UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

VILNIUS, LITHUANIA

RESULTS REVIEW AND RESOURCE REQUEST/OE

FY1999

The attached Results information is from the FY1999 Results Review and Resource Request (R4) for Lithuania and was assembled and analyzed by USAID/Lithuania.

The R4 is a "pre-decisional" USAID document and does not reflect Results stemming from formal USAID reviews. Additional information on the attached can be obtained from Jeff Evans, ENI/PCS.

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Please Note:

The attached FY 2001 Results Review and Resource Request (“R4") was assembled and analyzed by the country or USAID operating unit identified on this cover page.

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Released on or after Oct. 1, 2001

A. COVER MEMO: ISSUES FOR FY99

1. <u>The overall Strategic Objective 1.2 will not be achieved in one of the IR's in fiscal policy reform by graduation:</u> The majority of the IRs will be achieved by graduation, however, the primary barriers to achieving tax policy reform (IR 1.2.1) will not yet be eliminated, due to inadequate political commitment to reform at the highest levels of government and a political imperative at the Prime Minister's level to abolish the corporate income tax. Sufficient progress has been made in building institutional capacity at the Ministry of Finance, the Seimas Finance Committee, and various non-governmental organizations to implement tax policy reforms when the political climate changes. **Therefore, it is recommended that AID/ENI develop a post-presence regional support mechanism in the fiscal policy area to provide assistance on a selective basis as policy demands arise as a result of improved political will.**

2. <u>The overall Strategic Objective 1.5 will not be achieved in energy pricing and safety by graduation:</u> The Mission set a realistic target of achieving a sound relicensing decision on the Ignalina Nuclear Power Plant (INPP) and anticipates that this target will be met by the end of CY 1999. However, an extensive longer-term program is needed to ensure that Unit 1 of the INPP can be closed when it is deemed unsafe (between 2001 and 2002). Additionally, technical design specifications are needed, financing must be mobilized for a least cost alternative to continuing the operation of Unit 1 of the INPP, a safety culture needs to be established at INPP, and the Lithuanian Nuclear Regulatory agency, VATESI, will continue to need technical assistance. It is crucial for the US to remain engaged as an honest broker and to provide an objective and technically competent contribution, regarding safety issues, closeout, mobilizing resources to provide cost effective alternatives to the INPP, and to balance the role played by the European Union. **It is strongly recommended that a post-presence program be developed by the Mission, the Embassy, ENI, and the State Department (in cooperation with the Nuclear Regulatory Commission, the Department of Energy, Lithuanian officials, the European Union, EBRD, and World Bank), to address key issues related to the closure of the INPP, including the provision of affordable alternative forms of energy to Lithuania.**

3. <u>Policy, program and operation management, post-USAID Direct Hire (DH) presence in the Baltics:</u> When the Mission closeout plan was drafted and identified the need for a Country Program Specialist, to close the mission, and a regional EXO, ENI had not yet finalized its policy, program and operational guidance for USAID/Vilnius and USAID/Riga for the period after the last Baltic-based US Direct Hire departs post (July 1999). There are several policy and practical considerations that require ENI deliberation and a final decision about from whom guidance will be taken by the USPSC Program Specialists in USAID/Vilnius and USAID/Riga between July 1999 and September 2000 and September 1999, respectively.

Four options for ENI consideration have been identified: (1) combine policy, program guidance, and operational guidance into one management unit - ENI/ECA, (2) combine policy, program guidance, and operational guidance into one management unit - ENI/RSC,
(3) provide policy guidance from ENI/ECA and program/operational guidance from ENI/RSC, or 4) provide policy guidance from ENI/ECA and program/operational guidance from USAID/Warsaw. The strengths and weaknesses of each of these options are described in *Information Annex IV*. **It is strongly recommended that the ENI/DAA review each of these**

options and select the one that continues to provide policy guidance from ENI but delegates day to day program and operational management oversight to the most practical level of operation, allowing for continued smooth field implementation. [NB: The US Ambassador and the DCM have reviewed these four options and strongly prefer Option 4. They believe this will keep field and operational management closest to Vilnius, which they recommend.]

4. <u>Program and operational management within USAID/Vilnius, post-USAID Direct Hire presence in Lithuania:</u> Currently, when the USDH departs post in July 1999, the program funded USPSC Country Program Specialist (CPS) in Lithuania will supervise all program staff, while the part time Regional EXO will supervise the OE funded administrative team. This arrangement was based on an earlier ENI position that USAID/Vilnius operation would report to a USDH in the ENI/RSC in Budapest. The CPS was program funded due to ENI guidance in 1998 that there were insufficient OE funds to support this position. Therefore, at this time, the CPS cannot supervise the OE funded staff in the Mission.

With the earlier departure of the USDH from Vilnius, and the possible shift in reporting by USAID/Vilnius to ENI/ECA, it is deemed critical to unify the management of USAID/Vilnius to permit the CPS, the most senior full time officer, to supervise all USPSC and Lithuanian program and OE funded staff. This will require a change in the CPS contract from program funded to OE funded no later than July 1999 through September 2000. It is estimated that this will cost and additional $248 ,000 in FY99 and FY2000 OE budget. The alternative is increased management burden on regional or Washington based USDH staff and an unrealistic daily management system at Mission level. **It is recommended that the OE budget increase be approved to permit a unified management unit and to reduce vulnerabilities in the Mission.**

5. <u>Program management October 1, 2000 to September 30, 2001:</u> Several program activities, particularly in the energy and nuclear safety areas, may continue to require USAID monitoring or closeout guidance beyond September 30, 2000. The Embassy has endorsed the proposal to provide a USAID/Vilnius FSN for one additional year to assist in the transition to full management by the Embassy and to coordinate regional USAID activities, particularly in energy, the environment, and the Northern European Initiatives. It is estimated that the cost of an FSN-11 for one additional year is $35,000. **It is strongly recommended that ENI approve the use of existing Program funds under Project 180-0249, AEPS, to support one additional year of program management assistance.**

6. <u>OE Budget:</u> The current OE budget for the Mission is based on an assumption that no additional savings can be achieved as a result of reducing office space and staff beyond planned levels. However, USAID/Vilnius is assessing the possibility of reducing the floor space in the office and negotiating a new lease with the landlord to reduce USAID costs. By June 1999, USAID/Vilnius will be able to inform ENI of any potential savings in OE that could be achieved. **It is recommended that ENI approve USAID/Vilnius continued cooperation with the Warsaw-based controller and RSC to find additional cost savings in OE.**

7. <u>ENI support:</u> Based on the approved closeout/graduation plan, including ceremonies, there will be requests for ENI and/or regional participation.

B. PART I: OVERVIEW AND FACTORS AFFECTING PROGRAM PERFORMANCE

Overview: Solid and sustained progress has been made in developing a democratic and market-oriented economy in Lithuania. Growth is forecast at approximately 4% for 1998. Despite the East Asian and Russian financial market turmoil, Lithuania's financial system remains sound, investment continues apace and the economy is becoming more diverse and western-oriented. The major macroeconomic concern is Lithuania's large current account deficit, approximately 13.5% of GDP for 1999. While this imposes little immediate risk to short-term solvency, the repayment obligations arising from large and long-lasting current account deficits are onerous and expose the Government, the state enterprises and private companies to uncertainties by international capital markets. Macroeconomic developments remain broadly positive, with positive economic growth, low unemployment, single-digit inflation, low real interest rates, a sound but thinly capitalized banking system and an upsurge in private investment. In 1997 and early 1998, foreign direct investment rose nearly US $1 billion in 1998, with comparable commitments for future years.

The rapid pace of economic growth in 1997 and early 1998 raised fears of over-heating and a possible balance-of-payments crisis, however, the Russian financial turmoil, beginning in August 1998, cooled-off the economy and led Government and the private sector to readjust their sights from real economic growth of approximately 8% per annum to approximately 4% for 1998/1999. The Russian crisis had an immediate impact on Lithuania's economy whereby, Russian import demand collapsed, global financial markets became leery of Eastern European emerging markets, investors withdrew from regional stock markets, and currency devaluation in Russia and other CIS countries reduced Lithuania's external competitiveness. From August to November, exports to Russia plunged, reducing total export growth to 1%, although exports to Russia have begun to recover. Government revenues declined along with the fall in trade. To compensate for this shortfall, the Government reduced 1998 public expenditures and revised downwards budgetary and revenue targets for 1999. To encourage private investors, the list of companies eligible for privatization was expanded, a tax reform plan that included the abolition of the corporate income tax was announced, and new investment and small and medium-scale enterprise laws were prepared.

Lithuania's economy is expected to remain under pressure in 1999 as a result of the Russian financial turmoil, an anticipated slowdown in EU growth, and uncertainty arising from the introduction of the euro. Forecasts vary, but most analysts expect growth in the range of 3-4% for the year, significantly lower than in 1997 and 1998 and many enterprises will finish 1998 in the red. Due to this economic forecast, higher wages, pensions and private investment will undoubtedly be limited in the near-term and the Government has announced a policy of civil service wage restraint for 1999. In this difficult economic setting, the Government will be unable to fulfill its political promises to laborers, pensioners, big business and small enterprise operators. With an election coming up, there will be pressure to resort to tax give-away's, government subsidies, local government borrowing, savings restitution payoffs, utility tariff restraint and other off-budget measures to appease special interest groups. Corruption may prove harder to combat when civil service wages are frozen. And cash-based privatization will prove more difficult to accomplish when the firms that are to be privatized are reporting losses or are being used for quasi-fiscal purposes.

Political Developments: Since re-establishing independence in 1990, after more than forty-five years of Soviet occupation, Lithuania created a parliamentary and representative democracy that respects the rule of law. The constitution, approved by popular referendum in 1992, and upheld by a widely respected Constitutional Court, guarantees the separation of powers, free media, and fundamental human rights. The political system is characterized by free and fair elections. Maturation of political parties is growing. The judiciary is formally independent, although the Ministry of Justice retains a great deal of influence. Law enforcement institutions, however, face significant challenges in dealing with organized crime and corruption. Existing complexities resulting from the legacies of the Nazi and Soviet occupations have resulted in the formation of an Historical Commission, established by Presidential decree review and document the research findings. Finally, it is important to note that Lithuania has made demonstrable progress towards membership into key European and Trans-Atlantic institutions.

After two years of general political stability, 1999 is revealing unsettling trends. Relations between the major government institutions and between some key personalities have become strained. Allegations of corruption in and around government have generated considerable controversy. This has distracted the government from meeting certain electoral commitments, although in general the ruling coalition has followed its program closely. With elections due before the end of 2000, questions arise whether crucial initiatives will be implemented this year. These factors impact USAID's work in fiscal, financial, energy and civil society development. Additionally, there is growing controversy about the Ignalina Nuclear Power Plant future, which the European Union and others want to see closed, without (in Lithuania's view) full consideration for the costs of decommissioning or the provision of alternate sources of energy.

Key Achievements in FY98 and Prospects for Progress by Closeout (September 2000):
Fiscal: The most significant achievement was in the Ministry of Finance's improved use of the budget process, which was enhanced due to the GoL's decision to adopt a policy of program and performance based budgeting. The Government formed a Budget Commission which developed a strategy for budget reform which included: introduction of program and performance budgeting, increasing transparency, reduction of off-budget expenditures, and improvement of the expenditure control system. Further progress in SO 1.2 through FY2000 is dependent upon the Government's commitment to reform, which is encouraging in the budget sector but troubling in tax policy. Most Mission activities will be completed before closeout but existing gaps in the reform agenda will continue until full government commitment is in place.

Financial: The most significant achievement was the strengthening of the Central Bank as a stabilizing institution in Lithuania's financial sector, with positive evaluations from banking advisors, the IMF and World Bank. The most significant country factor was the impact from the Russian crisis as it derailed privatization of the State Agriculture Bank, put pressure on commercial bank lending, brought down equity prices, and pushed up interest rates. Planned tasks should be completed before closeout, resulting in the Mission having contributed significantly to sustainable reform in the financial sector by September 2000. However, the lack of sufficient depth in the financial sector is a lingering concern and although the situation is improving the sector remains susceptible to internal and external shocks.

Energy/Environment: The most significant achievement was the adoption by the Energy Pricing Commission (EPC) of market oriented pricing methodologies for electricity pricing. Because of the high quality of EPC's work, the EPC was assigned tariff review and approval authority over pricing of water, sewers, and internal transportation. The country factor most influencing program progress is the emerging pressure of the EU to demand INPP closure decisions from Lithuania as a condition to EU accession. Achievement of a sound decision on re-licensing INPP will most likely be made only with continued support through USG technical assistance. Successful SO closeout, based on the ability for continued sound re-licensing decisions for INPP, is unsure because the future of INPP operation is now a national security issue and increasingly political.

Democracy: The most significant achievement was the Seimas development of new and transparent parliamentary procedures, resulting from the USAID-funded Program on Open Legislative Process. The country factor that most influenced progress was greater receptivity to NGO activism on the part of local and national authorities, as demonstrated by their increased cooperation with DemNet and other NGOs, and the establishment of the Prime Minister's Advisory Council of NGO representatives. The prospects for progress are measured, with incremental improvements to the legal framework governing NGOs and increased access to local and national governments. The prospects for successful closeout are good and particularly with the USAID/Soros Foundation's establishment of the Baltic American Partnership Fund, an important civil society legacy project.

Prospects for Progress Post-Closeout 2000: By 2000, USAID will have contributed significantly to the pursuit of democracy and an open market, however, key policy goals will remain unfulfilled. Predictions are that the financial sector will remain thin, the central bank will operate similar to an "extended" currency peg, the capital market will continue function as "pre-emerging," energy will be sold at costs below that needed to promote conservation and inward investment, the gray economy will remain large, the tax system will be biased against wage incomes; fiscal transparency will be inconsistent and off-budget financing to meet many government objectives will continue to be in use.

U.S. National Goals: Linkage of USAID Programs to the Mission Performance Plan (MPP)

The MPP's primary national objective for Lithuania is to have the country play a positive and stabilizing role in an integrated Europe and participate fully in the emerging regional political, economic and security structures. USAID address two of the three supporting elements: integration of a prosperous and democratic Lithuania into transatlantic institutions (e.g., NATO, EU and WTO) and complete transition to an open market economy. The US-Baltic Charter, signed by President Clinton in January 1998, is the basis of the MPP and identifies the fundamental objectives of our bilateral relationship, where USAID plays an important role: shared values, respect for human rights and the rule of law, and free markets. USAID supports key MPP goals: Open Markets, Economic Development, Democracy, Energy/Environment and Health (HIV/AIDS), through activities in fiscal and financial reform (including the Baltic American Enterprise Fund), civil society/NGO development (including the Baltic American Partnership Fund), energy/environment initiatives, and the initiation of two Northern European Initiatives (NEI), (Lithuania/Kaliningrad USAID-UNDP HIV/AIDS program and the Belarus/Kaliningrad business and public administration training in Lithuania).

C. PART II: RESULTS REVIEW

SO 1.2 Strengthening Fiscal Management

Summary: Strengthening Fiscal Management began in 1996 to assist the Government of Lithuania (GoL) in identifying and overcoming major obstacles to business growth and economic stability. The foci are: tax and budget reform, and debt and fiscal management. The SO strives to improve fiscal management, as measured by tax revenue as a percentage of GDP. The direct beneficiaries are the MoF, the GoL and the Parliament.

Key Results: Five intermediate results supporting this SO target primary Ministry of Finance (MoF) functions: 1) implementation of tax policy reforms, measured by grey market activity, 2) improved tax administration, measured by tax arrears, 3) improved public debt management, measured by the nation's credit rating, 4) improved treasury function, measured by treasury system usage, and 5) improved budget process, measured by implementation and results of performance based budgeting.

Performance and Prospects: Performance over the past year has partially met expectations, with six of eight targets met or exceeded. Most key fiscal systems are successfully implemented at the Ministry of Finance and the repercussions of the financial crisis were well managed. The primary area of concern remains the low level of tax revenue as a percentage of official GDP, hindering the government's ability to meet fiscal obligations on time, resulting in its resorting to quasi-fiscal funding options. This concern is further aggravated by high turnover in five key tax positions in December 1998, resulting in lost momentum for reform.

The Ministry of Finance continued to emphasize all areas of the SO in 1998, though progress was not achieved in all areas. In *tax policy*, the Government of Lithuania publicly announced its commitment to principles such as fairness, neutrality, and clarity in taxation matters and stated its intention to: 1) stimulate savings and reinvestment of earnings,
2) reduce tax exemptions and tax administration costs, 3) harmonize Lithuanian taxes with European Union principles, 4) resolve contradictions in the existing tax laws and regulations, and 5) prepare a unified, coherent Tax Code. The Prime Minister continues to support elimination of the business income tax, which appears to be based on political rather than economic rationale. To partially compensate for the expected fall in revenue, a capital gains tax was introduced. In *tax administration*, legislation was passed in July 1998 giving inspectors the authority to use indirect methods in establishing tax liabilities. Due to delays in preparing implementing regulations and providing training to inspectors, the law has not yet been implemented. Restructuring of the State Tax Inspectorate (STI) began with replacing the system of 56 local offices with 10 district-level offices, effective January 1, 1999. Reorganization of the central STI office has been delayed indefinitely due to the vacancy in the STI director's position. Revenues continue to be below expectations, partially due to the Russian economic crisis and partially due to the inefficiencies of the STI. Poor relations between STI and the Tax Police continue to hinder the effective prosecution of tax evaders. As a result, much remains to be done to identify and pursue those businesses operating in the gray economy.

In *budget policy reform*, the GoL adopted program and performance budgeting in FY99 as the country's official policy. This was done in conjunction with the first balanced budget since 1994.

The budget reform objectives to consolidate the budget and phase out off-budget expenditures have been partially achieved and are reflected in the draft Budget Law that was prepared in 1998. 60-70% of annual public spending covers government salaries and transfer payments, however, Lithuania has yet to establish a civil service system to manage and control this major element of the budget. In *public finance*, there continued to be little public investment. Public pensions were substantially increased, but remain far below poverty levels. Municipal budgets are not part of the regular budget but are a predetermined percentage of estimated revenues. Municipalities are assigned certain broad areas of spending priorities, without an adequate funding base and with little authority to tax or borrow. With expenditures continuing to exceed revenues, the GOL has accumulated a large public debt and is augmenting the budget with quasi-fiscal outlays.

The tax policy indicator of reduced gray market, indicates that an increasing number of companies are entering the official economy, though there is a growing sense that crime and corruption is on the rise. USAID assistance was directed at simplifying the tax laws, making them more coherent, broadening the tax base, lowering and simplifying tax rates, encouraging fairness and neutrality in taxation, and educating tax policy makers on tax measures adopted in Western countries. In addition, the tax analysis work aimed to strengthen the MOF's capacity to analyze and assess alternative policies, using economic modeling techniques. Technical assistance to the MoF resulted in simplifying, lowering rates and broadening the base of the personal income tax. It also ensured that adopted revisions to the VAT laws were in line with EU standards and covered assistance in the preparation of new tax legislation on real property and the framework for a unified Tax Code. In tax administration, the Mission tracks the target of the level of uncollected taxes. This level is lower than in previous years and on-target. Training was provided in taxpayer service and indirect audit methods. Business planning was successfully introduced and is quickly becoming a standard practice throughout the STI. Regular communication has been established between the business community and the STI to improve the sharing of ideas. Work on a manual for the Tax Collection Division inspectors ceased with the departure of the Collection Division Head and Deputy Head. These positions remain vacant.

The two budget policy indicators tracked by the Mission exceeded their targets. The government stayed within its planned budget and all 14 Ministries began to use performance based budgeting targets. The US Treasury budget program initiated reforms to: 1) strengthen the legal framework for public expenditures, 2) redesign budget planning and development procedures, 3) eliminate off-budget funding and expenditures, and 4) improve the systems of budget monitoring and evaluation. The advisor organized and implemented an intensive training program on performance based budgeting, which ensured its correct introduction throughout the GoL. In addition, he moved forward on drafting a new program and performance based budget manual called, "Preparation, Submission, Analysis, and Evaluation of the National Budget," which will help ensure standardization of the process throughout all the Ministries. The next important step will be automation of the budget process. An intermittent USAID advisor helped the MoF develop its capacity for macroeconomic analysis and forecasting and improved fiscal policy analysis. The advisor assisted and trained MoF staff to analyze the linkages between fiscal policy, structural policy and macroeconomic vulnerability, enabling the Ministry to better predict and respond effectively to fiscal sector developments.

Possible Adjustment to Plans: The Mission will provide assistance to the MoF in all five IR's through graduation, with the goal of developing capacity at the MoF to conduct effective policy without outside consultants. Completion of planned assistance is realistic by graduation. This will be accomplished through technical assistance, and by implementing self-sustaining in-service training for all of the MoF's employees. The foci will be on tax policy and budget reform. Additional efforts will be needed from USAID advisors to work with and encourage the MoF, the Prime Minister's office, and the Parliament to adopt economically sound tax policy reforms. FY99 activities will include establishing an improved budget monitoring system, a program budget evaluation, and increasing budget transparency. USAID's assistance in public expenditures will continue on budget planning and development procedures, phasing out use of off-budget funding and expenditures, and improving the systems of budget monitoring and evaluation. This will enhance fiscal credibility and help address problems associated with poor budgeting, such as frequent budget revisions and large gaps between budgeted and actual expenditures.

Other Donor Programs: Assistance in the fiscal sector is closely coordinated with other donors. Work in tax administration and tax policy is coordinated with Phare, which is significantly expanding its tax administration program. Phare will continue assistance in this area after the completion of USAID's activity. Work on budget policy reform is closely and effectively coordinated with the Canadian Public Administration Reform project. The treasury systems activities are coordinated with the Danish assistance program.

Major Contractors and Grantees: The three implementers in this SO are: Harvard Institute for International Development (HIID) - tax policy, U.S. Treasury - tax administration, budget policy reform and improved treasury systems, and Economic Management Services International (EMSI) -- macro-planning and forecasting.

OBJECTIVE: 1.2 STRENGTHENED FISCAL MANAGEMENT
APPROVED: **1996** **COUNTRY/ORGANIZATION:** USAID/LITHUANIA

RESULT NAME: S.O. STRENGTHENED FISCAL MANAGEMENT

INDICATOR: TAX REVENUE AS A PERCENTAGE OF OFFICIAL GDP

UNIT OF MEASURE: PERCENT

SOURCE: MINISTRY OF FINANCE

INDICATOR DESCRIPTION: REPORTED GOVERNMENT TAX REVENUE DIVIDED BY GDP

COMMENTS: GOVERNMENT REVENUES WERE OVER 41% OF GDP IN 1991 AND HAVE FALLEN STEADILY THROUGH 1996. GOVERNMENT POLICY AIMS BOTH TO RAISE THE SHARE OF REVENUES IN THE REPORTED GDP AND TO ELIMINATE HIDDEN ECONOMY ACTIVITY (AND SO EQUATING REPORTED AND ACTUAL GDP)

YEAR	**PLANNED**	**ACTUAL**
1995	BASELINE	24%
1996	24%	21%
1997	26%	21%

OBJECTIVE: STRENGTHENED FISCAL MANAGEMENT
APPROVED: 1996 **COUNTRY/ORGANIZATION:** USAID/LITHUANIA

RESULT NAME: SO 1.2.1. TAX POLICY REFORMS ARE IMPLEMENTED

INDICATOR: LEVEL OF GRAY MARKET ACTIVITY

UNIT OF MEASURE: PERCENT SOURCE: MINISTRY OF FINANCE INDICATOR DESCRIPTION: PERCENT OF THE ECONOMY THAT IS NOT ACCOUNTED FOR IN OFFICIAL GOVERNMENT STATISTICS COMMENTS: DURING TRANSFORMATION PERIOD DUE TO UNFAVORABLE CONDITIONS MORE THAN HALF OF BUSINESS ACTIVITIES WERE DRIVEN UNDERGROUND. A LOT OF GOVERNMENT EFFORTS ARE CONCENTRATED TO ELIMINATE HIDDEN ECONOMY ACTIVITY.	YEAR	PLANNED	ACTUAL
	1995	BASELINE	50%
	1996	48%	45%
	1997	40%	40%

OBJECTIVE: 1.2 STRENGTHENED FISCAL MANAGEMENT
APPROVED: **1996** **COUNTRY/ORGANIZATION:** USAID/LITHUANIA

RESULT NAME: S.O.1.2.3. IMPROVED PUBLIC DEBT MANAGEMENT

INDICATOR: SUSTAINABLE ACCUMULATION OF EXTERNAL DEBT

UNIT OF MEASURE: PERCENT

SOURCE: MINISTRY OF FINANCE

INDICATOR DESCRIPTION: OFFICIAL DEBT TO GDP

COMMENTS: GOVERNMENT HAS TIGHTENED ITS DOMESTIC AND EXTERNAL BORROWING POLICY. THIS IS COMMENDABLE, ESPECIALLY CONSIDERING THE RAPID RATE AT WHICH PUBLIC DEBT WAS ACCUMULATING AND THE RATHER LIMITED DEVELOPMENT IMPACT OF PAST BORROWING.

YEAR	PLANNED	ACTUAL
1995	BASELINE	15%
1996	25%	25%
1997	28%	21%

OBJECTIVE: 1.2 STRENGTHENED FISCAL MANAGEMENT
APPROVED: **1996** **COUNTRY/ORGANIZATION:**

RESULT NAME: S.O. 1.2.4. TREASURY FUNCTION IS IMPLEMENTED

INDICATOR: TREASURY SUBSYSTEMS OPERATIONAL AND USED

UNIT OF MEASURE: YES/NO

SOURCE: MINISTRY OF FINANCE

INDICATOR DESCRIPTION: SPECIFIC ELEMENTS OF THE TREASURY SYSTEM ARE IMPLEMENTED AND OPERATIONAL

COMMENTS: MINISTRY OF FINANCE ESTABLISHED THE CORE OF TREASURY OPERATION WITHIN THE MINISTRY, WHICH HAS HELPED CONSOLIDATE FUNDING CONTROL. IT IS PLANNED THAT ALL MINISTRIES WILL BE LINKED TO TREASURY SYSTEM IN 1998.

YEAR	PLANNED	ACTUAL

	1995	BASELINE	SYSTEM DESIGNED, PREPARED FOR IMPLEMEN-TATION
	1996	SIX MINISTRIES LINKED TO THE SYSTEM	THREE MINISTRIES LINKED TO THE SYSTEM
	1997	TWELVE MINISTRIES LINKED TO THE SYSTEM	TEN MINISTRIES LINKED TO THE SYSTEM

TABLE 2 : PERFORMANCE DATA FOR STRATEGIC OBJECTIVE 1.2: BASELINE, TARGETS, AND ACTUAL RESULTS

LEVEL	*RESULT STATEMENT*	*PERFORMANCE INDICATOR*	*INDICATOR DEFINITION AND UNIT OF MEASUREMENT*	*BASELINE DATA*		*TARGETS AND ACTUAL RESULTS*									
				YEAR	*VALUE*	*1996*		*1997*		*1998*		*1999*		*2000*	
						Target	*Actual*	*Target*	*Actual*	*Target*	*Actual*	*Target*	*Actual*	*Target*	*Actual*
SO 1.2	*Strengthened Fiscal Management*	*1. Tax revenue as a percentage of official GDP*	*Definition: Reported government tax revenue divided by GDP.* *Unit: Percent*	*1995*	*24.0%*	*24.0%*	*21.0%*	*26.0%*	*21.0%*	*29.0%*		*31.0%*		*33.0%*	
IR 1.2.1	*Tax Policy Reforms are Implemented*	*1. Level of grey market activity*	*Definition: Percent of the economy that is not accounted for in official government statistics.* *Unit: Percent*	*1995*	*50%*	*48%*	*45%*	*40%*	*40%*	*33%*		*29%*		*25%*	
IR.1.2.2	*Improved Tax Administration*	*1. Level of uncollected taxes*	*Definition: Delinquent taxes divided by expected tax collections.* *Unit: Percent*	*1995*	*70%*	*50%*		*45%*		*40%*		*35%*		*30%*	
IR1.2.2.2	*Improved Tax Administration*	*2. Level of tax arrears*	*Definition: Tax arrears divided by GDP.* *Unit: Percent*	*1995*	*45%*	*24%*		*21%*		*18%*		*15%*			
IR1.2.3	*Improved Public Debt Management*	*1. Investment grade credit rating*	*Definition: S&P rating* *Unit: Show actual ratings*	*1995*	*No rating*	*New indicator*	*BB-*	*BB*	*BBB-*	*BB+*		*AA-*			
IR1.2.3	*Improved Public Debt Management*	*2. Sustainable accumulation of external debt*	*Definition: Official debt to GDP.* *Unit: Percent*	*1995*	*15%*	*25%*	*25%*	*28%*	*21%*	*32%*		*35%*		*37%*	
IR 1.2.4	*Treasury Function is Implemented*	*1. Treasury sub-systems operational and used*	*Definition: Specific elements of the Treasury system are implemented and operational.* *Unit: Yes/No*	*1995*	*System designed, prepared for imple-mentation*	*Six Ministries linked to the system*	*Three Ministries linked to the system*	*Twleve Ministries linked to the system*	*Ten Ministries linked to the system*	*All Ministries linked and govt deposits securitized*					

LEVEL	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
				YEAR	VALUE	1996		1997		1998		1999		2000	
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
IR 1.2.5	Improved Budget Process used by the Ministry of Finance	2.Ratio of actual expenditures to budgeted	Definition: Actual governmnet expenditure divided by government proposed budget Unit: Percent	1995	N/A	New indicator	81%	85%	97%	90%		95%			
IR 1.2.5	Improved Budget Process used by the Ministry of Finance	3. Performance targets defined for main spending ministries	Definition: Performance targets are what the ministries will accomplish with the resources they are provided Unit: Number of ministries	1995	0	New indicator	0	2	0	4		6			
COMMENTS/NOTES Data on deliquent taxes and tax arrears is being not calculated because of limited human resources at the Ministry of Finance															

SO 1.4 A More Stable Financial Sector

Summary: Developing a more stable financial sector was given priority following the 1995 banking crisis and the identified need to develop a sound financial market. The Mission's objective is to achieve stability and confidence in the financial sector as measured by depth of the sector, lower real interest rates, and decreased long-term commercial debt. The primary institutional clients over the past year have been the Bank of Lithuania (Central Bank), the Lithuanian Securities Commission, the National Stock Exchange of Lithuania, the Ministry of Finance, the Lithuanian Parliament, and credit unions.

Key Results: Two key intermediate results supporting this objective are: (1) increased confidence in the banking system, as measured by the real level of deposits, the level of long-term time deposits, and registered bank share capital; and, (2) establishment of capital markets as a viable alternative to the banking sector, as measured by volume (both number of shares and value) and number of blue-chip companies.

Performance and Prospects: Performance over the past year has met expectations, with seven of nine targets met or exceeded. Stability and growth have been achieved across the banking and capital markets sectors. Concern remains with regard to the shallowness of the financial sector, since the money supply to GDP percentage is only 19.7%. Although improved from last year, this shallowness increases Lithuania's vulnerability to financial shocks. Also, the number of top-tier investment stocks has not increased, thereby dampening investor interest to some extent.

The Bank of Lithuania (BoL) continues to emphasize the need for an orderly departure from the currency board and to develop ways of formulating and implementing appropriate monetary policy, however, the Governor of the Central bank has stated that the exchange rate for the litas will remain fixed in terms of the U.S. dollar at least through early 2000. After that time, a repegging of the litas to the euro, if appropriate, will begin. It is unclear how the general public will react when repegging occurs. The delay from earlier plans of departure in 1999 is due to the world currency market instability and the desire to see how the Euro performs. The commercial banking sector continued to see changes in 1998. Assets in the two state-owned banks make up 46% of total banking assets and continue to require attention from the Government, the Ministry of Finance and the BoL. Attempts to privatize the State Agricultural Bank in August 1998 failed due to the Russian crisis and general delays on the Government's side. A new tender is planned for Spring 1999 and in contrast to earlier policy, the Government recently raised the idea of privatizing the Savings Bank at the same time as the Agricultural Bank. The private banking sector continues to improve, despite the global economic problems. Total banking sector assets grew 37% during 1998. Foreign investors continue to show interest in banks and have a majority share in several private banks. The largest private bank has requested permission to purchase a majority share in the second-largest private bank. The combination of the two would represent 42% of banking sector assets, with the remaining six private banks totaling 12% of the total banking sector assets. Private banks continue to seek and receive large lines of credit from large foreign banks in order to fund loans. Two foreign banks operate branch offices and four foreign banks have representative offices.

Based on two indicators tracked by the Mission, the commercial banking system and the Central Bank have improved greatly since the banking crisis of late 1995. Bank share capital has increased every year both in total and on a bank average basis. In three years, the total bank capital increased 235%, reaching $221 million. Based on a survey of banking advisors familiar with the Central Bank, the rating of the Central Bank (1=poor, 5=excellent) has improved annually, beginning with 1.8 in 1996, then 3.0 in 1997, and 3.6 in 1998. Multilaterals (IMF and WB) have recognized a continuous increase in the quality of the BoL and have commended the Central Bank's performance.

The capital markets were hurt mid-year by the Asian/Russian financial crises. Share prices fell and have not yet recovered. In addition, the Government of Lithuania passed a capital gains tax of 15% mid-year, which along with increased paperwork/filings with the Ministry of Finance, further dampened investor interest. In the regulatory area, the Securities Commission amended the Law on Investment Companies to create a more favorable condition for the development of local mutual funds in Lithuania, since none are currently functioning. Minimum requirements for capital adequacy were incrementally increased per a 1997 plan, resulting in nine brokerages reducing their scope of operation to deal with risk limitations and two brokerages closed due to their inability to comply with the requirements. Several mergers also took place. The trading volume of the Exchange increased from 215 million in 1997 to 227 million in 1998, indicating that progress is on track, although the total value dropped slightly from $240 million to $220 million. This drop is related to the general fall in equity prices. The Exchange's system is approaching its maximum capacity, which should be improved with the introduction of the new trading system expected in 1999. In other financial sector developments, the Central Bank drafted a new law on non-bank financial institutions to cover credit unions, insurance companies and other non-bank institutions. Passage may occur in 1999. A draft law on private pension funds was finalized and submitted to Parliament. The number of credit unions increased from 23 to 28, with total assets increasing 230% to almost $2 million.

All three indicators (deposit levels, length of time deposits and bank capital levels) under the banking IR achieved their targets, indicating that progress is meeting expectations. At the Central Bank, assistance resulted in better money flow forecasts in the economy that allows the Central Bank to more accurately estimate liquidity needs. The resident U.S. Treasury advisor focussed assistance on domestic and foreign public relations and public information guidance and also worked to deal with potential crises linked to the Russian ruble devaluation. In bank supervision, improvements were made to evaluating capital requirements, risk- modeling techniques, and improving regulations related to financial derivatives. This will allow for better risk evaluation and management. Other USAID advisors improved the Central Bank's ability to examine commercial bank information technology systems including Year 2000 compliance reviews and drafted changes to deposit insurance regulation. At the Ministry of Finance, a U.S. Treasury advisor trained staff on bank privatization and assisted in moving forward privatization of the State Agricultural Bank. Although the privatization did not succeed, the Government plans to redo the tender and is much better prepared for this task than last year.

The two capital markets volume indicators met their targets for 1998, but the number of blue-chip companies registered fell short of expectations. Interest in the market continues, but more top-tier equity investments are needed. In 1998, USAID advisors helped the Lithuanian Securities Commission (LSC) further develop the capital markets legal and regulatory framework. In market regulation, as a result USAID technical assistance, the Commission adopted: the Rule on Discretionary Accounts, the Rule on Licensing Investment Management and Consulting Firms, the Rule on Acceptance and Execution of Clients' Orders, and the Rule on Agreements between Financial Brokerage Firms and their Clients. These rules systematize and clarify the requirements for brokers working with their clients in order to protect the interests of the latter and eliminate potential violations in the execution of orders. Two sets of accounting documents were prepared on reporting requirements and forms of financial statements for brokerage firms and mutual funds. As a result, brokerage firms' and investment companies' financial statements will better reflect the special reporting needs of financial companies and enable brokerages to disclose their financial status and performance more comprehensively according to international standards. This will help attract more capital from abroad, and improve the Securities Commission ability to better understand and analyze the specific operations of financial brokerages. The work of the Lithuanian Free Market Institute (LFMI) was instrumental in having draft pension fund legislation introduced in Parliament. Expected passage in 1999 will allow private pensions to start operating in the country.

Possible Adjustment to Plans: Although progress has been commendable, shallowness in the financial sector makes it vulnerable to internal and external shocks, which could erase recent achievements. This is less worrisome than in earlier years, due to the stability and increase in depth achieved; however, it remains an issue. The limited impact from the 1998 Russian financial crisis indicates that Lithuania has systems in place to deal with some external shocks, however, it is unclear how the country would deal with an even more severe shock. Progress on the SO indicates that most activities will be completed by the end of CY 1999. The focus of remaining assistance will be to complete banking and capital markets work. This includes supporting improvements in the stock exchange trading system, capital markets regulatory work, and bank supervision. Limited and focused work on bank privatization and currency board changes is possible in CY 2000, but will depend on decisions made at the highest levels of government. No resident advisors are expected in-country beyond June 1999.

Other Donor Programs: Where work is linked to World Bank, IMF, and Phare, coordination is solid and useful. Coordination on bank privatization with Phare has been successful. Work in all but bank privatization and capital markets regulation will be sufficiently completed by closeout, such that transfer to another donor will not be required. In both remaining areas, Phare will provide continued assistance.

Major Contractors and Grantees: There are seven activities with six different implementers. The primary implementers are: the U.S. Treasury, working on monetary policy and bank privatization; International Business and Technical Consultants, Inc. (IBTCI) working on bank supervision; Pragma Corporation, assisting capital markets strengthening; and the Lithuanian Free Market Institute (LFMI), working on financial legal reform.

OBJECTIVE: 1.4 MORE STABLE FINANCIAL ENVIRONMENT
APPROVED: **1996** **COUNTRY/ORGANIZATION:** USAID/LITHUANIA

RESULT NAME: A MORE STABLE FINANCIAL ENVIRONMENT

INDICATOR: REAL INTEREST RATES

UNIT OF MEASURE: PERCENTAGE

SOURCE: BANK OF LITHUANIA MONTHLY BULLETIN JANUARY 1998

INDICATOR DESCRIPTION: CALCULATED BY TAKING THE AVERAGE NOMINAL INTEREST RATE FOR DOMESTIC CURRENCY TIME DEPOSITS AS REPORTED BY THE CENTRAL BANK AND SUBTRACTING ANNUAL INFLATION

COMMENTS: INFLATION FOR 1997 WAS 8.4% AND LOWER THAN EXPECTED. INTEREST RATES FELL SLIGHTLY DURING THE YEAR AND LEVELED OFF AT THE END. INFLATION IS EXPECTED TO STAY IN THE SINGLE DIGITS FOR 1998 AND REAL INTEREST RATES WILL HOOVER AROUND ZERO. IN ADDITION, THE REAL LEVEL OF DEPOSITS ROSE 32% DURING THE YEAR, LED BY INCREASING CONFIDENCE IN THE BANKING SYSTEM AND BETTER REAL RATES THAN DURING THE EARLIER YEARS OF THE TRANSITION PROCESS.

YEAR	PLANNED	ACTUAL
1995	BASELINE	-16%
1996	-15%	+1.1%
1997	-12%	-0.8%

OBJECTIVE: 1.4.1 MORE STABLE FINANCIAL ENVIRONMENT
APPROVED: **1996** **COUNTRY/ORGANIZATION:** USAID/LITHUANIA

RESULT NAME: INCREASED CONFIDENCE IN THE BANKING SECTOR

INDICATOR: LEVEL OF LONG-TERM TIME DEPOSITS

	YEAR	PLANNED	ACTUAL
UNIT OF MEASURE: PERCENT **SOURCE:** BANK OF LITHUANIA MONTHLY BULLETIN JANUARY 1998. **INDICATOR DESCRIPTION:** PERCENT OF TIME DEPOSITS THAT ARE FOR LONGER THAN THREE MONTHS **COMMENTS**: NOT ONLY IS A GREATER PERCENTAGE OF TIME DEPOSITS LONGER THAN THREE MONTHS, BUT IN 1997, BANKS BEGAN TO OFFER TIME DEPOSITS FOR LONGER THAN TWO YEARS, INDICATING EXPECTATIONS OF STABILITY. TIME DEPOSITS, HOWEVER, MADE UP APPROXIMATELY 22% OF ALL DEPOSITS IN 1997, DOWN FROM APPROXIMATELY 27% IN 1996.			
	1995	BASELINE	15%
	1996	17%	25.7%
	1997	20%	33.1%

OBJECTIVE: 1.4.1 MORE STABLE FINANCIAL ENVIRONMENT **APPROVED:** **1996** **COUNTRY/ORGANIZATION:** USAID/LITHUANIA
RESULT NAME: INCREASED CONFIDENCE IN THE BANKING SECTOR
INDICATOR: REGISTERED SHARE CAPITAL

UNIT OF MEASURE: USD SOURCE: BANK OF LITHUANIA MONTHLY BULLETIN JANUARY 1998. INDICATOR DESCRIPTION: SHARE CAPITAL REGISTERED WITH THE CENTRAL BANK COMMENTS: ALL PRIVATE BANKS MEET MINIMUM CAPITAL REQUIREMENTS. BANKS CONTINUE TO ISSUE NEW CAPITAL, SO THAT THEY CAN SERVICE LARGER CLIENTS AND PROVIDE LARGER LOANS. BOTH DOMESTIC AND FOREIGN INVESTOR INTEREST CONTINUES TO BE STRONG, WITH BANK EQUITY ALSO BEING HEAVILY TRADED ON THE STOCK EXCHANGE.	YEAR	PLANNED	ACTUAL
	1995	BASELINE	94 Million
	1996	138 Million	190 Million
	1997	163 Million	207 Million

OBJECTIVE: 1.4.2 MORE STABLE FINANCIAL ENVIRONMENT
APPROVED: 1996 **COUNTRY/ORGANIZATION:** USAID/LITHUANIA

RESULT NAME: CAPITAL MARKETS ESTABLISHED AS A VIABLE ALTERNATIVE TO THE BANKING SECTOR

INDICATOR: TRADING VOLUME

UNIT OF MEASURE: USD SOURCE: NATIONAL STOCK EXCHANGE OF LITHUANIA 4TH QUARTER BULLETIN FOR 1997 INDICATOR DESCRIPTION: ANNUAL TURNOVER OF EQUITY MARKET. COMMENTS: THE 600% INCREASE IN VOLUME WAS UNEXPECTED BUT HIGHLIGHTS THE GROWTH THAT CAN BE ACHIEVED. IN 1997, THE LITHUANIAN CAPITAL MARKETS RECEIVED A SIGNIFICANT INCREASE IN BOTH DOMESTIC AND FOREIGN INVESTOR INTEREST. THIS WAS A RESULT OF IMPROVED INFORMATION, RECOVERY IN THE ENTERPRISE SECTOR, CONTINUED STRENGTHENING IN THE BANKING SECTOR AS WELL AS IMPROVED REGULATORY OVERSIGHT.	YEAR	PLANNED	ACTUAL
	1995	BASELINE	37 Million

1996	50 Million	47 Million
1997	65 Million	240 Million

TABLE 11 : PERFORMANCE DATA FOR STRATEGIC OBJECTIVE 1.4: BASELINE, TARGETS, AND ACTUAL RESULTS

LEVEL	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
				YEAR	VALUE	1996		1997		1998		1999		2000	
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
SO 1.4	A More Stable Financial Environment	1. Money Supply as a Percent of GDP	Definition: Money Supply will be measured by M2. Measurements done at year end. Unit: Percent	12/95	18%	18%	14.8%	22%	17.3%	27%	19.7%	35%		40%	
		2. Real Interest Rates	Definition: Average nominal interest rates for domestic currency time deposits as reported by the Central Bank minus annual inflation reported by the Statistics Department. Unit: Percent	1995	-16%	-15%	+ 1.1%	-12%	-0.8%	-10%	+ 1.06%	-5%		-2%	
		2. Long-term commercial debt as a % of total debt	Definition: The value of loans granted to residents for more than one year as a percent of all loans outstanding. (average for end of each quarter) Unit: Percent	1995	15.2%	17%	15.3%	19%	33.4%	22%	34.7%	25%		25%	
IR 1.4.1	Increased Confidence in the Banking System	1. Real level of deposits	Definition: Level of deposits adjusted for inflation. Unit: Litas	12/95	4,630 million	4,865 million	4,208 million	5,060 million	5,565 million	5,300 million	6,150 million	5,500 million		5,800 million	
		2. Level of long-term time deposits.	Definition: Percent of time deposits that are for longer than three months. Unit: Percent	12/95	15%	17%	25.7%	20%	33.1%	25%	40.1%	28%		30%	
		3. Registered share capital	Definition: Share capital registered with the Central Bank	12/95	376 million	550 million	762 million	650 million	826 million	700 million	885 million	750 million		800 million	

LEVEL	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
				YEAR	VALUE	1996		1997		1998		1999		2000	
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
			Unit: Litas												
IR 1.4.2	Capital Markets Established as a Viable Alternative to the Banking Sector	1. Volume (a)	Definition: Annual Turnover of equity market. Unit: Litas	1995	148 million	200 million	188 million	260 million	959 million	330 million	891 million	400 million		500 million	
		2. Volume (b)	Definition: Annual turnover of shares. Unit: Number of shares	1995	78.3 million	New Indicator	57.4 million	100 million	215.3 million	200 million	227 million	350 million		500 million	
		3. # of listed companies (listed is equivalent to being identified as a blue-chip company)	Definition: To be listed, a company must meet certain disclosure, liquidity, and ownership requirements. Unit: companies	1995	0	5	5	10	7	20	6	25		30	

COMMENTS/NOTES Financial Data for banking and government revenuw is collected for end of calendar year, and in only available no earlier than May 1 of the following calendar year. Capital markets information is typically available earlier.
USAID Lithuania: akriauciunas, March 5, 1999, File: u:\public\docs\r2.99\sodraft\lpdt.14

SO 1.5 Improved Safety and Policy of the Energy Sector

Summary: Two key factors have led USAID to take an integrated approach to the energy sector and initiate work on this SO in 1997. First, the Safety Analysis Report (SAR) of the Ignalina Nuclear Power Plant (INPP) was prepared, identifying necessary safety improvements that are critical to the safe future of the INPP. Second, the newly elected Government of Lithuania (GOL) initiated intensive reforms in the energy sector by restructuring it and improving its financial viability. The purpose of this SO is to assist the GOL in strengthening energy policy and safety, and addressing issues resulting from the eventual closure of the INPP. The direct beneficiaries of achievement of this SO are the INPP, the Nuclear Regulatory Institution, the Energy Pricing Commission and the Baltic power companies. The indirect beneficiaries are the people of the country who need a stable, economically viable, and safe energy supply.

Key results: Three key intermediate results identified to achieve this SO: (1) a sound decision made regarding the re-licensing of the INPP; (2) energy sector restructured, energy regulatory and price reform implemented so that energy prices are set to at least 95% of the replacement cost; and (3) Baltic energy cooperation enhanced with a regional least-cost energy plan developed in the Baltic Republics.

Performance and Prospects: Performance over the past year was mostly on-track, with some indicators being met in 1999 instead of 1998. Nuclear Safety of INPP and its future is the dominant issue in the energy sector. The Nuclear Regulatory Commission (NRC) continued to provide assistance to the Lithuanian nuclear regulatory body, VATESI, in addressing safety recommendations and in preparation of the licensing decision. Primarily due to a one-year delay in the donor-funded SAR, the licensing decision was postponed until May 1999; therefore, I.R. 1.5.1 was not achieved in 1998 as planned. As of December 1998, VATESI completed about 80% of the review work.

In 1998, a long-term draft Energy Strategy considering two options regarding INPP was developed: INPP closure as scheduled, or re-channeling, which would extend the plant's life for 15-20 more years. Recent studies indicated that gap closure for Unit 1 could occur earlier than expected, which could lead to an unanalyzed, and possibly unsafe level of operation. The evaluation of data is not completed and considerable differences of opinion exist regarding the timing and consequences of "gap closure". The NRC played a major role at consultative meetings of the Licensing Assistance Program's Steering Group, and has started an independent evaluation of the gap closure data. It has also assisted VATESI in completing the development of regulations on equipment qualification, technical specifications, and licensing of design changes. It also helped review safety improvements made by INPP to eliminate single point failure risk in replacement electronic modules that are connected to the plant's Control and Protection System and provided peer review to resolve other inspection and control related issues. This assistance will ensure that the re-licensing review is carried out in accordance with international safety standards.

Significant improvements have been made in INPP safety culture, information systems and management practices with assistance from the US Department of Energy (DOE). DOE provided the INPP with equipment and training in the following areas: electronic modules, configuration management, maintenance technology and safety culture. A multi-donor consortium has prepared a second safety-improvement program for INPP, and based on its recommendations a second shutdown system was implemented for INPP Unit 1 and will be extended to Unit 2 in 1999. All these measures should help maintain safer and more efficient production at the INPP until an alternative power source is adopted.

Energy collections continue to be one of the major problems in the energy sector. Payment arrears for electricity exports rose, and of $118 million of energy sold to Belarus, only about $10 million has been collected. Collections from internal Lithuanian sales have improved considerably, particularly from residential consumers. On average, the industrial consumers paid within 17 days and residential consumers within six. This improvement can largely be accredited to new procedures, including the discontinuance of service to nonpaying customers, instituted to reduce payment arrears.

Energy prices are basically on track to full cost-recovery levels, except electricity. Despite inflation, the Power Company did not ask for an increase, lowering the real price. Therefore, there was a move away from achieving IR 1.5.2. Currently, electricity tariffs reflect the financial costs of transmission, distribution, and imported fuel for nuclear and non-nuclear generation. A lack of full accounting for the cost of decommissioning and spent nuclear fuel storage remains an important issue. VAT was applied to district heating and natural gas users, resulting in an increase in average heating tariffs of 18%. The tariff has not been adequate to cover the costs of the gas industry but this was not an example of tariffs being set too low. The costs of gas transmission and distribution are largely fixed and the tariff was set based on projected demand. In 1998, there was a 30% reduction in demand from 1997 levels, resulting in the tariff not covering full fixed costs. With demand growth expected, an increase in tariffs is not justified.

US experts assisted the Energy Pricing Commission (EPC) to introduce market-oriented approaches and helped to review the implementation of an electricity pricing methodology. In 1998, USAID provided the EPC with a full time resident advisor who worked with the EPC in reviewing and making decisions on tariff increase requests for operating entities. US experts demonstrated how incentive pricing approaches could be applied in Lithuania and provided staff training in public relations and other areas. As a result, the EPC developed a new strategy for handling consumers' complaints. In 1998, the responsibilities of the EPC increased to include water, sewer and intra-country transport.

An Energy Conservation law was adopted and a draft Energy Regulatory law was developed. No other changes to the energy regulatory framework were made.

The US Company, Williams International, prepared to purchase a 33% stake in combined petroleum refining and transport companies. The Government has signed agreements with a consortium of Western power companies to build a high transmission power line to Poland, though implementation of the agreement is currently behind schedule.

To strengthen Baltic regional cooperation, USAID continued assisting the three Baltic power companies and the regional dispatch center in the development of their long term planning and system operations. The three Baltic utilities and Balitja DC carried out the study with analytical tools provided by USAID. Preparation of the final regional plan (I.R. 1.5.3) was delayed to March 1999 because of requests from the participants for modifications to the models. The regional plan is a comprehensive look at the costs and impacts of alternative INPP closure scenarios. Such information is critical in determining regional least cost alternatives to Ignalina supplied power.

Possible Adjustment to Plans: USAID's prospects in achieving the SO before the closeout are good. The EPC will receive technical assistance and training in economics and finance, data management systems, the development of a business plan, incentive or market mechanisms, and mastering the administrative burdens associated with the decentralization of the district heating industry and other areas. These efforts will strengthen the EPC's independence and capabilities to undertake increased responsibilities, as the EPC becomes one of the most important players in energy and privatization fields.

It is expected that VATESI will make a licensing decision in 1999. The NRC will further help VATESI to conduct the licensing review of INPP and submit a thorough statistical evaluation that will serve to predict Unit 1 gap closure timing. This will provide valuable input for Lithuania's officials in planning activities for closure of Unit 1. However, adequate donor support to ensure the safety of the INPP and provide least cost alternatives to the INPP will not be completed by closeout.

The Baltic utilities will finalize the regional least cost plan in 1999. The assistance on this effort is funded out of the regional budget. With the upcoming completion and presentation of the Baltic Regional Energy Development Program (BREDP), there is a strong desire on the part of the Baltic participants to use this work as a basis for the development of a regional investment plan. This investment plan would require solicitations to international financial institutions to support the funding of specific power system projects.

Other Donor Programs: US nuclear safety assistance is closely coordinated with other donors and the Nuclear Safety Account, to which USAID is a contributor. Work in the energy regulatory field is coordinated with the Phare program, which assists Lithuanians in the development of a new energy legal framework. The EPC was created under the World Bank's Structural Adjustment Loan, and the World Bank might be interested in assisting the EPC after the USAID program is completed. Baltic regional energy planning work is coordinated with the World Bank and EBRD who are the members of the BREDP's Steering Committee.

Major Contractors and Grantees: US nuclear safety assistance is implemented under the Interagency Agreement with the US Nuclear Regulatory Commission and directly by the Department of Energy. Energy regulatory assistance is provided under a contract with Bechtel. Regional energy planning assistance is provided under a contract with Electrotek.

OBJECTIVE: 1.5 IMPROVED SAFETY AND POLICY OF THE ENERGY SECTOR

APPROVED: 1998 COUNTRY/ORGANIZATION: USAID/LITHUANIA

RESULT NAME: 1.5.1 DECISION TO RELICENSE IGNALINA MADE IN ACCORDANCE WITH SAFETY GUIDELINES

INDICATOR: GOL DECISION MADE USING PROPER RESEARCH

UNIT OF MEASURE: PROGRESS MADE TOWARDS DOCUMENT COMPLETION	YEAR	PLANNED	ACTUAL
SOURCE: VATESI, NRC	1996	BASELINE	1st LCS DOCUMENT PREPARED
INDICATOR DESCRIPTION: REGULATORY LICENSING REVIEW (RLR) AND LEAST COST STUDY (LCS) DOCUMENTS PREPARED PRIOR DECISION	1997	50% OF THE DOCUMENTS COMPLETED	LCS IS UPDATED; 45% OF THE RLR COMPLETED
COMMENTS: THE LICENSING DECISION WAS POSTPONED FROM JUNE, 1988 UNTIL MAY, 1999	1998	DOCUMENTS COMPLETED AND DECISION MADE	LCS IS FINALIZED, 80% OF THE RLR COMPLETED

OBJECTIVE: 1.5 IMPROVED SAFETY AND POLICY OF THE ENERGY SECTOR

APPROVED: 1998 COUNTRY/ORGANIZATION: USAID/LITHUANIA

RESULT NAME: 1.5.2 ENERGY PRICING, REGULATORY REFORM AND RESTRUCTURING COMPLETED

INDICATOR: ENERGY PRICES REFLECT REAL ECONOMIC COSTS*

UNIT OF MEASURE: PERCENTAGE OF ECONOMIC COSTS	YEAR	PLANNED	ACTUAL
SOURCE: ENERGY PRICING COMMISSION, LITHUANIAN ENERGY INSTITUTE, MINISTRY OF ECONOMY	1996	BASELINE	70% EL-70% G-90% DH-60%
INDICATOR DESCRIPTION: ELECTRIC (EL), HEAT (DH) AND GAS (G) TARIFFS REFLECT COSTS OF PRODUCTION	1997	80%	**85% EL-70% G-90% DH-95%
COMMENTS: *- APPROXIMATE REPLACEMENT COST BY LEAST-COST ALTERNATIVE WAS USED AS A PROXY FOR REAL COST; **-5% REDUCTION FROM 1997 REPORT REFLECTS FINAL ACCURATE RAW DATA; ***-THE DECLINE IN ELECTRICITY SECTOR IS BECAUSE POWER COMPANY DID NOT ASK FOR A TARIFF INCREASE DESPITE INFLATION IN 1998	1998	90%	83% ***EL-60% G-95% DH-95%

OBJECTIVE: 1.5 IMPROVED SAFETY AND POLICY OF THE ENERGY SECTOR APPROVED: 1998 COUNTRY/ORGANIZATION: USAID/LITHUANIA			
RESULT NAME: 1.5.3 ENHANCED BALTIC ENERGY COOPERATION			
INDICATOR: REGIONAL ENERGY PROJECT DEVELOPMENT COMPLETED			
UNIT OF MEASURE: YES/NO (INCLUDES MILESTONES)	YEAR	PLANNED	ACTUAL
SOURCE: LITHUANIAN POWER COMPANY, LITHUANIAN ENERGY INSTITUTE, MINISTRY OF NATIONAL ECONOMY	1996	BASELINE	TRAINING STARTED
INDICATOR DESCRIPTION: REGIONAL AGREEMENT ON PROJECT REACHED	1997	DRAFT REGIONAL ELECTRICITY PLAN DEVELOPED	DRAFT PLAN DONE
COMMENTS: REGIONAL AGREEMENT ON THE PROJECT WAS NOT REACHED BECAUSE OF DELAYS IN PREPARATION OF THE FINAL REGIONAL PLAN	1998	FINAL REGIONAL PLAN DEVELOPED	FINAL REGIONAL DRAFT DEVELOPED

TABLE (PART2PDT1.5) : PERFORMANCE DATA FOR STRATEGIC OBJECTIVE 1.5: BASELINE, TARGETS, AND ACTUAL RESULTS

LEVEL	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	BASELINE DATA		1997		1998		1999		2000	
				YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual
SO 1.5	*Improved Safety and Policy of the Energy Sector*	*Power system investment increases*	*Definition: Percentage of ownership of utilities by strategic investment* *Unit:%*	*1996*	*9% in Lithuanian Power*	*9% in Lithuanian Power*	*13,5% in Lithuanian Power*	*35% in Lithuania Power*	*15% in Lithuanian Power*	*35% in CHPs and 35% in distribut. companies*			
IR 1.5.1	*Decision to relicense Ignalina made in accordance with safety guidelines*	*GOL decision made using proper research*	*Definition: Regulatory Licensing Review (RLR) and Least Cost Study (LCS) documents will be prepared prior to decision* *Unit: Progress made towards document completion*	*1996*	*1st LCS prepared*	*Documents 50% completed*	*LCS is updated, 45% of the RLR is completed*	*Documents completed and Decision made*	*80% of the RLR is completed, Decision postponed until May, 1999*	*Decision made*			
IR 1.5.2	*Energy pricing, regulatory reform and restructuring completed*	*1. New Legislation and regulations for energy sector adopted*	*Definition: Energy law passed* *Unit: yes/no*	*1996*	*Old Law in effect*	*New Law drafted*	*Yes*	*Law passed*	*Draft law developed*	*Law passed*			
		2. Energy prices reflect real economic costs	*Definition: Electricity, heat and gas tariffs reflect costs of production* *Unit: % of economic costs*	*1996*	*70%*	*80%*	*85%*	*90%*	*83%*	*100%*			
IR 1.5.3	*Enhanced Baltic energy cooperation*	*Regional Energy project development planning completed*	*Definition: Regional agreement on project reached* *Unit: Yes/no (includes milestones)*	*1996*	*Planning Departments established at each of the Baltic Energy Companies*	*Regional Electricity Plan developed*	*Draft plan developed*	*Regional Power pool agreed to and project finance plan developed*	*Final regional draft plan developed*	*Regional Project agreed upon*			

SO 2.1 Strengthened NGO Sector

Summary: USAID/Lithuania has been working to stabilize democracy and market orientation through increased and better informed citizen participation in political and economic decision making. This has been accomplished primarily through strengthening civil society and the non-governmental organization (NGO) sector. USAID has identified four main constraints facing the NGO sector in Lithuania: (a) laws and regulations (particularly concerning taxation, philanthropy, and commercial activities) are weak and conflicting; (b) civic participation rates and public-private partnerships, while increasing, are still limited; (c) NGO organizational, managerial, technical, and advocacy skills, while improving, are still not at the level necessary for the sector to be self-sustainable; (d) funding is inadequately diversified and traditions of philanthropy are not fully developed. Thus, NGOs do not receive sufficient support from citizens or authorities, and do not participate fully in public life. Paradoxically, Lithuania's impressive path towards democracy and general respect for human rights may deflect attention from civil society development towards economic development.

Key Results: In response to this situation, USAID has promoted: 1) development of a clearer, more supportive legal and regulatory environment for NGOs; 2) enhanced dialogue between authorities and NGOs; 3) a critical number of well-managed NGOs engaged in public advocacy; and 4) greater philanthropy, volunteer activity, and public support for NGOs. By improving the enabling environment, and helping NGOs play a more active role in solving social problems in cooperation with governmental authorities, work under SO 2.1 has benefited Lithuanian society as a whole.

Performance and Prospects: Performance over the past year has met and in many instances exceeded the goals set. It is anticipated that progress will continue on schedule through closeout. NGO activism has significantly increased, in part due to the USAID supported Democracy Network Program (DemNet) and the Program on Open Legislative Process. Legislative reform has continued, with the rejection of unfavorable amendments to the Law on Charity and Sponsorship for NGOs, and the drafting (with NGO participation) of a more favorable version, soon to be submitted to the Parliament. NGO management, as a result of USAID supported training programs, has improved dramatically. New sectoral initiatives indicate a greater degree of identity on the part of civil society.

NGO activism, advocacy, and participation in public life improved in 1998. Public outreach projects and initiatives amongst USAID supported NGOs continued the positive trend from previous years and exceeded the 1998 target (I.R. 2.1.1). This is a direct result of Phase II of DemNet, under which the US Baltic Foundation (USBF) focused assistance on a core group of ten NGOs. They received intensive training in public relations, advocacy, institutional development, strategic planning, and fund-raising. As partners in this process, each NGO pursued a public policy goal (amending laws affecting human rights, social welfare, environmental protection, and private enterprise, or building partnerships with public authorities). For example, the Kaunas Regional Association of Small and Medium Size Enterprises helped pass amendments to the Law on Enterprises which facilitate private investment. Another important result of DemNet is an Advisory Council of NGOs, which is being formed by and will report directly to the Prime Minister. USBF finished work under DemNet in 1998, but currently has a $300,000 institution building grant for its offices in all three Baltic States.

During 1998, there has been slow but steady progress on completing the legislative framework for NGO development (I.R. 2.1.1.1). Laws concerning the four organizational forms (Foundations, Associations, Community Organizations, and Public Institutions) are in place and functioning. The main focus of activity has been the Law on Charity and Sponsorship for NGOs, which sets the parameters for charitable giving. In part due to NGO networking, and a seminar at the Seimas in early 1998, previous and extremely unfavorable amendments to this Law were sent back to the Legislative Drafting Group, which was reconstituted to include two NGO representatives. A substantially improved version of the Law was then the subject of an open parliamentary committee hearing in December 1998 (see below). The Ministry of Finance is now setting up the system for monitoring charitable giving. Passage of this law will complete USAID's work under this I.R. (the Baltic American Partnership Fund will need to address implementation and taxation issues).

One of the most encouraging signs during recent efforts to amend the legislative framework has been increased NGO interest and activism (demonstrating the linkages between I.R.2.1.1 and I.R. 2.1.1.1). This reached a watershed in December 1998, when USAID and its training provider sponsored the "Seimas Program on Open Legislative Process." An open joint committee hearing on the draft *Law on Charity and Sponsorship* followed a Seimas plenary session on the benefits of and procedures for open hearings. Aside from providing practical experience to NGO leaders and MPs, the open hearing built support for proposed changes to the Seimas Statutes, which opened the legislative process to more citizen input. The need to improve the legal framework governing NGOs in general, and this law in particular, was brought to the forefront of national attention, with NGOs leading the way.

The previous performance indicator under I.R.2.1.1.2, measuring the percentage of NGOs receiving both public and private funding (of any amount), was not seen as the most informative measure of NGO management, particularly after focused training began under DemNet II. A better measure of management is the percentage of NGOs having both strategic and fund-raising plans. The indicator has been modified accordingly; focusing on USAID supported NGOs. The high score reflects the success of the DemNet training program, and mirrors results from similar training programs for broader groups of NGOs, which have proliferated over the past two years.

NGO management was further assisted by the USAID-funded first quantitative studies of the NGO sector, which included a survey of public opinions towards NGOs and an assessment of strengths and challenges for fifty prominent NGOs in Lithuania. The information derived from these surveys has been utilized by NGOs to improve their understanding of and ability to work with the public (e.g., fund-raising and outreach), and to analyze and resolve the major operational problems they face.

<u>Possible Adjustment to Plans</u>: Due to the closeout of several Democracy projects, I.R. 2.1.2, I.R. 2.1.2.1, and I.R. 2.1.2.1 will no longer be monitored. Because the final targets have been achieved, and since improvements in NGO advocacy are reflected in I.R. 2.1.1, I.R. 2.1.1.3 will also be dropped (this was stated in the 1998 R4). Two performance indicators have been slightly modified. With limited remaining activities, SO 2.1 will measure public-private interactions nationwide, between authorities and

NGO coalitions/umbrella groupings. Measuring sectoral initiatives, the next stage of NGO development, is also useful for the Baltic American Partnership Fund.

Other Donor Programs: Civil society development has benefited from excellent cooperation and coordination amongst key donors (the Open Society Fund, UNDP, and Phare). With the termination of most Democracy activities by September 1999, USAID is looking towards its legacy for civil society development in the three Baltic States. The key initiative is the regional Baltic American Partnership Fund (BAPF). This 501(c)(3) New York public charity is a $15 million, 10-year, sinking endowment, jointly financed by USAID and the Soros Foundation. It is an important part of the Baltic Charter signed in Washington on January 16, 1998. The NY-based independent Board of Directors and the Local Experts Group are in place, the Executive Director has been hired, and the first annual program plan is being finalized. The main goals are to strengthen the enabling and legal environment for NGOs, help professional and other NGOs build capacity and financial sustainability, and continue improving NGO advocacy.

Major Contractors and Grantees: I.R. 2.1.1 was furthered by the work of the U.S. Baltic Foundation, Freedom House/National Forum Foundation (regional NGO networking), and the Democracy Commission Small Grants Program (administered by USIS via a 632a transfer, which gave fifteen grants to NGOs promoting democratization, human rights, civil society, ethnic integration, civic education). Implementing partners in the legal reform effort include the International Center for Not-for Profit Law (under DemNet), the USAID supported NGO-Information and Support Center, the Volunteer Center (working to eliminate legal restrictions on voluntary activity), the ABA/CEELI Program, and the DemNet II NGOs. World Learning is the training provider.

OBJECTIVE: 2.1 STABILIZE DEMOCRACY AND MARKET ORIENTATION THROUGH INCREASED AND BETTER INFORMED CITIZENSPARTCIPATION IN POLITICAL AND ECONOMIC DECISION MAKING.

APPROVED: 1996 **COUNTRY/ORGANIZATION:** USAID/LITHUANIA

RESULT NAME: 2.1.1 INCREASED NGO ACTIVISM.

INDICATOR: INCREASED INCIDENCE OF NGOs DEVELOPING PUBLIC OUTREACH PROGRAMS THAT EXTEND BEYOND THEIR MEMBERSHIP BASES, AMONG NGOs RECEIVING USAID SUPPORT.

UNIT OF MEASURE: THE AVERAGE NUMBER OF ADVOCACY INFORMATION PROJECTS PER USAID SUPPORTED NGO.

SOURCE: US BALTIC FOUNDATION.

INDICATOR DESCRIPTION: ADVOCACY INFORMATION PROJECTS INVOLVE THE DISSEMINATION OF ADVOCACY MATERIALS THROUGH PRESS CONFERENCES, PUBLICATIONS, PUBLIC FORA, ETC.

COMMENTS: THE DEMOCRACY NETWORK PROGRAM HAS HAD A DEMONSTRABLE AFFECT UPON NGO ACTIVISM.

YEAR	BASE-LINE	PLAN-NED	ACTUAL
1996	45		
1997		50	50
1998		55	57
1999		60	

OBJECTIVE: 2.1 STABILIZE DEMOCRACY AND MARKET ORIENTATION THROUGH INCREASED AND BETTER INFORMED CITIZEN PARTCIPATION IN POLITICAL AND ECONOMIC DECISION MAKING.

APPROVED: 1996 **COUNTRY/ORGANIZATION:** USAID/LITHUANIA

RESULT NAME: 2.1.1.1 LEGISLATION ENABLING THE ORGANIZATION AND OPERATION OF NGOs ESTABLISHED.

INDICATOR: LEGISLATION DRAFTED (INCLUDING REVISIONS AND AMENDMENTS), APPROVED AND IMPLEMENTED TO ALLOW FOR OPTIMAL NGO DEVELOPMENT.

UNIT OF MEASURE: PERCENTAGE OF NECESSARY LAWS DRAFTED/APPROVED/IMPLEMENTED.

SOURCE: US BALTIC FOUNDATION, ICNL.

INDICATOR DESCRIPTION: DEVELOPMENT OF NGO-RELATED LEGISLATION AND ITS DISSEMINATION TO THE NGO COMMUNITY.

COMMENTS: THE LEGAL FRAMEWORK HAS BEEN PUT IN PLACE OVER THE PAST THREE YEARS. HOWEVER, REFINEMENTS ARE NECESSARY WITH REGARD TO IMPLEMENTATION, PARTICULARLY PHILANTHROPY UNDER THE LAW ON CHARITY AND SPONSORSHIP (CURRENTLY BEING AMENDED).

YEAR	BASE-LINE	PLAN-NED	ACTUAL
1996	50%		
1997		80%	80%
1998		90%	90%
1999		95%	

OBJECTIVE: 2.1 STABILIZE DEMOCRACY AND MARKET ORIENTATION THROUGH INCREASED AND BETTER INFORMED CITIZEN PARTCIPATION IN POLITICAL AND ECONOMIC DECISION MAKING.

APPROVED: 1996 **COUNTRY/ORGANIZATION:** USAID/LITHUANIA

RESULT NAME: 2.1.1.2 INCREASED EFFECTIVENESS OF NGO MANAGEMENT.

INDICATOR: INCREASED INCIDENCE OF NGOs HAVING BOTH STRATEGIC AND FUND-RAISING PLANS, AMONG NGOs RECEIVING USAID SUPPORT.

UNIT OF MEASURE: PERCENTAGE OF USAID SUPPORTED NGOs HAVING BOTH STRATEGIC AND FUND-RAISING PLANS IN PLACE.

SOURCE: US BALTIC FOUNDATION.

INDICATOR DESCRIPTION: STRATEGIC AND FUND-RAISING PLANS ARE CAREFULLY ELABORATED DOCUMENTS DESIGNED TO GUIDE AND DIRECT AN NGO TOWARD MEETING ITS INSTITUTIONAL AND FINANCIAL GOALS.

COMMENTS: THE DEMOCRACY NETWORK PROGRAM HAS HAD A DEMONSTRABLE AFFECT UPON NGO MANAGEMENT, AS REFLECTED BY THE DEVELOPMENT AND IMPLEMENTATION OF GUIDING PLANS.

YEAR	BASE-LINE	PLAN-NED	ACTUAL
1996	0		
1998		83%	83%
1999		90%	

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PERFORMANCE DATA FOR STRATEGIC OBJECTIVE 2.1: BASELINE, TARGETS, AND ACTUAL RESULTS

LEVEL	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	BASELINE DATA									
				YEAR	VALUE	1996	1997		1998		1999		2000
							Target	Actual	Target	Actual	Target	Actual	
SO 2.1	Stabilize democracy and market orientation through increased and better informed citizen participation in political and economic decision making.	Increased incidence of NGO umbrella organizations or coalitions undertaking joint initiatives and consultations with public officials at the national or municipal level	Definition: An umbrella organization or coalition is a grouping of at least five independent NGOs which is undertaking projects, consultations, or working with public officials to resolve common or NGO sectoral issues. Unit: Total number of umbrella organizations or coalitions.	1996	0				2	3	5		
IR 2.1.1.	Increased NGO activism.	Increased incidence of NGOs developing public outreach programs that extend beyond their membership bases, among NGOs receiving USAID support.	Definition: Dissemination of advocacy information by NGOs (e.g., through press conferences, publications, and public fora). Unit: The average number of advocacy information projects per USAID supported NGO.	1995	30	45	50	**50**	55	57	60		
I.R. 2.1.1.1	Legislation enabling the organization and operation of NGOs established.	Legislation drafted (including revisions and amendments), approved and implemented to allow for optimal NGO development.	Definition: Development of NGO-related legislation and its dissemination to the NGO community. Unit: Percentage of necessary laws drafted/approved/implemented.[1]	1996	50%	50%	80%	**80%**	90%	90%	95%		
I.R. 2.1.1.2	Increased effectiveness of NGO management.	Increased incidence of NGOs having both strategic and fund-raising plans, among NGOs receiving USAID support.	Definition: Strategic and fund-raining plans are carefully elaborated documents designed to guide and direct the activities of an NGO toward meeting its institutional and financial goals. Unit:: Percentage of NGOs having both fund-raising and strategic plans in place.	1996	0				83%	83%	90%		

1. Percentage is based on a ICNL check list of activities that need to take place to ensure the development of an optimal NGO legal environment. As of 1998, much of the legislation necessary to address the remaining limitations of existing NGO law in Lithuania has been drafted by a focus group of Lithuanian NGOs and international donors. This draft is currently under discussion with a GOL Working Group.

SPECIAL INITIATIVES

1. Regional Environmental Monitoring (REM): The REM program was designed to encourage compatible environmental data systems in the Baltic Region and to assist the Lithuanian Ministry of Environmental Protection (MEP) to strengthen its capacity to manage environmental monitoring. 1998 was the final year of USAID funding to the REM program and activities focused on completion of earlier work. The U.S. Environmental Protection Agency (EPA) purchased software to create a regional data base on the status of forest health, diversity and atmospheric pollution impact, which allows the Baltic countries to improve forest management with a regional approach. Assistance was provided to develop and implement a Quality Assurance and Quality Control System (QA/QC) in Lithuania that is needed for National Standardization Department accreditation. As a result, Lithuanian specialists have developed national QA/QC recommendations for groundwater and other environmental investigations. Equipment and assistance for an automated air monitoring system were provided to Vilnius, with information on Vilnius air pollution available on the Internet for decision makers and the public. A special achievement in the program was completion of Internet connectivity that allows Baltic specialists to communicate efficiently, to reach the public, to transfer and exchange information on environmental programs and results monitoring.

Vilnius Municipality, using University of Illinois grant funding obtained with EPA assistance, developed a wellhead protection plan based on EPA work in Siauliai, and prepared a drinking water quality Home Page. In 1998, the EPA conducted a management audit of the MEP after which, the MEP formed working groups to implement the recommendations, which are critical to improve management of the Lithuanian environmental program and to reduce barriers to EU accession. The USAID/EPA program was scheduled for completion in 1998, however, due to a major reorganization in the MEP, implementation of some activities was delayed and the project end date extended to May 1999. During this extension, the EPA will provide final assistance on the QA/QC program. The State of Ohio EPA has agreed to support the MEP after May 1999, to facilitate implementation of this program.

2. Baltic-American Enterprise Fund (BalAEF): The BalAEF began work in 1995 to provide loans to small and medium enterprises. During the reporting period, this regional activity, managed from Washington DC, further expanded its pilot product of mortgage loans and continued its core activities of business lending on a limited basis. The Fund's activities in Lithuania for 1998 were overshadowed by the passage of amendments to the Company Law in March 1998, which forbid Lithuanian joint-stock companies from borrowing from non-banking institutions in Lithuania. In December, with the US Embassy's encouragement, an amendment was passed allowing companies to borrow from donor-funded organizations. The Fund was then able to resume its full range of lending. For the fiscal year, total Fund loans in Lithuania increased from $7.8 million to $11.1 million. Recently, the Fund finalized its first equity investments for a value of $800,000. One investment, into the plastics industry, was the first of its kind for the Fund in Lithuania and will provide the Fund the opportunity to provide additional guidance to companies. Planned loan guarantees, will allow the Fund to better leverage its resources.

3. Improved Enterprise Capacity: During 1998, USAID closed its Land O'Lakes and World Environmental Center (WEC) activities and increased focus on legacy and sustainable partnerships. The remaining activities in the special initiative are support to small and medium enterprises through the International Executive Service Corps (IESC), IESC's sub-grantee International Business Network (IBN), Peace Corps, and training through the Management Training Center in Panevezys. Objectives set out by USAID have been met: firms are adopting technical solutions to solve production problems, management skills have been improved at assisted companies, and the planned economic benefits to cost ratio of 2/1 was well exceeded on project expenses of $250,000.

- *The International Executive Service Corps* worked with over 40 organizations over the past year. Impact examples: IESC helped a private computer sales company reorganize internal functions and improve financial controls resulting in $1.5 million in distribution agreements with Motorola, Compaq, and Hewlett Packard, reducing costs by 25% while increasing domestic sales by $600,000; provided input to a computer company on improving company operations, implementing cost-saving measures, and undertaking financial analysis leading to a $3 million increase in sales; and improving the quality systems of a manufacturing firm resulting in total quality management program implementation, $70,000 in exports from the U.S. and a $500,000 financing agreement with an Italian partner.
- *The Management Training Center* provided over 100 courses on business development, computers and business English and introduced seminars on leadership and women's issues to over 1500 participants. Participation in courses helped an agriculture equipment company to sign a distribution agreement with a U.S. company resulting in 15 new jobs, doubling revenue and increasing profit by 10%.
- *International Business Networks (IBN).* As part of its sustainability approach, USAID is helping to strengthen local institutions to carry on reform work. In late October 1998, the IESC office was registered as a local consulting company, IBN, staffed with former IESC employees who wanted to become a local consulting company and continue the expert work that began in 1992. IBN not only maintains its links to IESC, but has also expanded its business development and service offerings.
- *The Pollution Prevention Center* opened the most modern Environmental Laboratory in the Baltic region in May 1998. The state-of-the-art equipment, purchased with USAID funds, will help industry reduce pollution, improve its manufacturing efficiencies, and become more competitive in the global economy. Western Europe and other developed countries are looking at ISO 14000 (environmental) certification and this laboratory will help in that endeavor and other environmental and economic improvements.

4. Training (World Learning) – Global Bureau Transit-Europe Program:

Initiated at the request of the Ministry of Finance, FY 1998 programming emphasized in-country training, in order to reach a broader audience and include non-English speaking professionals. 14 important policy decision-makers were selected for training in the U.S., while 467 individuals benefited from in-country and 10 from third-country training. The topics and participants supported all of the SOs: fiscal - 212 participants, financial - 40, energy - 2, NGO support - 228, and Special Initiatives – 9. 52% of the participants were female, which is much higher than the national average for employment of women in similar positions, and is the highest level achieved by the Mission to date. Training impacts are reported at the SO level.

The FY99 training plan will focus on institutional capacity building within the Ministry of Finance (MOF Training Center), to build the organizational, management and technical ability of the MOF to create and provide core fiscal training courses to MOF staff post-USAID.

Highlights include:

- The first non-deficit budget, was prepared in Lithuania since 1994: In cooperation with the U.S. Treasury, six participants from the Parliament, Government and the Ministry of Finance participated in a two week program on the budget process, resulting in the participants receiving the necessary experience and materials to prepare a number of regulations and revisions to the Budget Law. This led to budget law passage in 1998 and implementation of a program-based budget.

- The Director of the World Bank Policy Department of the Bank of Lithuania, participated in a training course and meetings at the Chicago Federal Reserve Bank. As a result, he established a Coordination Committee of Fiscal and Monetary Policy between the Central Bank and the Ministry of Finance; introduced the JP Morgan System of Early Warning Indicators for estimating risk of financial crisis in Lithuania to better track early warning indicators of financial crises; and headed the preparation of a comparative review of financial systems called, "Lithuania under Conditions of Instability in International Financial Markets". The document reviewed different systems of early warning indicators which substantiated the urgency for limiting the current account deficit in Lithuania.

D. PART III. RESOURCE REQUEST:

Budget Changes

The FY 99, FY 98 Carry Over, and reobligation funds have been reviewed and revised to meet the last year's close out requirements of achieving success in the four strategic objectives. The revised budget reflects the following key considerations:

- The most pressing US foreign policy objective and one of the most critical economic issues facing Lithuania relate to the safe operation and eventual closure of the Ignalina Nuclear Power Plant (INPP). The INPP is scheduled to be relicensed in April 1999, the G-7 nuclear safety experts estimate that the INPP Unit 1 will face gap closure in 2 to 4 years, the GOL has previously signed a nuclear safety agreement to close the INPP Unit 1 when gap closure occurs, and the priority for CY 1999-2002 will be to identify least cost alternatives and make investments to provide Lithuania with the least cost reliable source of energy. This will require additional donor assistance. The Mission has increased the allocation of funds for nuclear safety and associated investment preparation for alternatives to the INPP.

- Fiscal policy will achieve major results, but is hindered by political decision making. Consequently, the Mission will focus on the sustainability of capacity building in fiscal policy rather than all of the specific policy objectives. Funds will be provided for an economic policy conference to address Lithuanian's economic future in the 21st century; to complete work in tax policy including initial planning to revise a tax code and provide a course in comparative taxation; to complete the design and implementation of a new performance based budget; complete the consolidation of the treasury functions, and ensure fiscal sustainability by developing a capacity building fiscal policy training program.

- All results have been achieved in the financial sector and work in this strategic objective will be completed with FY 98 carry-over funds and a reobligation to provide computer equipment at the stock exchange.

- The NGO development work will be closed out with the final $200,000 for USAID NGO work ($100,000 from FY 98 CO) and the Embassy's Democracy Commission ($100,000) and the transition to the new regional Baltic American Partnership Fund

- Funding is set aside to document program results, lessons learned, and the graduation close out activities under the AEPS budget.

	FY 99 ALLOCATIONS		Change
	FY 98 R2	**FY 99 R2**	
SO 1.2	1,010,000	876,000	-134,000
SO 1.4	315,000	0	-315,000
SO 1.5	300,000	516,000	216,000
SO 2.1	0	100,000	100,000
SO 4.2			0
-Training	200,000	433,000	233,000
-AEPS	375,000	375,000	0
TOTAL	2,200,000	2,300,000	100,000

Funds from SO 1.2 and 1.4 were shifted to the increased training budget to support SO 1.2 and funds were increased in the energy nuclear safety line item. The increase in funds for SO 2.1 were approved by ENI and the coordinator's office to provide to the Embassy's democracy commission as a close out effort.

Deobligation/reobligations

Mission de-obligation/re-obligations have been continued and are now planned as follows, in comparison to the FY 98 R2 submission. This budget table reflects an update of information and a shift in allocation to reflect the priorities noted for the FY 99 budget allocation.

	DEOBLIGATIONS		REOBLGATIONS	
	FY 98 R2	**FY 99 R2**	**FY 98 R2**	**FY 99 R2**
SO 1.2			0	0
SO 1.4	309,074	797,006	0	337,932
SO 1.5			150,000	300,000
SO 2.1				
SO 4.1	118,096	118,096		
SO 4.2				
-Training				
-AEPS	0	0	277,170	277,170
TOTAL	427,170	915,102	427,170	915,102

U.S. ASSISTANCE FOR CENTRAL AND EASTERN EUROPE-LITHUANIA-

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Project No.		Deobs Pre 98	Deobs in 98	Reobs in 99	LIT 98 Carry Over	REVISED LIT 99	TOTALS
A. STRENGTHENING DEMOCRATIC INSTITUTIONS							
180-0019	Democratic Governance & Public Administration	0	0	0	0	0	0
180-0020	Rule of Law	0	0	0	0	0	0
180-0021	Political and Social Process	0	0	0	0	0	0
180-0022	Independent Media	0	0	0	0	0	0
180-0032	Non Governmental Organization (NGO) Development	0	0	0	100	0	100
B. ECONOMIC RESTRUCTURING							
180-0014	Privatization and Enterprise Restructuring	487.932	309.074	337.932	255.641	401	994.573
180-0023	Technical Assistance to Enterprises	0	0	0	0	0	0
180-0026	Competition Policy, Laws and Regulations	0	0	0	0	0	0
180-0027	Business Services	0	0	0	0	0	0
180-0010	Enterprise Funds	0	0	0	0	0	0
180-0045	Participant Training	0	0	0	0	433	433
180-0029	Management Training	0	118.096	0	0	0	0
180-0024	Restructuring Agriculture and Agribusiness	0	0	0	0	0	0
180-0030	Regional Energy Efficiency	0	0	300	152.835	516	968.835
C. IMPROVING QUALITY OF LIFE							
180-0016	Trauma, Social Welfare & Humanitarian Assistance	0	0	0	0	0	0
180-0056	Bosnia reconstruction Finance	0	0	0	0	0	0
180-0058	Bosnia Municip. Infrastruc. & Services (MIS)	0	0	0	0	0	0
180-0002	Human Resources - Social Sector Restructuring	0	0	0	0	0	0
180-0033	Labor Market Transition	0	0	0	0	0	0
180-0034	Housing Sector Assistance	0	0	0	0	0	0
180-0037	Partnerships in Health Care	0	0	0	0	0	0
180-0038	Promotion of Health Markets	0	0	0	0	0	0
186-0002	Romanian Family Planning	0	0	0	0	0	0
180-0039	Improved Public Sector Environmental Services	0	0	0	0	0	0
180-0004	Environmental Initiatives	0	0	0	0	0	0
180-0041	Environmental Training	0	0	0	0	0	0

D. MISCELLANEOUS								
180-0249		Audit, Evaluation and Project Support	0	0	277.17	436.836	374.873	1,088.88
180-XXXX		Reserved, Withheld or Transfers	0	0	0	0	575.127	575.127
TOTAL SAI-APPROPRIATED ASSISTANCE			487.932	427.17	915.102	945.312	2,300.00	4,160.41
		A. STRENGTHENING DEMOCRATIC INSTITUTIONS						
		SUB-TOTAL	0	0	0	100	0	100
180-0020		Rule of Law						
0.02	x	* ABA Grant	0	0	0	0	0	0
	x	Lithuania Judicial Training Ctr	0	0	0	0		0
		PROJECT TOTAL	0	0	0	0	0	0
180-0032		Non Governmental Organization (NGO) Dev. Project						
0.09	x	*Democracy Networks	0	0	0	0	0	0
x	x	*Lith field allow: NGO policy and development	0	0	0	100	0	100
		PROJECT TOTAL	0	0	0	100	0	100
		B. ECONOMIC RESTRUCTURING						
		SUB-TOTAL	487.932	427.17	637.932	408.476	1,350.00	2,396.41
		1. Macroeconomic Support						
		2. Privatization and Assistance to Enterprises						
180-0014		Privatization & Enterprise Restruc.						
0.02	x	Capital Markets	424.775	0	274.775	0		274.775
0.02	x	Capital Markets	63.157	0	63.157	0		63.157
0.03		Enterprise Restructuring						
0.04		Banking Sector	0	309.074	0	25	0	25
0.05		Fiscal reform,other	0	0	0			0
0.05	x	*Lith policy support: field allow: HIID, etc	0	0	0	230.641	401	631.641
		PROJECT TOTAL	487.932	309.074	337.932	255.641	401	994.573

180-0023	Technical Assistance to Enterprises							
0.01 x	* IESC Private Enterprise	0	0	0	0	0	0
0.01	* IESC/LABNETA	0	0	0	0	0	0
0.22 x	*Lithuania Free Market Institute	0	0	0	0	0	0
	PROJECT TOTAL	0	0	0	0	0	0
	4. Investment and Trade						
180-0010	Enterprise Funds						
0.05 x	* Baltics Enterprise Fund	0	0	0	0	0	0
	PROJECT TOTAL	0	0	0	0	0	0
180-0045	Participant Training						
0.01	*World Learning/PIET	0	0	0	0	433	433
	PROJECT TOTAL	0	0	0	0	433	433
180-0029	Management Training & Market Economics Education						
0.01 x	* Large grants: TAMIU	0	118.096	0	0	0	0
	PROJECT TOTAL	0	118.096	0	0	0	0
	8. Energy Efficiency						
180-0030	Regional Energy Efficiency						
0.01 x	* Indus. Contr.: Restruc. & Effic.	0	0	0	135	215	350
??	* Lithuania energy policy support field allow	0	0	150	17.835	251	418.835
0.03 x	* Energy Information Systems	0	0	0	0	0	0
0.04 x	* grant to USEA	0	0	0	0	0	0
0.05 x	* IAA with NRC	0	0	31.904	0	50	81.904
0.05 x	* IAA with NRC	0	0	118.096	0	0	118.096
	PROJECT TOTAL	0	0	300	152.835	516	968.835
	C. IMPROVING THE QUALITY OF LIFE						
	SUB-TOTAL	0	0	0	0	0	0

	D. MISCELLANEOUS							
		SUB-TOTAL	0	0	277.17	436.836	950	1,664.01
180-0249		Audit, Evaluation, and Project Support						
0.01	X	* Evaluation & Audit						
0.02	X	* PSCs. travel, proj. sup. field, gen.	0	0	277.17	436.836	374.873	1,088.88
0.03		* Businesss & investment support						
		PROJECT TOTAL	0	0	277.17	436.836	374.873	1,088.88
180-xxxx		Transferred or Withheld from OYB						
		* Parking Fines Set Asides	0	0	0	0	0.127	0.127
	x	* Trans to USIA: Dem. Com. Sm Gr.	0	0	0	0	100	100
	x	* English Teaching (USIA)	0	0	0	0	0	0
		*Trans to Treasury#	0	0	0	0	475	475
		PROJECT TOTAL	0	0	0	0	575.127	575.127
`	TOTAL SAI APPROPRIATED ASSISTANCE		487.932	427.17	915.102	945.312	2,300.00	4,160.41
				915.102	0	0	0	0
		#'Treasury Transfers						
		-SO 1.2 Fiscal				0	475	475
		-SO 1.4 Financial				0	0	0
		Fiscal						
						-3,804.69		

Strategic Assistance Area 1

Economic Restructuring: Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed

Stategic Assistance Area 2

Democracy: Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes

Strategic Assistance Area 3

Quality of Life/Social Sector Restructuring: Strengthen the capacity to mange the human dimension of the transition to democracy and a market economy, and help sustain the nee
sectors of the population during the transition period

Strategic Assistance Area 4

Special Initiatives
& Cross cutting
Miscellaneous

U.S. Strategic Assistance FY 97 CO-99: LITHUANIA
(in thousands of US dollars)

					LIT 98 Carryover		LIT 99 Planned		
		Pre 98	in 98	in 99	Detail	Sum	Detail	Sum	Sum
SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Management Practices									
14.05	Fiscal polic	0	0	0				210	210
14.05	Lithuania p	0	0	0		193.941		191	384.941
	#NAME?				0		25		
	#NAME?				99.975				
	#NAME?				75.966		10		
	#NAME?				18				
	#NAME?				0		81		
	#NAME?						0		
	#NAME?						75		
xxxx	Fiscal refo	0	0	0				475	475
		0	0	0		193.941		876	1,069.94
SO 1.4 A More Competitive and Market-responsive Private Financial Sector									
14.02	Capital Ma	424.775	0	274.775				0	274.775
14.02	Capital Ma	63.157	0	63.157				0	63.157
14.02	_________	0	309.074	0		25		0	25
14.05	_________	0	0	0		36.7		0	36.7
	#NAME?								
	#NAME?								
	-Support: DBaciulyte]						0		
	#NAME?				36.7				
	#NAME?				0				
23.22	_________	0	0	0				0	0
		487.932	309.074	337.932		61.7		0	399.632
SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector									
30.01	Industry Co	0	0	0		135		215	350
30.01	_________	0	0	150		17.835		251	418.835
	#NAME?								
	#NAME?								
30.05	IAA with NI	0	0	118.096				50	168.096
	IAA with NRC			31.904					31.904
		0	0	300	0	152.835	0	516	968.835
SO 2.1 Increased, Better-informed Citizens' Participation in Political and Economic Decision-Making									
20.02	Lithuania J	0	0	0				0	0
	NGO development close out					100			100
	Trans. to U	0	0	0				100	100
		0	0	0		100		100	200
4.1 Special Initiatives									
29.01	_________	0	118.096	0	0	0	0	0	0
		0	118.096	0	0	0	0	0	0
4.2 Cross-Cutting									
180.x	ParkingFin	0	0	0				0.127	0.127
45.01	World Lea	0	0	0		0		433	433
	0						125		0
	#NAME?						218		0

#NAME?					40		0
#NAME?					25		
#NAME?					25		
249.02 Project Su|	0	0	277.17	436.836		374.873	1,088.88
	0	0	277.17	436.836		808	1,522.01
TOTAL	487.932	427.17	915.102	945.312		2,300.00	4,160.41
		915.102	0				
	487.932	427.17	915.102	945.312		2,300.00	4,160.41
	0	0	0	0		0	0

U.S. Strategic Assistance FY 97 CO/98/99-Lithuania
(in thousands of US dollars)

U.S. Strategic Assistance Summary FY97 ($000)

	FY97 SAI	FY 98	FY 99						
				adj	r4				
SO 1.1 Increased Transfer of State-Owned Assets to the Private Sector	0	0	0	0					
							wl	decrease treas to trng	
SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Management Pract	#VALUE!	#VALUE!	1,070	#VALUE!	4,715	#VALUE!	400	#VALUE!	
				0		0			
				0		0			
SO 1.3 Acclerated Development and Growth of Private Enterprises	0	0	0	0	0	0			
				0		0			
				0		0	ceeli	NRC/policy	
SO 1.4 A More Competitive and Market-responsive Private Financial Sector	#VALUE!	#VALUE!	400	#VALUE!	3,794	#VALUE!	59	#VALUE!	
				0		0			
				0		0			
SO 1.5 A More Economically Sound and Environmentally Sustainable Energy	#VALUE!	#VALUE!	969	#VALUE!	2,541	#VALUE!	energy policy		
				0		0			
				0		0	ceeli	demcom	
SO 2.1 Increased Better-informed Citizens' Participation in Political and Econ(	#VALUE!	#VALUE!	200	#VALUE!	225	#VALUE!	59	#VALUE!	
				0		0			
				0		0			
SO 2.2 Legal Systems that Better Support Democratic Processes and Market Reforms				0		0			
				0		0			
				0		0			
SO 2.3 More Effective, Responsible, and Accountable Local Government				0		0			
				0		0			
				0		0			
SO 3.1 Reduced Human Suffering and Crisis Impact				0		0			
				0		0			
				0		0			
SO 3.2 Improved Sustainability of Social Benefits and Services				0		0			
				0		0			
				0		0			
SO 3.3 Reduced Environmental Risks to Public Health				0		0			
				0		0			
				0		0			
4.1 Special Initiatives				0		0			
	#VALUE!	#VALUE!	0	#VALUE!	350	#VALUE!			
				0		0	wl	staff	fsn 25%
4.2 Cross-cutting Programs	#VALUE!	#VALUE!	1,522	#VALUE!	2,375	#VALUE!	400	#VALUE!	#VALUE!
				0		0			
				0		0			
TOTAL				0		0			

#VALUE!	#VALUE!	4,160	#VALUE!	14,000	#VALUE!
			7,500	6,500	1,000
#VALUE!			#VALUE!		#VALUE!

FY 1999 Budget Request by Program/Country

08-Apr-99
03:52 PM

Program/Country:
(Enter either DA/CSD; ESF; NIS; or SEED)

Approp Acct: SEEI
Scenario

O. #, Title	**Bilateral/ Field Spt**	**Total**	**Micro-Enterprise**	**Agri-culture**	**Other Economic Growth**	**Children's Basic Education (*)**	**Other HCD**	**Population**	**Child Survival (*)**	**Infectious Diseases (*)**	**HIV/AIDS (*)**	**Other Health**	**Environ**	**D/G**	**Est. S.O. Expendi-tures**	**Est. S.O. Pipeline End of FY 99**
		FY 1999 Request														
SO 1.2 Fiscal policy reform																
	Bilateral	876,000			876,000										289,080	586,920
	Field Spt	0														
		876,000	0	0	876,000	0	0	0	0	0	0	0	0	0	289,080	586,920
SO 1.4 Financial sector reform																
	Bilateral	0			0										0	0
	Field Spt	0														
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 1.5 Energy policy and safety																
	Bilateral	516,000											516,000		0	0
	Field Spt	0														
		516,000	0	0	0	0	0	0	0	0	0	0	516,000	0	0	0
SO 2.1 Citizen participation																
	Bilateral	100,000									25,000			75,000	0	0
	Field Spt	0														
		100,000	0	0	0	0	0	0	0	0	25,000	0	0	75,000	0	0
SO Special initiatives Training																
	Bilateral	433,000			383,000								25,000	25,000	151,550	231,450
	Field Spt	0														
		433,000	0	0	383,000	0	0	0	0	0	0	0	25,000	25,000	151,550	231,450
SS Support																
	Bilateral	375,000			187,500								93,750	93,750	112,500	75,000
	Field Spt	0														
		375,000	0	0	187,500	0	0	0	0	0	0	0	93,750	93,750	112,500	75,000
SO 7:																
	Bilateral	0														
	Field Spt	0														
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Bilateral		2,300,000	0	0	1,446,500	0	0	0	0	0	25,000	0	634,750	193,750	553,130	893,370
Total Field Support		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL PROGRAM		2,300,000	0	0	1,446,500	0	0	0	0	0	25,000	0	634,750	193,750	553,130	893,370

FY 99 Request Agency Goal Totals	
Econ Growth	1,446,500
Democracy	193,750
HCD	0
PHN	25,000
Environment	634,750
Program ICASS	35,000
GCC (from all Goals)	317,375

FY 99 Account Distribution (DA only)	
Dev. Assist Program	
Dev. Assist ICASS	
Dev. Assist Total:	0
CSD Program	0
CSD ICASS	
CSD Total:	0

Prepare one set of tables for each appropriation Account
Tables for DA and CSD may be combined on one table.
For the DA/CSD Table, columns marked with (*) will be funded from the CSD Account

FY 2000 Budget Request by Program/Country

08-Apr-99
03:48 PM

Program/Country:
(Enter either DA/CSD; ESF; NIS; or SEED)

Approp Acct:
Scenario

O. # , Title

	Bilateral/ Field Spt	Total	Micro-Enterprise	Agri-culture	Other Economic Growth	Children's Basic Education (*)	Other HCD	Population	Child Survival (*)	Infectious Diseases (*)	HIV/AIDS (*)	Other Health	Environ	D/G	Est. S.O. Expendi-tures	Est. S.O. Pipeline End of FY 00
		FY 2000 Request														
SO 1:															Year of Final Oblig:	
	Bilateral	0														
	Field Spt	0														
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 2:															Year of Final Oblig:	
	Bilateral	0														
	Field Spt	0														
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 3:															Year of Final Oblig:	
	Bilateral	0														
	Field Spt	0														
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 4:															Year of Final Oblig:	
	Bilateral	0														
	Field Spt	0														
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 5:															Year of Final Oblig:	
	Bilateral	0														
	Field Spt	0														
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 6:															Year of Final Oblig:	
	Bilateral	0														
	Field Spt	0														
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 7:															Year of Final Oblig:	
	Bilateral	0														
	Field Spt	0														
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 8:															Year of Final Oblig:	
	Bilateral	0														
	Field Spt	0														
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Bilateral		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Field Support		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL PROGRAM		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

FY 00 Request Agency Goal Totals	
Econ Growth	0
Democracy	0
HCD	0
PHN	0
Environment	0
Program ICASS	0
GCC (from all Goals)	0

FY 00 Account Distribution (DA only)	
Dev. Assist Program	0
Dev. Assist ICASS	
Dev. Assist Total:	0
CSD Program	0
CSD ICASS	
CSD Total:	0

Prepare one set of tables for each appropriation Account
Tables for DA and CSD may be combined on one table.
For the DA/CSD Table, columns marked with (*) will be funded from the CSD Account

FY 2001 Budget Request by Program/Country

08-Apr-99
03:50 PM

Program/Country:
(Enter either DA/CSD; ESF; NIS; or SEED)

Approp Acct:
Scenario

O. # , Title																	
		FY 20001 Request													**Est. S.O.**	**Est. S.O. Pipeline**	**Future Cost**
	Bilateral/ Field Spt	**Total**	**Micro-Enterprise**	**Agri-culture**	**Other Economic Growth**	**Children's Basic Education (*)**	**Other HCD**	**Population**	**Child Survival (*)**	**Infectious Diseases (*)**	**HIV/AIDS (*)**	**Other Health**	**Environ**	**D/G**	**Expendi-tures**	**End of FY 01**	**(POST-2001)**
SO 1:															Year of Final Oblig:		
	Bilateral	0															
	Field Spt	0															
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 2:															Year of Final Oblig:		
	Bilateral	0															
	Field Spt	0															
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 3:															Year of Final Oblig:		
	Bilateral	0															
	Field Spt	0															
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 4:															Year of Final Oblig:		
	Bilateral	0															
	Field Spt	0															
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 5:															Year of Final Oblig:		
	Bilateral	0															
	Field Spt	0															
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 6:															Year of Final Oblig:		
	Bilateral	0															
	Field Spt	0															
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 7:															Year of Final Oblig:		
	Bilateral	0															
	Field Spt	0															
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 8:															Year of Final Oblig:		
	Bilateral	0															
	Field Spt	0															
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Bilateral		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Field Support		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL PROGRAM		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

FY 01 Request Agency Goal Totals	
Econ Growth	0
Democracy	0
HCD	0
PHN	0
Environment	0
Program ICASS	0
GCC (from all Goals)	0

FY 01 Account Distribution (DA only)	
Dev. Assist Program	0
Dev. Assist ICASS	
Dev. Assist Total:	0
CSD Program	0
CSD ICASS	
CSD Total:	0

Prepare one set of tables for each appropriation Account
Tables for DA and CSD may be combined on one table.
For the DA/CSD Table, columns marked with (*) will be funded from the CSD Account

Workforce Tables

Org USAID/Vilnius End of year On-Board **FY 1999 Estimate**	SO 1.2	SO 1.4	SO 1.5	SO 2.1		SpO1	SpO2	Total SO/SpO	Org. Mgmt.	Fin. Mgmt	Admin. Mgmt	Con-tract	Legal	All Other	Total Mgmt.	Total Staff
OE Funded: 1/																
U.S. Direct Hire								0							0	0
Other U.S. Citizens								0	1						1	1
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN								0	0.5	1	3.8				5.3	5.3
Subtotal	0	0	0	0	0	0	0	0	1.5	1	3.8	0	0	0	6.3	6.3
Program Funded 1/																
U.S. Citizens		0.5		0.5				1							0	1
FSNs/TCNs	1	0.5	1	0.5				3							0	3
Subtotal	1	1	1	1	0	0	0	4	0	0		0	0	0	0	4
Total Direct Workforce	1	1	1	1	0	0	0	4	1.5	1	3.8	0	0	0	6.3	10.3
TAACS								0							0	0
Fellows								0							0	0
IDIs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WORKFORCE	1	1	1	1	0	0	0	4	1.5	1	3.8	0	0	0	6.3	10.3

1/ Excludes TAACS, Fellows, and IDIs

Workforce Tables

	SO 1.2	SO 1.4	SO 1.5	SO 2.1		SpO1	SpO2	Total SO/SpO	Org. Mgmt.	Fin. Mgmt	Admin. Mgmt	Con-tract	Legal	All Other	Total Mgmt.	Total Staff
FY 2000 Target																
OE Funded: 1/																
U.S. Direct Hire								0							0	0
Other U.S. Citizens								0							0	0
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Program Funded 1/																
U.S. Citizens								0							0	0
FSNs/TCNs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Direct Workforce	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAACS								0							0	0
Fellows								0							0	0
IDIs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WORKFORCE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

FY 2000 Request																
OE Funded: 1/																
U.S. Direct Hire								0							0	0
Other U.S. Citizens								0							0	0
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Program Funded 1/																
U.S. Citizens								0							0	0
FSNs/TCNs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Direct Workforce	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAACS								0							0	0
Fellows								0							0	0
IDIs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WORKFORCE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

1/ Excludes TAACS, Fellows, and IDIs

Workforce Tables

Org_USAID Vilnius End of year On-Board **FY 2001 Target**	SO 1	SO 2	SO 3	SO 4	SO 5	SpO1	SpO2	Total SO/SpO Staff	Org. Mgmt.	Fin. Mgmt	Admin. Mgmt	Con-tract	Legal	All Other	Total Mgmt.	Total Staff
OE Funded: 1/																
U.S. Direct Hire								0							0	0
Other U.S. Citizens								0							0	0
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Program Funded 1/																
U.S. Citizens								0							0	0
FSNs/TCNs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Direct Workforce	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAACS								0							0	0
Fellows								0							0	0
IDIs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WORKFORCE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

FY 2001 Request																
OE Funded: 1/																
U.S. Direct Hire								0							0	0
Other U.S. Citizens								0							0	0
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Program Funded 1/																
U.S. Citizens								0							0	0
FSNs/TCNs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Direct Workforce	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAACS								0							0	0
Fellows								0							0	0
IDIs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WORKFORCE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

1/ Excludes TAACS, Fellows, and IDIs

Workforce

MISSION : USAID/Vilnius and USAID/Riga

USDH STAFFING REQUIREMENTS BY SKILL CODE

BACKSTOP (BS)	NO. OF USDH EMPLOYEES IN BACKSTOP FY 1999	NO. OF USDH EMPLOYEES IN BACKSTOP FY 2000	NO. OF USDH EMPLOYEES IN BACKSTOP FY 2001	NO. OF USDH EMPLOYEES IN BACKSTOP FY 2002
01SMG	1	0	0	0
02 Program Officer				
03 EXO				
04 Controller				
05/06/07 Secretary				
10 Agriculture				
11 Economics				
12 GDO				
12 Democracy				
14 Rural Development				
15 Food for Peace				
21 Private Enterprise				
25 Engineering				
40 Environment				
50 Health/Pop.				
60 Education				
75 Physical Sciences				
85 Legal				
92 Commodity Mgt				
93 Contract Mgt				
94 PDO				
95 IDI				
Other*				
TOTAL	1	0	0	0

*please list occupations covered by other if there are any

2. OPERATING EXPENSES: OE NARRATIVE AND BUDGET

OE Narrative

The FY 99 and FY 2000 OE budget needs are $452,800 and $499,800 respectively. This budget is an increase over last year's R2 submission by $13,200 and $109,800 respectively. These cost adjustments are a combination of cost savings and the increased costs primarily of converting a program funded US PSC to OE funded to provide program and operational guidance after the departure of the US direct hire Mission Director in July 1999.

Increased costs: The revised budget includes increased costs for a US PSC salary, housing, and travel from July 1, 1999 through September 30, 2000. These costs are approximately:

	FY 99 funds	FY 2000 funds
Salary	$87,000	$112,000
Lodging	10,000	24,000
Utilities	2,000	4,000
Travel	4,500	4,500
Total	$103,500	$144,500

The USPSC Country Program Specialist (AID Rep) was funded with program funds in FY 98 with the understanding that there would be a USDH in-country through FY 2000 and that there would be a strong participation by the RSC in program guidance. The USDH Mission Director has been reassigned to the National War College and departs post in July 1999. The AID Rep needs to be able to supervise the OE funded administrative operations in the Mission in addition to providing program guidance through close out. This can not be done if the AID Rep is program funded. In addition, starting in FY 98, ENI has not approved funding levels to permit a full-time EXO officer and this position is filled on a regional basis with USAID/Riga and USAID/Bratislava. Starting in January 2000, the EXO will be part time for about 5 months through September 2000. The OE funded staff will require supervision during the period when the EXO is not available.

Therefore, the shift in funding increases the OE budget.

Excluding the costs for the AID Rep, the OE budget would be approximately $350,000. The major costs in this part of the budget are for the OE funded EXO ($110,000), FSN salaries ($62,400 and $42,500), severance pay for FSN PSCs (FY 2000-$72,900), office rent ($33,600 and $25,200) and utilities ($11,500 and $11,300), ICASS ($31,600 and $25,000), restoration and closing of the office ($20,000).

Savings realized: All FSN staff working on the program are program funded, a portion of the rent, ICASS, and associated new computers in FY 99 are covered by program funds. Vehicle purchases have been deferred, although one office vehicle is approaching its useful life. USAID/Vilnius in its regional capacity is planning on consolidating the three vehicles purchased in 1992 (two in Riga one Vilnius) and trading them in for a new vehicle in October 1999. The local car dealer in Vilnius is amenable to this idea, subject to inspection of the vehicle. The new vehicle would then be available to transfer to another CEE USAID office. Some savings will be realized if the office and housing furnishings are not needed by another USAID office and these items can be sold to the Embassy or through an auction.

<u>Savings considered:</u> There are no significant additional cost savings to be realized without cutting staff early and thereby jeopardizing program completion, success, and documentation of results. The current staffing arrangements are to reduce program staff beginning in May 1999. Two program staff will have left by September 1999, thereby reducing office, utilities, and travel costs. However, this means a decrease in payment of program funds for office costs. There are six OE funded staff on board now. The OE funded staff will be cut starting in September 1999 (one driver), others will be phased out in FY 2000 starting in July 2000 after the graduation ceremonies for the program, and only two staff will be needed in the September final close out. No further reductions would be prudent. There are no savings for severance pay from cutting staff early.

With staff reductions through September 1999, USAID/Vilnius considered either closing off the third floor and returning this to the landlord or moving to another location. An assessment was conducted by an experienced EXO in March 1999 and discussions were held with the landlord to determine willingness to amend the lease, which runs through December 2000. The lease requires USAID to restore any changes made to the office if USAID terminates the lease earlier than December 2000. The landlord has indicated that he is willing to make adjustments and not require restoration of the office if we amend the lease.

The analysis shows that the total potential savings in OE to USAID to reduce floors would be approximately $14,000 in rent and utilities. The estimated additional costs for this change which will require office renovations, moving personnel, furniture and files, installing a security door, construction of additional storage, storage space rental for furniture to sell, would be approximately $12,100. The net potential savings would be approximately $2,000. However, the disruption to staff and lost work days during a move would be in excess of these potential savings. The cost of a move and preparation of a new office would exceed the $14,000 in savings. Therefore, it is viewed that no further costs savings can be realized by changing the office rental arrangements. (Analysis available in USAID/Vilnius).

Controller Operations

Org. Title: ______________________

Org. No.: ______________

		Overseas Mission Budgets														
		FY 1999 Estimate			FY 2000 Target			FY 2000 Request			FY 2001 Target			FY 2001 Request		
OC		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
11.1	Personnel compensation, full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.1	Base Pay & pymt. for annual leave balances - FNDH			0			0			0			0			0
	Subtotal OC 11.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11.3	Personnel comp. - other than full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.3	Base Pay & pymt. for annual leave balances - FNDH			0			0			0			0			0
	Subtotal OC 11.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11.5	Other personnel compensation	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.5	USDH			0			0			0			0			0
11.5	FNDH			0			0			0			0			0
	Subtotal OC 11.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11.8	Special personal services payments	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.8	USPSC Salaries			137			171.5			171.5			0			0
11.8	FN PSC Salaries			64.3			42.5			42.5			0			0
11.8	IPA/Details-In/PASAs/RSSAs Salaries			0			0			0			0			0
	Subtotal OC 11.8	0	0	201.3	0	0	214	0	0	214	0	0	0	0	0	0
12.1	Personnel benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	USDH benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	Educational Allowances			0			0			0			0			0
12.1	Cost of Living Allowances			0			0			0			0			0
12.1	Home Service Transfer Allowances			0			0			0			0			0
12.1	Quarters Allowances			0			0			0			0			0
12.1	Other Misc. USDH Benefits			0			0			0			0			0
12.1	FNDH Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	** Payments to FSN Voluntary Separation Fund - FNDH			0			0			0			0			0
12.1	Other FNDH Benefits			0			0			0			0			0
12.1	US PSC Benefits			0			0			0			0			0
12.1	FN PSC Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	** Payments to the FSN Voluntary Separation Fund - FN PSC			0			0			0			0			0
12.1	Other FN PSC Benefits			6.5			20			20			0			0
12.1	IPA/Detail-In/PASA/RSSA Benefits			0			0			0			0			0
	Subtotal OC 12.1	0	0	6.5	0	0	20	0	0	20	0	0	0	0	0	0
13.0	Benefits for former personnel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0	FNDH	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0	Severance Payments for FNDH			0			0			0			0			0
13.0	Other Benefits for Former Personnel - FNDH			0			0			0			0			0
13.0	FN PSCs	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0	Severance Payments for FN PSCs			7			72.9			72.9			0			0
13.0	Other Benefits for Former Personnel - FN PSCs			0			0			0			0			0
	Subtotal OC 13.0	0	0	7	0	0	72.9	0	0	72.9	0	0	0	0	0	0

Controller Operations

Org. Title: ____________		Overseas Mission Budgets														
Org. No: ________		FY 1999 Estimate			FY 2000 Target			FY 2000 Request			FY 2001 Target			FY 2001 Request		
OC		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
21.0	Travel and transportation of persons	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21.0	Training Travel			10			1.5			1.5			0			0
21.0	Mandatory/Statutory Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21.0	Post Assignment Travel - to field			0			0			0			0			0
21.0	Assignment to Washington Travel			4			0			0			0			0
21.0	Home Leave Travel			0			0			0			0			0
21.0	R & R Travel			0			0			0			0			0
21.0	Education Travel			0			0			0			0			0
21.0	Evacuation Travel			0			0			0			0			0
21.0	Retirement Travel			0			0			0			0			0
21.0	Pre-Employment Invitational Travel			0			0			0			0			0
21.0	Other Mandatory/Statutory Travel			0			0			0			0			0
21.0	Operational Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21.0	Site Visits - Headquarters Personnel			5			5			5			0			0
21.0	Site Visits - Mission Personnel			12			9			9			0			0
21.0	Conferences/Seminars/Meetings/Retreats			10			2			2			0			0
21.0	Assessment Travel			0			0			0			0			0
21.0	Impact Evaluation Travel			0			0			0			0			0
21.0	Disaster Travel (to respond to specific disasters)			0			0			0			0			0
21.0	Recruitment Travel			0			0			0			0			0
21.0	Other Operational Travel			7.5			10			10			0			0
	Subtotal OC 21.0	0	0	48.5	0	0	27.5	0	0	27.5	0	0	0	0	0	0
22.0	Transportation of things	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
22.0	Post assignment freight			22			0			0			0			0
22.0	Home Leave Freight			0			0			0			0			0
22.0	Retirement Freight			0			0			0			0			0
22.0	Transportation/Freight for Office Furniture/Equip.			0			0			0			0			0
22.0	Transportation/Freight for Res. Furniture/Equip.			0			0			0			0			0
	Subtotal OC 22.0	0	0	22	0	0	0	0	0	0	0	0	0	0	0	0
23.2	Rental payments to others	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.2	Rental Payments to Others - Office Space			33.6			25.2			25.2			0			0
23.2	Rental Payments to Others - Warehouse Space			0			0			0			0			0
23.2	Rental Payments to Others - Residences			21			24			24			0			0
	Subtotal OC 23.2	0	0	54.6	0	0	49.2	0	0	49.2	0	0	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.3	Office Utilities			11.5			11.3			11.3			0			0
23.3	Residential Utilities			4			4			4			0			0
23.3	Telephone Costs			20			20			20			0			0
23.3	ADP Software Leases			0			0			0			0			0
23.3	ADP Hardware Lease			0			0			0			0			0
23.3	Commercial Time Sharing			0			0			0			0			0
23.3	Postal Fees (Other than APO Mail)			0			0			0			0			0
23.3	Other Mail Service Costs			0			0			0			0			0
23.3	Courier Services			1.5			1.5			1.5			0			0
	Subtotal OC 23.3	0	0	37	0	0	36.8	0	0	36.8	0	0	0	0	0	0

Controller Operations

Org. Title: ______________________		Overseas Mission Budgets														
Org. No: ______________		FY 1999 Estimate			FY 2000 Target			FY 2000 Request			FY 2001 Target			FY 2001 Request		
OC		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
24.0	Printing and Reproduction			0.5			0.5			0.5			0			0
	Subtotal OC 24.0	0	0	0.5	0	0	0.5	0	0	0.5	0	0	0	0	0	0
25.1	Advisory and assistance services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.1	Studies, Analyses, & Evaluations			0			0			0			0			0
25.1	Management & Professional Support Services			0			0			0			0			0
25.1	Engineering & Technical Services			0			0			0			0			0
	Subtotal OC 25.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25.2	Other services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.2	Office Security Guards			7.7			8			8			0			0
25.2	Residential Security Guard Services			0			0			0			0			0
25.2	Official Residential Expenses			0			0			0			0			0
25.2	Representation Allowances			0.5			1.5			1.5			0			0
25.2	Non-Federal Audits			0			0			0			0			0
25.2	Grievances/Investigations			0			0			0			0			0
25.2	Insurance and Vehicle Registration Fees			0			0			0			0			0
25.2	Vehicle Rental			0			0			0			0			0
25.2	Manpower Contracts			2.2			2.2			2.2			0			0
25.2	Records Declassification & Other Records Services			0			2.5			2.5			0			0
25.2	Recruiting activities			0			0			0			0			0
25.2	Penalty Interest Payments			0			0			0			0			0
25.2	Other Miscellaneous Services			5			4			4			0			0
25.2	Staff training contracts			0			0			0			0			0
25.2	ADP related contracts			0			0			0			0			0
	Subtotal OC 25.2	0	0	15.4	0	0	18.2	0	0	18.2	0	0	0	0	0	0
25.3	Purchase of goods and services from Government accounts	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.3	ICASS			31.6			25			25			0			0
25.3	All Other Services from Other Gov't. accounts			0			0			0			0			0
	Subtotal OC 25.3	0	0	31.6	0	0	25	0	0	25	0	0	0	0	0	0
25.4	Operation and maintenance of facilities	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.4	Office building Maintenance			3			20			20			0			0
25.4	Residential Building Maintenance			3			3			3			0			0
	Subtotal OC 25.4	0	0	6	0	0	23	0	0	23	0	0	0	0	0	0
25.7	Operation/maintenance of equipment & storage of goods	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.7	ADP and telephone operation and maintenance costs			1.2			1.2			1.2			0			0
25.7	Storage Services			0			0			0			0			0
25.7	Office Furniture/Equip. Repair and Maintenance			1.5			1.5			1.5			0			0
25.7	Vehicle Repair and Maintenance			2			2			2			0			0
25.7	Residential Furniture/Equip. Repair and Maintenance			0.5			0.5			0.5			0			0
	Subtotal OC 25.7	0	0	5.2	0	0	5.2	0	0	5.2	0	0	0	0	0	0
25.8	Subsistance & spt. of persons (by contract or Gov't.)			0			0			0			0			0

Controller Operations

Org. Title: ______________________	**Overseas Mission Budgets**														
Org. No: ______________	**FY 1999 Estimate**			**FY 2000 Target**			**FY 2000 Request**			**FY 2001 Target**			**FY 2001 Request**		
OC	**Dollars**	**TF**	**Total**	**Dollars**	**TF**	**Total**	**Dollars**	**TF**	**Total**	**Dollars**	**TF**	**Total**	**Dollars**	**TF**	**Total**
Subtotal OC 25.8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Controller Operations

Org. Title: ______		Overseas Mission Budgets														
Org. No: ______		FY 1999 Estimate			FY 2000 Target			FY 2000 Request			FY 2001 Target			FY 2001 Request		
OC		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
26.0	Supplies and materials			9			7.5			7.5			0			0
	Subtotal OC 26.0	0	0	9	0	0	7.5	0	0	7.5	0	0	0	0	0	0
31.0	Equipment	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
31.0	Purchase of Residential Furniture/Equip.			0			0			0			0			0
31.0	Purchase of Office Furniture/Equip.			0			0			0			0			0
31.0	Purchase of Vehicles			0			0			0			0			0
31.0	Purchase of Printing/Graphics Equipment			0			0			0			0			0
31.0	ADP Hardware purchases			8.2			0			0			0			0
31.0	ADP Software purchases			0			0			0			0			0
	Subtotal OC 31.0	0	0	8.2	0	0	0	0	0	0	0	0	0	0	0	0
32.0	Lands and structures	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
32.0	Purchase of Land & Buildings (& bldg. construction)			0			0			0			0			0
32.0	Purchase of fixed equipment for buildings			0			0			0			0			0
32.0	Building Renovations/Alterations - Office			0			0			0			0			0
32.0	Building Renovations/Alterations - Residential			0			0			0			0			0
	Subtotal OC 32.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
42.0	Claims and indemnities			0			0			0			0			0
	Subtotal OC 42.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL BUDGET	0	0	452.8	0	0	499.8	0	0	499.8	0	0	0	0	0	0

Additional Mandatory Information

Dollars Used for Local Currency Purchases ______ ______ ______ ______ ______

Exchange Rate Used in Computations ______ ______ ______ ______ ______

** If data is shown on either of these lines, you MUST submit the form showing deposits to and withdrawals from the FSN Voluntary Separation Fund.

On that form, OE funded deposits must equal: 0 0 0 0 0

E. SUPPLEMENTAL INFORMATION ANNEXES:

- **INFORMATION ANNEX I. Environmental Compliance and Issues:** The issues of environmental policy and compliance remain the same as per the 1996 Strategic Plan. The major environmental issues facing Lithuania are related to the energy sector and nuclear safety. The Mission increased efforts to improve energy price reform that will result in market pressure on industries to be more energy efficient. Discussions are still ongoing regarding decisions related to the re-licensing and closing date of the Ignalina Nuclear Power Plant, based on the EBRD G-7 safety assessment. The work by the Department of Energy and Nuclear Regulatory Commission will ensure continued compliance with international agreements and capacity building to regulate the INPP.

USAID's environmental activities completed in 1998. Final assistance will be provided on strengthening the Regional Environmental Monitoring System, operation of the Lithuanian Environmental Investment Fund and sustainability of the WEC Pollution Prevention Center and HIID Environmental Policy Center.

No specific efforts are planned to address biological diversity, as was noted in the FY96 Strategic Plan. The biodiversity assessment for Lithuania was completed in 1996 and submitted as part of the 1996 Strategic Plan.

- **INFORMATION ANNEX II: 1999 Updated Results Framework:**

SO 1.2 Strenghtened fiscal management

IR 1.2.1 Tax Policy Reforms Implemented
IR 1.2.2 Improved Tax Administration
IR 1.2.3 Improved Public Debt System
IR 1.2.4 Financial Management System Implemented
IR 1.2.5 Budget Process Used by the Ministry of Finance Improved

SO 1.4: A more stable financial environment

IR 1.4.1 Increased confidence in the banking system
IR 1.4.2 Capital markets established as a viable alternative to the banking sector

SO 1.5: Improved safety and policy of the energy sector

IR 1.5.1 Decision to re-license Ignalina made in accordance with safety guidelines
IR 1.5.2 Energy pricing regulatory reform and restructuring completed
IR 1.5.3 Enhanced Baltic energy sector cooperation

SO 2.1 Stabilize democracy and market orientation through increased and better informed citizen participation in political and economic decision making.

IR 2.1.1 Increased NGO activism.
IR 2.1.1.1 Legislation enabling the organization and operation of NGOs established.
IR 2.1.2 Increased effectiveness of NGO management.

- **INFORMATION ANNEX IV: CLOSEOUT MANAGEMENT MEMO**

Memorandum

To: John Tennant, DAA/ENI

From: Ronald Greenberg, Mission Director, USAID/Baltics

Subject: Policy, program, and operation guidance to USAID/Vilnius and USAID/Riga after the departure of the USDH Mission Director

Date: March 15, 1999

The purpose of this memorandum is to identify options for the policy, program, and operational guidance of USAID/Baltics for your consideration. From the Mission Director's perspective and experience in close out and management of the USAID/Baltic program, there appear to be four viable options for ENI consideration. These options are outlined below along with a summary of the advantages and disadvantages of each option for the efficient closure of both of these offices. These are:

-- combine policy, program guidance, and operational guidance into one management unit, i.e., ENI/ECA

-- combine policy, program guidance, and operational guidance into one management unit, i.e., ENI/RSC

-- providing policy guidance from ENI/ECA and program/operational guidance from the ENI/RSC

-- providing policy guidance from ENI/ECA and program/operational guidance from USAID/Warsaw.

1. Combine policy, program guidance, and operational guidance into ENI/ECA

The advantage of this approach is unified management, clear policy guidance, program guidance, and operational guidance being provided from one management unit. At the present time the responsible officer is the ENI/ECA office director. This approach is consistent with respect to the desk providing guidance on behalf of the DAA for policy matters.

There are a few disadvantages to this approach. The Office Director for ENI/ECA has a full agenda and may not have the time or capacity to attend to all of the operational tasks that need to be addressed ranging from approval of Travel Authorizations for all staff, to time sheets, program and contract management guidance, and approval of vouchers. The mission has made arrangements to delegate as much of these day-to-day operations as possible to the USPSC AID Representative (Country Program Specialist). However the experience in the Baltics suggests that this is not a task that can be readily managed without continual active attention and at least 4 trips to Lithuania per year. The degree of assistance and support tends to increase at key times of the year during R2 preparation or when there is an intensive contract action period. During the last few months of Mission operation close-out, there will be a need for rapid action and approval of decisions related to disposal of property, office lease interpretations and negotiations, and demobilization of the office and residential furniture. These decisions will require a USDH approval and this will mean that the Office Director will need to be available during at least September 1999 and September 2000. This could inhibit the travel plans of the Office Director, who may need to attend to other more critical country issues. Further, this arrangement might result in a policy dilemma for ENI between ENI/ECA and the technical offices as to whether the field was responsible for actions and whether ENI/ECA had assumed authorities that superseded the Office Directors for the technical offices. Using this approach will increase the burden on the desk officer to serve as staff to the Office Director and this may result in additional lack of clarity of lines of authority between the field and the ENI/Washington.

2. Combine policy, program guidance, and operational guidance into ENI/RSC

The advantages of this approach are the same as for ENI/ECA, with the additional benefit of working in the same time zone, where overlap on day-to-day management decisions are easier to address than with a 2 hour overlap per day between ENI/Washington and USAID/Vilnius. In addition, the RSC has a responsibility for providing USAID/Vilnius with assistance on administrative/EXO matters and this would be more efficient if provided by one management unit. The costs of management guidance would be lower than for ENI/ECA and TDY's to Lithuania would be less expensive than from Washington.

The disadvantages are similar to being based in ENI/ECA, with the exception that the issues of field versus technical office director's lines of authority would not be an exception to ENI's operational practices and RSC staff are already assisting USAID/Vilnius. One additional disadvantage is that the policy guidance that the bureau will provide for some program issues and close out may be more appropriate to provide from ENI/Washington.

3. Provide policy guidance from ENI/ECA and program/operational guidance from the ENI/RSC

This option has several advantages in that policy guidance for overall direction will continue to reside with an ENI office, as it now does from the DAA to the Mission Director. The general value of ENI/ECA playing the role of problem solver and backstop support between the Mission and the technical offices, OIM, and global office would be maintained with a degree of independence and not raise issues of priority between the technical offices and ENI/ECA over program issues. The advantage of having the program and operational guidance delegated to the field is that smooth operations would be maintained for day-to-day activities, routine clearances and approval of operational activities (travel authorizations, vouchers, funding obligations) that are within the current span of control of the RSC. In many cases, decisions need to be made in a timely manner and having program guidance provided from the field where the Mission and RSC operate in the same time zone can be a major benefit. Further, the ENI policy to delegate to the field inherently means that there exists an important albeit creative tension between ENI/Washington and Field decisions. It has been proven to be critical to the operation of the Estonia and the Latvia close out to have a field based advocate to further reflect the Mission's views in ENI decision making. In addition, it is cost effective for the RSC Director or Deputy Director to visit USAID/Vilnius frequently to ensure that there is sufficient oversight and program continuity as needed.

There are other specific benefits to having the RSC be the program and operational manager for USAID/Vilnius and USAID/Riga through close out. Backstop support is provided by RSC for RSC/EXO, contracting, and legal functions in addition to assisting the Mission in general program close out experience.

The <u>disadvantages</u> of this approach are the fact that the Mission will need to clearly distinguish between policy guidance and program/operational guidance, the RSC officer will need to become more quickly attuned to the program activities of the Mission, and the RSC is continually pressed to focus on the more politically sensitive Southern Tier countries. Further, ENI has indicated that the priority for the RSC office should be operational support rather than program.

4. Provide policy guidance from ENI/ECA and program/operational guidance from USAID/Warsaw

This option has many <u>advantages</u> that would maximize program and operational efficiency, provide the most cost effective solution to ENI for oversight visits, and continue to foster the sub-regional approach fostered by the current Baltic program, and strengthen the important political linkage between Lithuania and Poland. Policy guidance would be the same as all other options and reside with ENI/ECA. It would be easier for the Mission Director to focus on policy guidance for only three countries (Poland, Lithuania, and Latvia) than for the RSC with far more countries to work with. On the program guidance side, the USAID/Poland Mission Director can readily make 4 trips per year to USAID/Vilnius at relatively low cost compared to Washington or Budapest visits. The three Missions are facing similar close out issues and the advantage of the USAID/Poland Mission Director supervision for the Latvia and Lithuania close out is that lessons learned could be more directly applied in the Poland close out. The primary need of Mission support is from the USAID/Poland Controller and the USAID/Poland EXO is a valued additional level of support for the Baltic/Slovakia regional EXO. The experience in the Estonia close out is that some activities were not completely closed when the Mission closed and that a direct hire in the region with time to devote to completing work with the controllers office and grantees was critical. It would be advantageous if these two operations were combined in one Mission.

One other key issue has been the dissatisfaction of the Baltics and Slovakia in sharing one EXO with limited resources for backup support from RSC being available. From January 2000 through September 2000, the Baltic EXO will be available for five months total time. This will include two months of short-term travel and three months of final close from July through September 2000. During the times that the EXO is not available, including during the close out of the USAID/Slovakia program from October 1999 through January 2000, there may be a need for additional EXO support. This could be quickly and readily provided by USAID/Poland's EXO.

The disadvantages of this approach are that same as those specified for the ENI/ECA-RSC arrangement, with the exception of lower costs. An additional disadvantage is that the USAID/Poland Mission Director will be increasingly busy as the Mission moves towards close out in September 2000.

5. Other considerations

With regard to the supervision of the FSN who will be based in US Embassy Riga and eventually the US Embassy in Vilnius, this FSN will be required to have a US PSC or US Direct Hire AID person to report to in addition to the day-to-day reporting to the US Embassy Officer. There do not appear to be any major disadvantages to reporting to the field based USDH or the USPSC in Vilnius for the Riga based FSN. There are disadvantages to reporting to USAID/Washington due to the complex relationship between having a USAID FSN at the Embassy working under a USAID contract managed by ENI/Washington.

In addition, I spoke with Ambassador Smith about these options and his comments are that first and foremost the in-country policy guidance and direction will still come from the Ambassador and second that he seeks an approach that is efficient, can respond rapidly to the Embassy and USAID Mission's needs, is responsive to the field perspective, particularly with regard to the final program activities and graduation ceremonies, and the person assigned works collaboratively with the Ambassador.

F. SPECIAL REPORTING SITUATIONS: SEPTEMBER 2000 CLOSEOUT/ GRADUATION

Brief schedule of termination:

FY 1998

8/98	Land of Lakes, ABA/CEELI
9/98	Utility Partners (US Energy Assoc.), Global/HIID Environment Policy

FY 1999

10/98	Electrotek
12/98	WEC/PPC (World Envir. Center/Pollution Prevention Center)
5/99	Energy Pricing Association (EPA)
6/99	DemNet (USBF), bank supervision
9/99	Peace Corps, capital markets, Treasury/DDH, Budget, EMSI/Tabor, tax administration, NRC, BREDP
12/99	WOCCU

FY2000

03/2000	LFMI, HIID tax policy, economic policy studies
6/2000	Bechtel/Energy,Treasury-bank supervision, bank privatization, monetary policy, KTU training center, energy pricing, IESC/IBN
7/2000	Treasury/DDH, Global World Learning, Global Loan Guarantee
9/2000	Nuclear Regulatory Commission, Treasury/budget, Baltic Regional Energy Devel. Proj.

Closeout Overview: Economic progress has been good. GDP has increased to about 1990 levels. Lithuania's credit ratings have improved. Inflation is low and there is important, though not total, political will to continue reforms. In the key areas of the USAID assistance program (fiscal, financial, and energy pricing and safety reform), continued progress is predicted over the next few years. Democratic reforms are notable but the weak non-government organization sector inhibits full popular participation.

The areas that warrant attention are tax policy reform, the growth in the current account deficit, progress on cash privatization, privatization of the two state banks, the economic and political debate about the closing of the Ignalina Nuclear Power Plant, and a possible vulnerability to a currency crisis. Economic growth in 1998 decreased to about 5% as a result of the Russian economic crisis, which reduced export trade for Lithuanian companies and further reduced tax revenues.

In spite of the spillover from the Russian economic crisis, USAID/Lithuania believes the rate of economic and reform process is approximately on target. In the last years of the program, USAID will work to ensure that the reform measures remain on track and that the policy and institutional changes proceed and become self-sustaining. Based on economic progress and the level of democratic reform, USAID/Lithuania does not propose to extend the graduation date.

Many more years of policy change will be required to address core institutional problems, although medium-term economic prospects are encouraging. The private sector is diverse, well educated and is competing in global markets. New, large foreign investors will raise the country's profile, restructure key enterprises and help guide public policy. On balance, the government's track record in macroeconomic stabilization and structural reform is commendable and the management of public policy is gradually being handed over to a generation of public servants untainted by Lithuania's past central planning. Democratic institutions are firmly rooted and will help to keep economic policy reform on the right track.

Key post presence activities: will be limited and support crucial economic and democratic reforms. These include the establishment of the Baltic American Partnership Fund (BAPF) to develop the NGO sector, the continued operation of the Baltic American Enterprise Fund (BalAEF) to support SMEs and the continuation of the Baltic regional energy and environment activities.

Recommendation(s) to continue selected activities after closeout/post-presence, rationale and plan: A post-presence mechanism is being considered to provide short-term TA, as needed/requested, in the financial sector. USAID/Vilnius strongly recommends a parallel program for the fiscal sector, as well as continued support to resolve the INPP/Energy Sector critical pending issues. There is increasing interest in and demand for more regional exchanges, as supported by NEI initiatives, with neighboring countries indicating a particular interest in learning from the Lithuanian model. Belarus and Kaliningrad are key interested parties, but there is additional serious interest being expressed through the Lithuanian MoFA for Lithuania to provide more leadership models to other countries of the FSA, such as from the Caucasus and southern tier CEE. This is a key and fragile period in the history of the region and the US Embassy and USAID/Vilnius strongly endorse the identification of future mechanisms to enhance, support and foster increasing regional mutual assistance.

Clearances:
Ambassador K. Smith: cleared per telcon 03/16/99
DCM A. Spakauskas: cleared per telcon 03/16/99
Political Officer J. Moore: cleared per telcon 03/12/99
USIS PAO L. Helling: cleared per telcon 03/16/99
USAID Mission Director R. Greenberg: cleared 03/16/99
USAID D. Mission Director C. Sheckler: cleared 03/16/99