established charitable legacy foundations, whose collective capital totals $652 million, to carry-on development activities in their host countries and beyond.

Through its SEED Act authorization of $240 million, the Polish-American Enterprise Fund alone made 50 equity investments totaling over $200 million, established a series of banks and other intermediary institutions, extended 10,000 small business loans and over 125,000 micro-loans and recouped $374 million. Ten years after commencing operations, the Polish Fund was the first of the Enterprise Funds to establish the tradition of returning its capital to the US Treasury and of creating its legacy foundation – which PAEF has capitalized with $250 million. Also, PAEF's now independent investment team has raised over

[2] See attachment on "Building Free Markets – SEED Act 1989-2009 Enterprise Funds – a closed chapter or a model to be followed?" by Krzysztof Bobinski at www.seedact.com

$1.8 billion in a series of private funds, and in the course of these efforts, demonstrated to the global investment community the true risks and the real opportunities of investing in Poland. This has attracted billions of dollars more in competing private equity funds to Poland.

These successes in Poland are not isolated examples – indeed, the Bulgarian-American Enterprise Fund, with its $55 million in original funding, also has returned capital to the US Treasury and created a $400 million legacy foundation in Bulgaria.

Not only has the Enterprise Fund model been successfully employed in the CEE region, but President Clinton's post-apartheid Southern Africa Enterprise Development Fund has also achieved significant results. Its Chairman, Ambassador Andrew Young, in endorsing the concept of an Enterprise Fund for Haiti, reported his Fund's successes, as follows: [3]

> *"SAEDF has invested more than $80 million tax dollars in 25 new business operations owned by formerly disadvantaged indigenous people. Those businesses have employed over 2,000 workers and have created employment for an estimated 50,000 people in spin off jobs. SAEDF's investments have returned over $67 million to date, and its remaining investments are worth almost $50 million and appreciating. SAEDF has also trained and mentored more than 50 indigenous staff members, at least 20 of whom are now senior managers of other local investment funds and businesses, representing a new generation of investment professionals in southern Africa."*

In the face of unprecedented socio-economic transitions, for which there were no roadmaps, the Enterprise Fund approach has proven to be an effective and efficient tool bringing private sector decision-making and risk-taking to development assistance. Clearly, this model, which has been successfully deployed in Central and Eastern European and southern African countries, can be specifically adapted to needs, conditions and objectives in Haiti to similarly achieve meaningful and sustainable results in the development of Haitian private businesses.

[3] *Huffington Post*, posted January 26, 2010 05:46 PM

Building Free Markets – SEED Act 1989-2009 Enterprise Funds - a closed chapter or a model to be followed?

Krzysztof Bobiński

This autumn, on the 20th anniversary of the fall of the Berlin Wall, the world was reminded of the momentous collapse of communism. In Berlin, Lech Wałęsa, the legendary Solidarity leader, in the company of Mikhail Gorbachev, the former Soviet reformer, and other world personalities, pushed over the dominoes which symbolised the end of the totalitarian system in a succession of Central and Eastern European states. But it is worth remembering that the first building blocks of economic reform in the region were the Enterprise Funds, a new concept pioneered by the then US president George Bush and enacted in 1989 by the US Congress in the Supporting Eastern European Democracy Act (SEED Act) followed by the Freedom Support Act (FSA) three years later.

In his memoirs, George Bush recalls that July 1989 was a hot month in Warsaw. He was visiting the Polish capital when the region was still under Soviet control. The fall of the Berlin Wall was still months away. Democratic reforms were in train in Poland after an overwhelming election win by the Solidarity opposition the previous month. But the economy was a disaster area. Inflation was running out of control. The country had a large foreign debt run up by the communists and the soviet style economy was completely unprepared to compete with the outside world.

As George Bush struggled to sleep in his sweltering hotel room ahead of a speech in the Polish parliament, he was well aware of the inadequacy of the economic package he had brought with him to Poland. The Poles were asking for $10 billion worth of aid from the G7 countries over 3 years. All that Bush could offer was a reduction of the foreign debt as well as a request to the World Bank to offer Poland $325 million in new loans and $100 million in US funds 'to capitalize and invigorate the private sector'.

The size of the grant was modest indeed given Poland's massive needs and Congress later increased the sum to $240 million under the SEED Act and the FSA. But Bush's plan for the deployment of the money challenged conventional thinking in Washington on how aid funds were to be disbursed. And it produced an unprecedented and successful aid programme which was one of the components of the transition to a market economy in the region.

That summer twenty years ago, before the Berlin Wall came down, it was still difficult to imagine that such a programme would be necessary, or even possible, throughout the region. But change was under way in Hungary and demonstrations in East Germany and Czechoslovakia took power from the hands of Communist elites. Bulgaria came next followed by Romania with its brief armed struggle.

The miracle was that the end of the Soviet Empire was accompanied by so little violence. Looking back, it seems that Poland, where negotiations between the Communist rulers and the Solidarity opposition led by Lech Wałęsa early in 1989 opened the way to democratic change, provided the example of a peaceful transition. After that it was also up to the West to support the transformation.

"George Bush knew exactly what he was doing" recalls John Birkelund, then president of Dillon Read, who was to head the programme in Poland. "He wanted to have investment professionals invest the money to rebuild the private sector – in a combination of public capital and private management".

Alongside the $240 million for Poland the SEED act provided $60 million for Hungary. In all, ten Funds were established throughout the region with total US public funding of around $1,2 billion. The area covered 18 countries and 346 million people. Loans were provided to more than 100,000 companies and over 250,000 jobs were created, and equity capital was injected into more than 500 companies. The Funds also provided over $70 million in technical assistance to entrepreneurs and businesses. They established and financed 30 banks and micro loans institutions. Lenders created by the Funds made more than $1 billion worth of mortgage loans. Every dollar invested by the Funds in the region has attracted an extra 2 dollars from other investors. Indeed the assets of Funds operating in CE Europe had by 2009 seen a doubling of their initial capital. In all, the Funds increased their initial capital by 44%. (see attached tables). The underlying model for this innovative initiative was put together and implemented by Robert G. Faris who managed the Enterprise Fund in Poland. It was this model which was later repeated in several other post Soviet countries.

"Of course some Funds did not do as well as others" says Birkelund, "that is the way it is in the private sector as well". However, the fact of the matter is, that the funds, as a whole, took public money and produced a positive return. Indeed, it was unprecedented for an aid programme not only to achieve what it had set out to do but also saw the donor seeing some of his original grant returned. This was the case of the Polish Fund which returned $120 million to the US government as well as the Bulgaria Fund which returned more than $25 million. "This is the proper way to deploy assistance capital," says Pat Cloherty, the former pro bono Chairman of the Board of the US Russia Investment Fund (TUSRIF) speaking about the involvement in the Funds of private sector investment managers. "We know how to create wealth and jobs".

The experience is a salient one for the US government where USAID, the official economic assistance organisation set up in 1962, was wary of such a pioneering concept which brought in private managers to run a government assistance programme. In effect they used government funds to engage in countries where private investors still feared to tread. "They filled a gap between the time in a country when private investors were too nervous to come into the SME market and the moment when the track record of success (by an Enterprise Fund) would convince investors to face the risk" says Natalie Jaresko, who managed the Western New Independent States Enterprise Fund (WNISEF) focusing on Ukraine, Moldova and Belarus.

John Birkelund is adamant that the key to the success of the Funds was the selection of a strong supervisory board of private people who have financial experience and knowledge of the country the Fund was operating in. "It had to be the right mix of responsible citizens", he says. Crucially that board had to choose the Fund management. Evidently, wherever those choices were flawed the funds underperformed and sometimes managers were replaced. The Fund boards were accountable to Congress (through USAID) but were independent of other government structures. Everyone who was involved agreed that independence for the Funds was a crucial factor in their success.

Aid officials tended to become nervous of entrusting government funds to private boards free of their supervision. They also failed to see the down side of working for the Funds. "At the beginning we were working in hostile environments where the private sector had barely taken shape" says one of the managers. A cap on management remuneration in the Funds imposed by Congress was always a problem and it prompted the Funds eventually to spin off purely privately funded investment vehicles in their country of operation.

The level of development of free markets in a given country was also important. The commitment of local political leaders to market changes was crucial as well. The Funds could only fully succeed if there was an exit from initial investments. This was the case in Poland and Russia, says Pat Cloherty, from TUSRIF. However even good investments in industrial producers could not be realised with a profit in Central Asia because the political climate continued to scare off potential private investors.

"Local political leaders must want change" says Steven Shea of the Central-Asian American Enterprise Fund (CAAEF). "Several of the Central Asia Republics did not and still do not, support the development of a private business sector and open markets. We may have made too many large investments at the start based upon the expectation that supportive change would come. Now I would advise going in cautiously and conservatively and not engage in big projects at the start."

John Klipper, the CEO of the Romanian-American Enterprise Fund, (RAEF) has actually suggested that local officials be brought in to participate in the work of the Funds. He has been quoted as saying "invite local dignitaries to serve on boards, and be patient".

As in Central Asia, the Fund in Slovakia suffered from a lack of support from the government there in the late 1990s. "They were much more under the influence of the old communist system than in Poland. The spirit of entrepreneurship was less evident than in their neighbour to the north", says Richard Yancey, the chairman of the Slovak-American Enterprise Fund (SAEF). He underlines there had to be currency convertibility and a working legal system and that economic reforms had to be moving in directions investors felt happy with. The experience confirms that choosing the right managers is crucial for a Fund as was an estimate of the stage of development of the country the Fund was operating in. And what the intentions of the local political leaders were.

In that sense, the political environment in Poland favoured the Enterprise Fund movement. John Birkelund who chaired the Polish American Enterprise Fund and Robert Faris, the Fund president both vividly recall being told by Lech Wałęsa, who later became President of Poland - "we need banks". The message was echoed by Leszek Balcerowicz, the finance minister and architect of Poland's 'shock therapy' which put the country on a growth path. Indeed Robert G. Faris advises starting with a small loans programme and progressing into a mortgage operation. "But you have to engage in investments as well; after all we had to make money because no one was going to give us any more", he says.

If financial success escaped the Slovakian Fund there were other benefits. Mr Yancey recalls that the small and medium sized enterprise sector was developed thanks to the Fund's operations, where young people were taught how to make business plans and could hone their management skills. "It was learning by doing", he says. And, also, thanks to this people became accustomed to working with western business people.

It is the investment in people which many of the Fund veterans remember as a major achievement. Robert Faris recruited young local people to work for the Fund in Poland in the early stages. “We had relatively few expats”, he says. Those local young people came from the government administration where they had been working on reforms. They were attracted by the prospect of higher remuneration as well as by a love of their country, he recalls.

The Enterprise Funds also contributed to public policy changes in host countries. In Ukraine, Natalie Jaresko’s WNISEF fund established the Ukraine Mortgage Association which led to the drafting of the legislation which enabled the granting of individual home mortgages. Dennis Johnson, the chairman of the WNISEF, has been quoted as saying that “almost all the Funds have had some role in the financial services sector in these countries which has impacted their laws”.

An important aspect of the Funds’ work are their so-called legacy organisations which were organised in the wake of the Fund investment activity. They went in two directions – charitable legacy organisations designed to support civil society groups and privatised financial institutions which continued the investment activity of the funds with private money raised from institutional investors. In Poland, the Polish-American Freedom Foundation was endowed to the tune of $250 million derived from the half of the original government investment plus $130 million of profits realised by the Fund and was tasked to develop civil society initiatives. In Slovakia, it is expected that the legacy organisation will fund business management school scholarships. The name of the Russian legacy fund speaks for itself – The US Russia Foundation for Economic Advancement and Rule of Law. In Central Asia, 101 scholarships have been granted to students at the American University of Central Asia and at the Kazakhstan Institute of Management Economics and Strategic Research. Steven Shea is very excited about the quality of the applicants for these study grants. “This is investing in the young generation. They are very impressive and they are going to jobs in the region, which is as it should be. They should stay”, he says. The America for Bulgaria Foundation was capitalised by the successful Bulgarian-American Enterprise Fund at the level of $350 million and will support Bulgaria’s non-profit and private sector in the transition to a market democracy as well as to strengthen US-Bulgarian relations. The Romanian-American Enterprise Fund has also established a charitable legacy institution and the Albanian-American Enterprise Fund is going to be establishing one in the near future. Meanwhile, business legacy institutions like Enterprise Investors, Delta Private Equity Partners, Horizon Capital and Axxess Capital manage almost 3 billion Euro and are important investors in Central and Eastern Europe as well as Russian capital markets.

The question remains whether the Fund experience can be deployed elsewhere in Central and Eastern Europe. Ms Jaresko, based in Kiev, the capital of Ukraine, is doubtful. “Maybe in Jordan or elsewhere in the Middle East” she notes, but Cuba, for example, will have lots of private funds coming in when change starts there and so is less likely to need this type of kick start. Ukraine is already developed enough to give private investors confidence and even Belarus is now attracting interest from private investment funds such as her two privately raised funds. The essential purpose of the Enterprise Fund concept which is to use public money to provide a bridge for private investors into emerging markets by assuming the country risk has already been fulfilled in this market. The funds could return to Caucasus region – Armenia, Azerbaijan and Georgia could be a target for a new Enterprise Fund, but the markets are small and the countries are in conflict with each other which makes it difficult to develop a regional strategy. Ms Jaresko also cautions that politicians in some of these countries could be wary of a government financed Enterprise Fund but would be much more friendly to private capital.

John Klipper, the head of the RAEF concurs. He notes that private equity capital funds are in place in many countries in the region. "Then, we were given $61 million. Now that would be small change", he says. The region has developed economically and with increased competition the returns the Enterprise Funds originally produced would be difficult to replicate.

Nevertheless a recent study of the Funds by CASE, a pro market think tank based in Poland with a mandate to cover the CEE region, noted that the Enterprise Fund programme should be extended to those countries freshly setting out on the road to democracy and a market economy. But CASE warns that Fund activities should be "thoroughly tailored to respond to the specific needs of a host country".

Other state aid donors to business like the European Union (EU) ought to take a hard look at the Enterprise Fund experience. Grants are allocated by the EU in the same way administrators of US aid programs do it. This is on the basis of applications which seek to encapsulate business in forms and questionnaires. These miss the essence of entrepreneurial decision making and reaction to fast developing market challenges which involve a high level of risk and attendant success or failure. In addition, final decisions on deploying funds to businesses are taken by officials whose speciality is administration and not private sector finance. This is where the dedicated investment professionals proved to be so valuable in the Enterprise experience. They brought to the Funds not only their wide ranging knowledge of business but also the imagination and courage to take risks which officials tend to avoid by their very nature. John Birkelund, Pat Cloherty and John Klipper admit success is not guaranteed in every case but on balance the Enterprise Funds experience shows that the overall effort points to the chance of a happy outcome. It also reduces the inefficiencies which inevitably accompany traditional aid programmes.

Enterprise Fund experience where private sector professionals deployed public capital in locations where private funds considered the risk too high could prove useful to the EU which is currently embarking on its Eastern Partnership (EP) programme. The EP programme, in operation since May 2009, is aimed at initiating and supporting reforms in six eastern European countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine) which will hopefully bring these countries closer to the EU. A mere 600 million Euro has been allocated mainly for institution building in schemes which look set to be heavily oriented towards bureaucratic interaction.

But other non EU countries including Norway, Canada, Switzerland or Turkey as well as Japan and the US itself also want to see institutional reforms and free market structures strengthened in the EP countries. They are considering involvement alongside the Partnership scheme.

They could well think about setting up funds on the lines of the Enterprise Funds. There are now a number of experienced local professionals in the new member states who worked for the funds from the beginning and still do. They could now be involved in starting up and running new funds. Indeed, there is no reason why the governments of new EU member states such as Poland should not allocate capital or more pertinently mobilise the technical expertise which the Enterprise Fund host countries have accumulated in the past two decades for such funds to operate in an Eastern Partnership country using the US model authored by George Bush twenty years ago. This would be a worthy monument to the foresight of the former US president and US Congress showed in pushing through this entirely new concept in aid practice.

Enterprise Funds - Financial Year 2009 ($in mil)

Fund	Capital Received (Net of Technical Assistance)	Total Net Assets including distribution	Total NA/ Capital Received
Polish-American Enterprise Fund (PAEF) 1990	243	374	154%
Hungarian-American Enterprise Fund (HAEF) 1990	63	28	44%
Czech and Slovak-American Enterprise Fund (CAEF, SAEF) 1991	58	6	10%
Bulgarian-American Enterprise Fund (BAEF) 1991	54	404	748%
Baltic-American Enterprise Fund (BalAEF) 1994	50	62	124%
Romanian-American Enterprise Fund (RAEF) 1994	58	150	259%
Albanian-American Enterprise Fund (AAEF) 1995	30	171	570%
CE Europe	**556**	**1,195**	**215%**
Western New Independent States Enterprise Fund (WNISEF) 1994	139	90	65%
Central Asian-American Enterprise Fund (CAAEF) 1994	105	17	16%
The U.S. Russia Investment Fund (TUSRIF) 1995	307	297	97%
NIS (Europe/Asia)	**549**	**417**	**73%**
Total	**1,105**	**1,612**	**144%**

Enterprise Fund's Business Legacy Institutions (private equity funds)

Year	Company	Capital attracted from private sources ($in mil)
1992	Enterprise Investors (www.ei.com.pl)	1,835
1997	MAVA (www.mava.hu)	50
2003	Hanseatic Capital (www.hanseaticcapital.net)	37
2004	Delta Private Equity Partners (www.dpep.com)	120
2005	Balkan Accession Fund (www.bafund.net)	150
2006	Horizon Capital (www.horizoncapital.com.ua)	522
Total		**2,714**

Enterprise Fund's Charitable Legacy Institutions (foundations)

Name	Year	Capital received from EF ($ in mil)
Polish-American Freedom Foundation (www.pafw.pl)	1999	250.00
Hungarian-American Enterprise Scholarship Fund (www.haesf.org)	2003	5.00
U.S. Russia Foundation for Economic Advancement and Rule of Law	2007	55.00
U.S.-Central Asia Education Foundation (www.us-caef.com)	2007	15.70
America for Bulgaria Foundation (www.americaforbulgaria.com)	2007	326.00
Romanian-American Foundation	2009	0.35
Total		**652.05**

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Additional information is available on: www.seedact.com