

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT
USAID/CAUCASUS

RESULTS REVIEW AND
RESOURCE REQUEST
FY 2000

ARMENIA

MAY 1998

Please Note:

The attached results information is from the FY 2000 Results Review and Resource Request ("R4"), and was assembled and analyzed by the country or USAID operating unit identified on this cover page.

The R4 is a "pre-decisional" USAID document and does not reflect results stemming from formal USAID review(s) of this document.

Related document information can be obtained from:

USAID Development Experience Clearinghouse
1611 N. Kent Street, Suite 200
Arlington, VA 22209-2111
Telephone: 703/351-4006 Ext. 106
Fax: 703/351-4039
Email: docorder@dec.cdie.org
Internet: <http://www.dec.org>

Released on or after July 1, 1998

TABLE OF CONTENTS

PART I: INTRODUCTION AND COUNTRY OVERVIEW	1
PART II: PROGRESS TOWARD OBJECTIVES	5
A. COMPETITIVE, MARKET-ORIENTED ECONOMY	6
1. Overview and Factors Affecting Program Performance	6
2. Strategic Objective 1.2 -- Increased Soundness of Fiscal Policies and Management Practices	7
3. Strategic Objective 1.3 -- Accelerated Development and Growth of Private Enterprise	13
4. Strategic Objective 1.4 -- A More Competitive and Market-responsive Financial Sector	22
5. Strategic Objective 1.5 -- A More Economically Sustainable and Environmentally Sound Energy Sector	29
B. EMPOWERMENT OF CITIZENS THROUGH DEMOCRATIC POLITICAL PROCESS	40
1. Overview and Factors Affecting Program Performance	40
2. Strategic Objective 2.1 -- Increased, Better Informed Citizens' Participation in Political and Economic Decision-making	42
3. Strategic Objective 2.2 -- Legal Systems that Better Support Democratic and Market Reforms	53
C. STRENGTHENED CAPACITY TO MANAGE THE HUMAN DIMENSION OF THE TRANSITION	60
1. Overview and Factors Affecting Program Performance	60
2. Strategic Objective 3.1 -- Reduced Human Suffering in Armenia	60
D. SPECIAL INITIATIVES AND CROSS-CUTTING PROGRAMS	67
1. Strategic Objective 4.1 -- Special Initiatives	67

2. Strategic Objective 4.2 -- Cross-Cutting Issues 68

E. RELATED CONCERNS 68

1. Partnership for Freedom 68

2. Environmental Compliance 69

PART III: STATUS OF THE MANAGEMENT CONTRACT 70

A. Strategic Planning 70

B. Mission Staffing/Coordination with ENI/W 71

PART IV: RESOURCE REQUEST 73

ABBREVIATIONS AND ACRONYMS

AAA	-	Armenian Assembly of America
AAEC	-	Armenian American Exploration Company
ABA	-	American Bar Association
ACDI	-	Agricultural Cooperative Development International
AED	-	Academy for Educational Development
AJRA	-	Association of Judges of Armenia
AMEX	-	AMEX, International
ANPP	-	Armenian Nuclear Power Plant
ASIF	-	Armenian Social Investment Fund
BARA	-	Bar Association of the Republic of Armenia
CBA	-	Central Bank of Armenia
CDC	-	Centers for Disease Control
CEC	-	Central Electoral Commission
CEELI	-	Central and East European Law Initiative
ENI	-	Europe and New Independent States
EPAC	-	Environmental Public Advocacy Center
ESAF	-	Enhanced Structural Adjustment Facility
EU	-	European Union
FDD	-	Fund for Democracy and Development
GoAm/GOA	-	Government of Armenia
ICMA	-	International City/County Management Association
IESC	-	International Executives Service Corps
IFES	-	International Foundation for Election Systems
IMF	-	International Monetary Fund
IREX	-	International Research and Exchanges Board
IRM	-	Information Resources Management
JAA	-	Junior Achievement of Armenia
MOJ	-	Ministry of Justice
MFE	-	Ministry of Finance and Economy
NDI	-	National Democratic Institute
NEAP	-	National Environmental Action Plan
NGO	-	Non-governmental Organization
NGOC	-	NGO Center
NIS	-	New Independent States
NRC	-	U.S. Nuclear Regulatory Commission
OSCE	-	Organization for Security and Cooperation in Europe
OSCE/ODIHR	-	OSCE/Office for Democratic Initiatives and Human Rights
OSI	-	Open Society Institute
PFF	-	Partnership for Freedom
PVO	-	Private Voluntary Organization
SCF	-	Save the Children Federation
SME	-	Small and Medium Enterprise

TACIS	-	Technical Assistance Commonwealth of Independent States
UNDP	-	United Nations Development Programme
UNHCR	-	United Nations High Commissioner for Refugees
UNICEF	-	United Nations International Children’s Emergency Fund
USAID	-	U.S. Agency for International Development
USEA	-	U.S. Energy Association
USIA	-	U.S. Information Agency
USIS	-	U.S. Information Service
VISTAA	-	Volunteers in Service to Armenian Agriculture
VOCA	-	Volunteers in Overseas Cooperative Assistance
WFP	-	World Food Programme
WID	-	Women in Development
WTO	-	World Trade Organization
YPC	-	Yerevan Press Club
YSU	-	Yerevan State University

ARMENIA

FY 2000 RESULTS REVIEW

PART I: INTRODUCTION AND COUNTRY OVERVIEW

Armenia is in the early stages of an uneven transition to a democratic political order and free market economy. Slow progress in the economic sphere is in part due to the limited will of national decision-makers to undertake critical reforms to restructure and privatize the economy. At the same time, the country's history of weak electoral performance, combined with widespread corruption, has produced a cynical body politic. A further impediment to Armenia's successful transition has been the conflict over the predominantly ethnic Armenian-populated enclave of Nagorno-Karabakh located entirely within Azerbaijan. The conflict led to a trade and transport embargo of Armenia by Azerbaijan and the closure of the Turkish border since 1991. Although a cease-fire has held since May 1994, the borders are unlikely to open until a permanent peace settlement is negotiated.

US Foreign Policy Considerations

The emergence of a democratic, prosperous and independent Armenia advances U.S. geopolitical, economic and humanitarian interests. The primary interest of the American Embassy is to ensure that Armenia's actions are consistent with U.S. goals to enhance regional security and cooperation. At stake are the east-west trade links between Central Asia and Europe, including the shipment of Caspian basin oil and natural gas to international markets. In addition, the location of the sub-region among other countries of important U.S. strategic interest (e.g., Russia, Iran, and Turkey) underscores the significance of maintaining economic and political allies in this geographic area. To this end, the U.S. Embassy's Mission Performance Plan (MPP) highlights the importance of fostering democracy and human rights (including assistance to develop the free markets that can provide a more solid basis for the development of democracy), promoting open markets (as a place for US participation in Armenia's growth), and providing a humanitarian response where needed.

The Nagorno-Karabakh (N-K) issue is central to U.S. foreign policy considerations in Armenia. Successful resolution of the conflict would: (a) allow the reopening of trade routes, particularly railways; thereby (b) make Armenia more attractive to potential investors; and (c) reduce significantly the level of popular hardship that has required continuous humanitarian aid at the expense of more development-oriented assistance.

Recent Political Developments

Armenia's political situation has changed in several dramatic steps over the past year. The flawed presidential elections of 1996, increased control on the part of the "Power" ministries (e.g., Interior, Police, Military), and continued expansion of corrupt factions all contributed to the erosion of the Ter-Petrossian government. These factors, combined with dissatisfaction over President Ter-Petrossian's compromising stance on Nagorno-Karabakh (N-K), resulted in his resignation in early 1998. In March, new elections brought Prime Minister Kocharian

(formerly President of the unrecognized Republic of Nagorno-Karabakh) into the Armenian presidency. These elections were judged by the OSCE (Organization for Security and Cooperation in Europe) to fall short of Armenia's commitments to the OSCE, but the outcome of the election was not challenged. The impact of the new regime on resolving the N-K situation is not yet clear. On the one hand, President Kocharian's new N-K-sympathetic regime may undermine U.S. efforts to resolve the conflict through the "Minsk Group". Another prevalent -- and more optimistic -- view, however, is that Kocharian may be the only person in a position to bring Armenians to a peaceful accommodation on the N-K question.

Armenians have a strong national identity and have not yet been swayed by the economic benefits of reaching a peaceful settlement over N-K. They also continue to be supported actively by its diaspora, which include at least one million Armenians living in the United States and close to a million living in France. The diaspora not only provide support through remittances, but also has been able to garner impressive political and financial support for Armenia from the international community, including large Congressional earmarks to support Armenia's political and economic transition.

Macro-Economic Context

In 1997, despite progress on economic policy reforms, economic outcomes across a range of indicators were generally worse than anticipated. Real GDP growth was well under 3%, less than half the nearly 6% registered in 1996. Inflation increased to 21% in 1997, more than triple the 5.7% rate of 1996, and the real exchange rate of the dram fell significantly. Trade performance was disappointing, despite movements in the real exchange rate, with exports lower and imports higher than expected. External aid and remittances continued to be major factors keeping the economy afloat.

Social Context

Armenia's GDP dropped 60% between 1989 and 1997, and its per-capita GDP is among the lowest in the NIS. Income levels for 1997 were only 40% of 1989 pre-transition levels. With support from the United States and other foreign donors, the hardships spawned by war and severe energy shortages have eased considerably. Increasingly, donor attention and government resources are shifting toward a focus of promoting broad-based development and targeting the social safety net to the most vulnerable segments of the population. Nonetheless, poverty alleviation remains a serious problem. As noted in a USAID-sponsored "customer survey," respondents ranked unemployment and the difficulties in earning income as the most serious problems Armenians face today.

Government Reform Commitment and External Support

For the past few years, GoAm verbal commitments to economic reform have outstripped actual reform performance. Still, in the past year, there has been progress in moving forward on appropriate legislative, regulatory, and policy reforms in a number of areas, including

commercial activities and the energy sector. Early indications are that the new GoAm administration is no less reform-minded than its predecessor and, according to statements by the new Prime Minister, the U.S. should expect the GoAm to aggressively promote reform. The actions of the new government over the coming months should provide evidence of how strong its commitment is to both economic policy reforms and democratic freedoms.

The U.S. continues to be the most important single external contributor to Armenia's transition, in dollar terms. UNDP data (most recent available are for 1996) show the US providing over 40% of "official development assistance", ahead of the World Bank Group (19%), the IMF (17%), and the EU (10%). Other donors include France, Japan, Germany, and the Netherlands. Coordination on the ground among these various providers has been particularly effective at the sector level. Although the United States may be the largest bilateral donor in Armenia, it may not be the most influential in terms of directing policy change.

USAID Program Strategy and Performance

The USAID program in Armenia has been the largest program in the Caucasus up until this year, when additional Congressional earmarks dictated significant program expansion in Georgia and direct support for victims of regional conflicts. The program in Armenia continues at a high (earmarked) level and continues its shift in emphasis away from humanitarian assistance toward a focus on supporting Armenia's transition to a market-oriented democracy. The proportion of the USAID budget devoted to alleviating human suffering was about 69% in FY 1997, and down to 60% in FY 1998. USAID anticipates this portion of the budget dropping further, in FYs 1999 and 2000, to about 40%.

The U.S. has been key in providing humanitarian support (with energy and foodgrain commodities), and has used this assistance to leverage policy changes in Armenia, particularly in the energy sector. As immediate hardships have decreased, USAID has turned its attention increasingly to a technical assistance program that provides direct support to policy reforms in many sectors. USAID has been particularly active in judicial reform, legal/regulatory reform for private sector development, firm-level assistance, banking supervision, energy restructuring, development of independent media, and grass-roots work in civil society. While USAID's work has been effective at one level, longer-term systemic changes have not always followed. Policy reforms do not automatically lead to implementation; and, in the democracy area, USAID's work has not been of a sufficient magnitude to influence a change in citizen attitudes. Given the difficulties of working in the Armenian environment, USAID's overall expectations have not been overly ambitious to date.

Over the coming months, USAID/Caucasus will prepare analysis and recommendations on a multi-year strategy for U.S. assistance to Armenia. Several changes are expected in the program portfolio. During the next two years, USAID's comprehensive market reform program will introduce some new elements into the economic restructuring portfolio (such as capital markets, tax and fiscal reform, land titling and registration, accounting reform). On

the democracy front, local government issues may be integrated into the program and greater synergies will be sought between legal reform efforts in the economic and democratic sectors. In the social sector, USAID will phase out of humanitarian assistance and begin to address social sector issues. As the fundamentals for market democracy are put in place, U.S. assistance to Armenia will also undergo the evolutionary shift to elements of the Partnership for Freedom (PFF) initiative. Finally, the strategy will seek complementarities and synergies among program sectors within the country program as well as look for opportunities to encourage regional cooperation among the three Caucasus states. The likely areas for such cooperation are outlined in a separate discussion paper on "U.S. Foreign Policy and the Caucasus: Defining a Role for USAID," to be discussed with ENI/Washington at the time of review of this current R4.

Program Management Considerations

For the past few years, USAID's program in the Caucasus has been managed at a limited staff level, although the Caucasus program has been the second largest of the four NIS programs and among the largest in the world. In earlier years, this was justified on the grounds that Caucasus programs were primarily humanitarian, consisting of large commodity donation components. Of course, this is no longer the case.

Nearly a year ago, given the planned movement away from humanitarian assistance and the fact that the dollar value of the overall program would approximately double in FY 1998, USAID/Caucasus and USAID/Washington management took extraordinary steps to build up the mission, both in terms of delegated authorities and staffing. Despite the fact that the Administrator personally directed the Agency to give USAID/C the highest priority in recruitment and staff expansion, there is a long way to go before USAID/Caucasus has the necessary human resources to manage the large, complex program that is already underway.

PART II: PROGRESS TOWARD OBJECTIVES

Objective Name	Rating	Evaluation Findings
SO 1.2: Increased soundness of fiscal policies and management practices	Met Expectations	
SO 1.3: Accelerated development and growth of private enterprise	Below Expectations	Regional small medium enterprise assessment (Dec. 1997); regional agricultural input markets assessment (Feb. 1998)
SO 1.4: A more competitive and market-responsive private financial sector	Met Expectations	
SO 1.5: A more economically sustainable and environmentally sound energy sector	Met Expectations	Current Political and Economic Situation in the Republic of Armenia, Min. of Econ., March 1997; Improved Safety of Soviet Designed Nuclear Power Plants, DOE, Dec. 1997
SO 2.1: Increased, better-informed citizens' participation in political and economic decision-making	Below Expectations	USAID-funded evaluation of AAA's NGO Center (Dec. 1997); Media in Armenia: Technical Situation and Possibilities for Market Expansion (Dec. 1997)
SO 2.2: Legal systems that better support democratic processes and market reforms	Met Expectations	World Bank judicial assessment (Feb. 1998)
SO 3.1: Human suffering and the negative consequences of crises are reduced	Exceeded Expectations	
Percent funding through NGOs and PVOs: FY98 32%; FY99 40%; FY00 37%		

A. COMPETITIVE, MARKET-ORIENTED ECONOMY

1. Overview and Factors Affecting Program Performance

Overall progress in creating a competitive, market-oriented economy has been mixed. Improved tax collections, better government budgeting systems, and a sounder Armenian banking system are major results in 1997 that lay the groundwork for sustained economic growth in the future. However, there remain a number of structural problems in the economy that need to be resolved, including the redefinition of the role of government and establishment of clearly defined and enforceable property rights. Many of the major inhibitors to Armenia's economic growth continue to be internal: legal, regulatory, and policy barriers to business growth and development; corruption; inappropriate and/or insufficient administrative, technical and enforcement skills; and inadequate understanding and poor application of free market principles on the part of private business people and the GoAm. All of these problems undermine investor confidence and thereby deter private domestic and foreign investment. In addition, several external constraints remain, such as poor transportation linkages and the continuing blockade by Turkey and Azerbaijan.

Findings from USAID's customer appraisal confirm that GoAm economic policy reforms have not yet resulted in tangible benefits for the average citizen. While unemployment was cited as the major problem in urban areas, the inability to sell agricultural products (due to poor transportation and marketing services) is considered the main issue in rural areas. In both instances, the lack of cash, a universal distrust of the formal banking system, corruption, and an absence of predictable and workable systems were cited as major obstacles to earning adequate income.

During the past year, USAID has taken a close look at how it can improve program impact in the economic restructuring area. Based on a January 1998 assessment with ENI/PER, the Mission concluded that its economic portfolio (outside of the energy sector) was too fragmented to systematically assist the GoAm to establish the enabling environment needed for a competitive, market economy. In response, USAID has designed a comprehensive, multi-year market reform program which will focus on the creation of appropriate mechanisms, systems, and institutions needed to spur sustainable economic growth. Activities have been designed and will be implemented in an integrated manner, addressing constraints to progress in at least five six areas: accounting reform; capital markets development; fiscal reform; land titling and registration; and commercial legal/regulatory reform. Technical assistance from the market reform program will be reinforced with economic leadership training under the new Twenty-First Century Fund.

The timing of USAID's new program initiatives coincides with the GoAm's stated interests to push harder on economic restructuring reforms. Past and planned activities in this strategic assistance area also support U.S. Embassy goals to inspire broad-based growth, foster the development of free and open markets, and ensure a place for U.S. investors and exporters in Armenia's economic growth. The design of the comprehensive market reform program will

be reflected in USAID's upcoming strategic plan for Armenia, including changes in the articulation of strategic objectives, results frameworks, indicators and targets. Through improved definition of the intermediate results sought under this strategic assistance area and a better balance between lower and higher level results, the strategic plan will better articulate the relationship between USAID economic restructuring activities and results. During strategy development, the Mission will seek to group activities under strategic objectives in ways which will best promote program synergies within Armenia and facilitate economic cooperation between Armenia and the other Caucasus countries. It is expected that the strategy process will explore the possibilities of consolidating/reducing the number of economic SOs for the Armenia portfolio.

For this reporting period, USAID has tracked results under the following strategic objectives:

- SO 1.2: Increased soundness of fiscal policies and management
- SO 1.3: Accelerated development and growth of private sector enterprises
- SO 1.4: A more competitive and market-responsive private financial sector
- SO 1.5: A more economically sustainable and environmentally sound energy sector.

(Strategic Objective 1.1 , Privatization, has not been pursued this past year in Armenia, although the mission was given tentative approval to add this SO to its portfolio in the FY 1999 R4 review process.)

2. Strategic Objective 1.2 -- Increased Soundness of Fiscal Policies and Management Practices - Performance Rating: Met Expectations

The GoAm has demonstrated a strong commitment to fiscal reform this past year by enacting a profits tax law, a personal income tax law, a presumptive tax for small businesses, and a modern value-added tax (VAT). In the area of tax administration, the government has placed a high priority on training tax inspectors, strengthening the tax audit function, modernizing the computer system, and establishing a comprehensive tax accounting program. The budget department of the Ministry of Finance and Economy (MFE) has also taken a number of steps to enhance its organizational and technical capacity and will continue to improve its planning, budgeting and accounting for public sector resources. In order to fully reform its fiscal system, the GoAm has started a significant effort to strengthen and westernize its customs policies and procedures.

As reflected in the SO indicator tables, performance has been positive although not all targets have been met. Tax revenues as a percentage of GDP have improved more rapidly than expected, while USAID projections for deficit reduction were not met. Nevertheless, increased revenues enabled the consolidated government deficit to remain within the limit specified under the terms of the IMF's Enhanced Structural Adjustment Facility (ESAF). USAID will adjust future targets to be in line with the IMF. The GoAm's plans for 1998 include observation of strict expenditure limits, cessation of guarantees for domestic

borrowing of state enterprises, improved tax administration, and better monitoring and management of external debt.

To date, the IMF and the U.S. Treasury Department (under a 632a transfer of funds) have undertaken the bulk of the work in fiscal reform, while USAID's direct contribution has been limited to municipal finance and automating the National Treasury's budget process. USAID has also provided assistance on tax policy, as well as some WTO-related customs advisory work. With start-up of the comprehensive market reform program, USAID's contribution to this SO will expand, particularly in budgetary analysis and expenditure processes, tax policy and administration, and customs policies and procedures.

This SO supports the higher-level goals of the Embassy's Mission Program Plan, which emphasizes the development of open markets and a role for U.S. exporters and investors in Armenia's growth. At present, USAID tracks achievement through the following high level intermediate results:

- IR 1.2.1 Market-oriented budget and financial systems for national and local governments
- IR 1.2.2 Reduction in non-vital government expenditures
- IR 1.2.3 Increased revenues from tax collections

IR 1.2.1 Market-oriented budget and financial systems for national and local governments.

Progress using a market-oriented budget system within the national government is two years ahead of schedule. The GoAm's 1998 budget process has reflected a new competency by the government to carry-out the budget process and abide by the schedule and fiscal limitations of the Budget Law. Nonetheless, the budget process is still weak, with particular efforts needed to improve budget execution (U.S. Treasury) and to develop and formalize the fiscal relationships between the central government and local authorities on budget preparation and budget execution.

USAID's contribution under this intermediate result has focussed on improving local governments' financial systems. Through International City/County Management Association (ICMA), USAID has worked successfully in eight Armenian cities to improve transparency in municipal financial and budgetary processes through town meetings and other public fora. ICMA's training has also helped participating municipalities to prepare annual budgets and three-year financial plans, which, in turn, were praised by the MFE as "considerably improved." At least one of the participating municipalities has demonstrated a serious commitment to transparency by holding follow-on public meetings to discuss the local budget. Now, trainees are teaching representatives from other municipalities, with USAID support, to disseminate municipal finance concepts throughout the country. During FY 1998, this activity will begin to be phased into the comprehensive market reform program. Future initiatives will focus on reforming the federal budgetary system in the context of instituting improved tax collection procedures.

IR 1.2.2 Reduction in non-vital government expenditures. In 1997, the GoAm's budgetary expenditures were broadly in line with projections under the IMF's structural adjustment program. As the major donor under this IR, the IMF has worked with the MFE to better monitor the authorization and payments of core expenditures in the budget. USAID's contribution has been through USAID/Washington's Information Resource Management (IRM) office in providing automation equipment and services to the Armenian National Treasury. To be completed by summer 1998, this activity is expected to help the GoAm's budget process operate faster and with fewer losses.

IR 1.2.3 Increased revenues from tax collections. Largely through efforts by the U.S. Treasury and IMF, progress under this IR has exceeded projected targets. Through the first three quarters of 1997, tax revenues increased by almost 2% of GDP compared to 1996. This improvement is seen against the backdrop of the introduction of measures to increase tax rates and broaden the tax base, as well as improved tax administration. However, as external grants begin to decline in coming years, the GoAm will need to increase its tax collections by more than just the increase in real GDP in order to meet its projected expenditure needs.

While USAID is not a major player under this intermediate result, USAID contractors under SO 1.3 have advised both the Ministry of Industry and Trade and the MFE on customs code, valuation, country-of origin and WTO accession matters related to customs. All of these efforts have contributed to increases in revenue collections.

Expected Progress through FY 2000: The IMF will continue to set the overall direction of the fiscal reform effort, while the U.S. Treasury is expected to continue assistance in the areas of budget policy and process and tax administration. USAID's new comprehensive market reform program, expected to begin implementation in June 1998, will complement these efforts and address gaps in tax policy and administration, budgetary analysis, and customs policy and administration. Leadership training for improved fiscal policy and management is anticipated under the Twenty-First Century Fund.

In developing USAID's new emphasis in fiscal reform, synergies with other SOs will be accomplished in a number of ways. For instance, a review of taxes and fees will be undertaken from the viewpoint of how to facilitate private sector economic activity, trade and investment. Furthermore, customs laws will be reviewed in terms of transparency, equity, and their accordance with international and WTO norms. Harmonization of customs laws and procedures among the Caucasus countries is also a potential area for regional cooperation. Notionally, USAID expects by the end of FY 2000 to assist the GoAm to:

- develop legislative and structural changes to the tax system that will increase revenues while stimulating business activity;
- enhance the efficiency of tax collections through education, modern audit techniques and more efficient collection procedures;

- improve the efficiency of public spending and lower the fiscal deficit by introducing more transparent budgeting based on prioritization of public expenditures; and
- strengthen customs policies, regulations, and procedures in order to stimulate investment and raise revenues at the border.

Performance measurement data in these areas will be provided in the mission's strategy submission.

Strategic Objective 1.2: Increased Soundness of Fiscal Policies and Management Practices			
APPROVED: Yes		COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus	
RESULT NAME: SO 1.2 Increased soundness of fiscal policies and management practices			
INDICATOR: Fiscal balance as a percent of GDP			
UNIT OF MEASURE: % of GDP	YEAR	PLANNED	ACTUAL
SOURCE: IMF	1995(B)		-9.9%
INDICATOR DESCRIPTION: Consolidated central government balance on an accrual basis (includes official grants)	1996	-7.6%	-8.6%
	1997	-4.4%	-6.7%
COMMENTS: The 1997 figure is a projection based on the first 9 months of the year. Revisions to our targets have been made based upon revised government finance data and a more realistic assessment of expected fiscal performance in the coming years.	1998	-5.5%	
	1999	-4.5%	
	2000(T)	-3.5%	

Strategic Objective 1.2: Increased Soundness of Fiscal Policies and Management Practices			
APPROVED: Yes		COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus	
RESULT NAME: SO 1.2 Increased soundness of fiscal policies and management practices			
INDICATOR: Tax revenue as a percent of GDP			
UNIT OF MEASURE: % of GDP	YEAR	PLANNED	ACTUAL
SOURCE: IMF	1995(B)		12.7%
INDICATOR DESCRIPTION: Consolidated government revenue from all tax sources	1996	12.3%	12.9%
	1997	12.0%	15.3%
	1998	17.9%	
	1999	17.9%	
	2000(T)	17.9%	
COMMENTS: The 1997 figure is a projection based on the first 9 months of the year. Revisions to our targets have been made based upon the more rapid than expected improvement in tax revenues and expectations based on the measures currently being implemented, including USAID's own design.			

Strategic Objective 1.2: Increased Soundness of Fiscal Policies and Management Practices			
APPROVED: Yes		COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus	
RESULT NAME: IR 1.2.1 Market-oriented budget and financial systems for national and local governments			
INDICATOR: National government using market-oriented budget system			
UNIT OF MEASURE: date effective	YEAR	PLANNED	ACTUAL
SOURCE: IRIS and U.S. TREASURY	1995(B)		no
INDICATOR DESCRIPTION: Budget includes revenue and expenditure programs, employment, production and capital financing plans	1996	no	no
	1997	no	yes
	2000(T)	yes	
COMMENTS: The achievement of this result two years ahead of time represents a major development. However, further efforts will be needed to strengthen and deepen the process within the MFE and ministries in order to make it comprehensive.			

Strategic Objective 1.2: Increased Soundness of Fiscal Policies and Management Practices			
APPROVED: Yes		COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus	
RESULT NAME: IR 1.2.3 Increased revenues from tax collections			
INDICATOR: Proportion of consolidated government revenues generated from taxes			
UNIT OF MEASURE: % of revenue	YEAR	PLANNED	ACTUAL
SOURCE: IRIS computation from IMF document	1995(B)		64%
INDICATOR DESCRIPTION: Tax revenues from all sources divided by total revenues (including grants and loans)	1996	76%	73%
	1997	81%	83%
COMMENTS:	1998	86%	
	1999	89%	
	2000(T)	90%	

3. Strategic Objective 1.3 -- Accelerated Development and Growth of Private Enterprise - Performance Rating: Below Expectations

The GoAm recognizes that the private sector has to be the main engine of economic growth in Armenia's transition. With USAID assistance this past year, the government took positive legal and regulatory steps in support of accelerated private sector development. Despite this movement, the presence of a large informal private sector demonstrates that barriers to a competitive market economy continue to encourage many enterprises to remain "off the books," reporting neither to tax nor statistical authorities. Estimates of the informal economy range from 30-60 percent of GDP, with most activity concentrated in the trade and service sectors.

Progress at the SO level is difficult if the fundamentals addressed by other economic restructuring objectives (e.g., fiscal reform, financial sector development) are not in place, even when USAID activities are producing lower-level results. The mission has a mixed rating for this SO. On the one hand, USAID activity performance has met expectations. On the other hand, overall SO performance has been somewhat below expectations since many of the established targets for this review period were not met. The added dilemma in rating this SO is the fact that many of the existing indicators and targets are unrealistic for the level of effort that has been applied to this objective, to date. While SO indicators show some movement toward a less state-dominated economy in Armenia (private sector share of GDP increased by 10 percent during 1997), data indicates that only 50 percent of workers were in the private sector. This is below USAID's projected target of 59%, although the difference may be attributable to the growing informal economy. Performance at the intermediate results level is also mixed, as discussed under the IR sections below. Prospects for future achievement, however, are deemed good. The significant progress made this past year on the legal and regulatory front, combined with some impressive movement under fiscal reform (SO 1.2), suggests important groundwork has been laid for more dramatic achievements in the next several years.

USAID is and will continue to be a major player under this strategic objective -- as is EU/TACIS and the World Bank. To improve the impact of assistance activities, USAID is planning to increase its level of effort under this SO and to better integrate activities under the various economic SOs. The mission also plans to take a stronger leadership role in coordinating with other donors. As part of USAID's market reform program, new initiatives are being considered in accounting reform, land market development, agricultural input markets, small and medium enterprise development, and regional transportation. The SO 1.3 results framework and performance monitoring plan will be substantially revised during strategy development to reflect USAID's expanded approach toward SO achievement.

For this reporting period, performance is tracked through the following intermediate results:

- IR 1.3.1 Expanded export markets
- IR 1.3.1.1 Increased foreign and domestic investment

- IR 1.3.1.2 Increased transfer of technology
- IR 1.3.1.3 Increased access to credit by domestic enterprises
- IR 1.3.1.4 Increased access to export markets and development of domestic markets
- IR 1.3.1.5 Improved framework for economic policies, commercial laws and regulations for economic activities.

IR 1.3.1 Expanded export markets. Overall exports fell significantly last year, from \$290 million to \$233 million. The private sector share of those exports was \$160 million compared to expectations of about \$240 million. To date, USAID has not implemented activities directly aimed at achieving this intermediate result, although USAID's involvement in assisting Armenia with World Trade Organization (WTO) accession clearly supports the expansion of export markets. WTO membership should encourage the inflow of foreign investment. The country's liberal trade regime and anticipated accession to WTO late in 1998 will establish the basis to import needed inputs, add value, and export final products. In 1997, USAID financed the visits of two short-term transport consultants to address the key issue of transportation, particularly as it relates to access to export markets. USAID expects to be more involved in the transport sector in the future, as part of its thrust to promote regional cooperation.

IR 1.3.1.1 Increased foreign and domestic investment. USAID's 1997 target of \$50 million in foreign direct investment was not realized. The slow pace of privatization and lack of a peace settlement with Azerbaijan were contributing factors. USAID's indicator on increased investor confidence also fell short of expectations, although it is anticipated that this will improve as continuing progress is made on the legal/regulatory framework governing business development in Armenia. USAID has been actively involved, through IRIS, in assisting in the development of Armenia's Civil Code and with WTO accession. Most recently, the Ministry of Industry and Trade requested IRIS' help to investigate factors inhibiting foreign investment in Armenia. USAID's plans to address key needs in capital markets (see SO 1.4) should also contribute to this intermediate result.

At the sub-IR level, USAID has been involved in a series of activities which have contributed to improving workforce productivity. In addition to training (provided through AED and the American University of Armenia), ACDI/VOCA, cooperatively with the Volunteers in Service to Armenian Agriculture (VISTAA) and IESC, have provided technical assistance emphasizing the linkages between agricultural production, processing and marketing. Finally, the Eurasia Foundation provides grants to support economics education and research, business development, and business and management training.

IR 1.3.1.2 Increased transfer of technology. Under this intermediate result, USAID providers have directly assisted firms through technical assistance and training. As a result of efforts by AED, ACDI/VOCA, IESC and the Eurasia Foundation, USAID can claim significant improvements in management and technical capacity of domestic enterprises. For example, the International Executive Service Corps (IESC) has been instrumental in helping a machine tool business client develop a distributorship, in conjunction with a U.S. firm. As a

result, sales have increased by over \$300,000 and, at current firm growth rates, export sales are expected to increase by 400% between 1997 and 1998.

IR 1.3.1.3 Increased access to credit by domestic enterprises. The value of commercial loans to private enterprises in Armenia has increased significantly between 1996 and 1997, with the actual 1997 level of commercial loans exceeding USAID's target. However, foreign assistance credits have been the main source of new medium and long term loans for the emerging small business sector. Real interest rates on short-term loans are in the 40-50% range, which is much too high to support long-term investment. Credit to the private sector is generally short-term (under six months) and only available if highly secured.

IR 1.3.1.4 Increased access to export markets and development of domestic markets. With strong USAID support, through IRIS, Armenia successfully completed its Fourth Working Group session on WTO accession last December in Geneva. Expectations are that final negotiations may be completed this Summer, which would make Armenia the first country in the former Soviet Union to become a WTO member. WTO membership is expected to open a number of economic opportunities for the country, particularly in foreign investment and trade.

In support of this intermediate result, the U.S. Department of Agriculture has focused on export markets, while USAID has addressed constraints to the development of domestic markets. USAID's primary contribution has been IRIS' studies on market information, which have been used widely in Yerevan by the GoAm. USAID is now working with ACDI/VOCA to ensure that available market information is more widely dispersed throughout the country. As the result of an International Fertilizer Development Corporation study of Caucasus-wide agricultural inputs in late 1997, the mission is currently developing plans to move forward with an agricultural inputs program in Armenia, with regional ties to the other Caucasus countries.

IR 1.3.1.5 Improved framework for economic policies, commercial laws and regulations for economic activities. USAID's primary achievement under this intermediate result has been through IRIS' efforts to develop an Armenian Civil Code. Two of the three parts of the Civil Code have been through two readings in Parliament and the third part has been through the first reading. There is reason for optimism that all three parts may be approved by July 1998. Once adopted, this legislation will provide a framework for market economic activity.

In addition, IRIS has worked with appropriate ministries and the Parliament in drafting a number of important commercial laws. For example, customs valuation and country of origin laws, required for Armenia's access to the World Trade Organization, have been drafted. These two specific bodies of legislation need to be complemented by systematic work in other parts of the Armenian customs system. IRIS has also completed a summary of Armenia's tax reforms since independence, and its advocacy was influential in the GoAm's recent decision to reduce enterprise tax rates.

Under a supporting IR, IRIS has also focused its efforts on increasing an indigenous capacity to conduct policy and data analysis. The Central Bank of Armenia, the Department of Statistics, and the Armenian Economics Association, among others, have benefitted from IRIS' assistance with macroeconomic modeling (which was incorporated into the MFE's most recent Development Plan), statistical data collection and analysis, studies focusing on foreign direct investment constraints, and industrial promotion policy. At the grass-roots level, ACDI/VOCA, AED, IESC and the Eurasia Foundation have all made contributions to increasing the ability of indigenous business associations to provide advocacy and policy-related support services.

Expected progress through FY 2000: At the macroeconomic level, USAID, in cooperation with the European Union, will assist with further legal and regulatory development, particularly related to follow-up to WTO accession and implementation of the new Civil Code. Among the additional new pieces of legislation likely to receive USAID attention is registration of legal entities which will especially support the small business sector. Also, by 2000, the legal framework for registering land, mortgages, and collateral should be in place and operational.

As part of the new comprehensive market reform program, USAID will become more involved in accounting reform activities. By FY 2000, USAID expects the following results: a regulatory organization for the accounting and auditing professions established; an adequate number of trained, tested, certified and functioning accountants and auditors; comprehensive financial disclosure requirements and assurance testing standards developed and adopted for joint stock companies; a comprehensive accounting curriculum in place with qualified faculty in at least one Armenian institution of higher education; users of accounting information informed and trained; and enterprises using market economy systems. Accounting reform will not only improve the accuracy and flow of information to potential creditors and investors, but will also improve enterprise productivity by furnishing managers with better information on product costs and profits. Quantifiable indicators will be developed as part of the mission's strategy deliberations.

In support of business development, USAID will expand efforts to disseminate market information throughout the country. In addition, USAID's plans for expanded activities to benefit small and medium enterprises will ensure greater attention to increasing the abilities of indigenous business associations and individual firms, and to develop a sustainable environment for SME development, particularly outside Yerevan. More precise expectations are currently in design. The TransCaucasus Enterprise Fund, awarded to Shorebank Advisory Services and FINCA, will begin operations in late 1998. This Fund will provide small-medium loans to private businesses throughout Armenia, complementing the current Eurasia Foundation loan program.

USAID will also play a more active role in the transport sector with the addition of a full-time IRIS consultant. This consultant will focus his efforts on regional transportation problems, with a particular emphasis on improving intra-Caucasus trade by helping to develop

projects that multilateral donor agencies will fund. Finally, leadership training for private business leaders and GoAm officials responsible for legislation, regulations and policies affecting the private sector will be the focus of Twenty-First Century Fund training under this strategic objective.

Strategic Objective 1.3: Accelerated development and growth of private enterprises APPROVED: Yes COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus			
RESULT NAME: SO 1.3 Accelerated development and growth of private enterprises			
INDICATOR: Private sector share of GDP			
UNIT OF MEASURE: % of GDP <hr/> SOURCE: Statistics Dept. of the Republic of Armenia <hr/> INDICATOR DESCRIPTION: Share of the private sector in value added output. Private sector is defined as firms with less than 50% state ownership. <hr/> COMMENTS: A considerable amount of economic activity is "off the books." In 1998 USAID will be looking more closely at helping the GOA to improve its statistical coverage of the underground economy.	YEAR	PLANNED	ACTUAL
	1995(B)		50%
	1996	60%	55%
	1997	65%	65%
	1998	70%	
	1999	75%	
	2000(T)	80%	

Strategic Objective 1.3: Accelerated development and growth of private enterprises			
APPROVED: Yes		COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus	
RESULT NAME: SO 1.3 Accelerated development and growth of private enterprises			
INDICATOR: Private sector share of employment			
UNIT OF MEASURE: % of labor force <hr/> SOURCE: Statistics Dept. of the Republic of Armenia <hr/> INDICATOR DESCRIPTION: The labor force excludes students, but includes employees of the farm and cooperative sector <hr/> COMMENTS: A revised series is now being used to which we have adapted our previous data series.	YEAR	PLANNED	ACTUAL
	1995(B)		46.8%
	1996	54%	49.8%
	1997	59%	50%
	1998	55%	
	1999	60%	
	2000(T)	65%	

Strategic Objective 1.3: Accelerated development and growth of private enterprises APPROVED: Yes COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus			
RESULT NAME: SO 1.3.1 Expanded export markets			
INDICATOR: Private sector exports			
UNIT OF MEASURE: \$millions <hr/> SOURCE: Statistics Dept. of the Republic of Armenia <hr/> INDICATOR DESCRIPTION: \$US value of private sector exports of goods and services <hr/> COMMENTS: The drop in exports in 1997 was apparently connected to shifts in terms of trade of gold jewelry and problems with Russian gold mines. Also the GOA effected a total change in management in this sector. In 1996, jewelry accounted for almost one-half of Armenia's exports. These data represent the best estimates of export activity, however, balance of payments data are notoriously unreliable and great uncertainty exists as to the level of "unofficial" trade with neighboring countries. Recently, the IMF has made recommendations to the statistical authorities concerning the inclusion of trade by individuals and believes that these measures will result in a fundamentally sound set of merchandise trade statistics.	YEAR	PLANNED	ACTUAL
	1995(B)		\$162m
	1996	\$200m	\$214m
	1997	\$241m	\$160m
	1998	\$220m	
	1999	\$250m	
	2000(T)	\$300m	

Strategic Objective 1.3: Accelerated development and growth of private enterprises APPROVED: Yes COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus			
RESULT NAME: SO 1.3.1.1 Increased foreign investment			
INDICATOR: Foreign direct investment			
UNIT OF MEASURE: \$millions	YEAR	PLANNED	ACTUAL
SOURCE: Statistics Dept. of the Republic of Armenia	1995(B)		\$20m
INDICATOR DESCRIPTION: Value of net foreign investment (IMF balance of payments basis) COMMENTS: The out-years are conservative estimates, based on IMF Balance of Payments projections. GOA policy-makers anticipate FDI on an order of magnitude 2-3 times higher. USAID will reconsider these projections later this year.	1996	\$34m	\$22m
	1997	\$50m	\$36m
	1998	\$88m	
	1999	\$95m	
	2000(T)	\$114m	

Strategic Objective 1.3: Accelerated development and growth of private enterprises APPROVED: Yes COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus			
RESULT NAME: SO 1.3.1.1.3 Increased investor confidence			
INDICATOR: Country risk index			
UNIT OF MEASURE: 0-100 scale	YEAR	PLANNED	ACTUAL
SOURCE: Euromoney magazine	1995(B)		28
INDICATOR DESCRIPTION: Composite indicator as judged by expert opinion factoring in standard economic data and subjective analysis of political risk COMMENTS: The 1997 figure is from September 1997 whereas we normally report the March rating, which was unavailable to us in time for this report.	1996	33	27.5
	1997	38	31.2
	1998	34	
	1999	36	
	2000(T)	40	

Strategic Objective 1.3: Accelerated development and growth of private enterprises APPROVED: Yes COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus			
RESULT NAME: SO 1.3.1.3 Increased access to credit by domestic enterprises			
INDICATOR: Value of commercial loans to enterprises			
UNIT OF MEASURE: Value of loans	YEAR	PLANNED	ACTUAL
SOURCE: Central Bank of Armenia	1995(B)		\$85m
INDICATOR DESCRIPTION: Credit extended to enterprises by the commercial banking sector	1996	\$90m	\$74m
	1997	\$95m	\$97m
COMMENTS: USAID will develop targets for this indicator prior to submitting its strategy.	1998	TBD	
	1999	TBD	
	2000(T)	TBD	

Strategic Objective 1.3: Accelerated development and growth of private enterprises APPROVED: Yes COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus			
RESULT NAME: SO 1.3.1.4 Increased access to export markets and development of domestic markets			
INDICATOR: Membership in the WTO			
UNIT OF MEASURE: # of Working Parties completed	YEAR	PLANNED	ACTUAL
SOURCE: IRIS	1995(B)		0
INDICATOR DESCRIPTION: Bilateral trade negotiation meetings	1996	2	2
	1997	2	2
COMMENTS: The final Working Party is scheduled for May-June 1998. Although accession may be announced upon completion of that meeting, membership in WTO will only formally occur when the National Assembly and Constitutional Court ratifies the agreement and certain legal and institutional requirements are in place.	1998	1 Access	
	1999(T)	Access	

4. Strategic Objective 1.4 -- A More Competitive and Market-responsive Financial Sector - Performance rating: Met Expectations

This objective seeks to improve the accessibility of the private sector to a wide array of financial instruments at competitive, market-determined rates. It places emphasis on strengthening the efficiency, reliability, and transparency of financial markets. To date, USAID has played a supporting role in financial sector reform in collaboration with the IMF, World Bank and EU/TACIS, but this role will expand as the new capital markets initiative is implemented.

Armenia's progress in banking reform now exceeds the NIS average. During 1997, the government adopted and enforced more stringent capital adequacy guidelines, further restricted insider lending, improved the supervisory capacity of banking authorities and restructured banks with impaired assets. However, the commercial banks are still relatively inefficient and uncompetitive. The margins between lending and deposit rates have remained substantial, reflecting primarily the lack of competition and the lack of a fully functioning legal system that can enforce bank loan contracts.

Achievement of this SO is directly linked to U.S. foreign policy interests to foster broad-based growth and U.S.-Armenian private business linkages. Beginning in late FY 1998, USAID will expand its program focus to include capital markets development and related (e.g., land and property rights) activities. For this reporting period, USAID has tracked achievements through the following intermediate results:

- IR 1.4.1 Increased technical efficiency of financial sector transactions
- IR 1.4.2 Increased public confidence in the banking system
- IR 1.4.3 Increased availability of financial services.

IR 1.4.1 Increased technical efficiency of financial sector transactions. Performance has been strong under this intermediate result. Sixteen private Armenian banks have become operational in international standard funds transfers as well as in intra-national banking transfers and communications through equipment and technical assistance provided by USAID/Washington's IRM office. The result has been a significant reduction in transaction costs and delays compared to the old system of interbank clearing and settlement performed by the Central Bank of Armenia. As noted in the indicator table, performance is nearly on target for 1997. Since 1995, the monetary volume of interbank payments -- domestic and foreign -- has more than doubled. IRM's work will be completed soon.

IR 1.4.2 Increased public confidence in the banking system. Though USAID's indicator measuring the real value of banking deposits has increased, there is enough anecdotal evidence, including findings from USAID's rapid "customer appraisal" of November 1997, to suggest that public distrust of the banking system is still high. However, USAID believes

public confidence will increase over time, now that the banking system is well on its way to financial solvency.

USAID, through the Academy for Educational Development, has provided training in bank supervision and related issues at the Central Bank of Armenia; this, in turn, has supported the IMF's work in commercial bank restructuring. IRM, in cooperation with the World Bank, has also been active in improving bank supervision through the provision of reporting software to the CBA, which intends to standardize reporting from commercial banks throughout Armenia and thereby improve the CBA's capacity to monitor and correct emerging problems.

IR 1.4.3 Increased availability of financial services. The proportion of commercial banks offering basic financial services exceeds 1997 targets. As of last December, 70 percent of the banks surveyed offered five of the basic set of six services, representing a dramatic improvement over the 15 percent that were judged capable of doing so in 1996. In analyzing this result, however, two concerns are noted. While credit is more widely available in Armenia now, as compared to one and two years ago, it is difficult to separate out the availability of domestic credit from that of donor credit. Consequently, a closer look at the indigenous, sustainable capacity of Armenia to provide appropriate financial services is required. Further, while most domestic banks provide loans and an expanding set of other financial services, interest rates are beyond the means of most borrowers and there are not yet sufficient safeguards (e.g., lack of a deposit insurance system) to foster confidence in and increased use of the banking system.

USAID, through the Barents Group, has been actively involved in increasing the management and lending capacity of financial institutions through the creation of a bankers' training center in the Central Bank. From June 1997 through March 1998, over 300 Armenian bankers have received short-term training in such areas as risk management, international payment systems, letters of credit, and asset and liability management. Results from this training are already evident. For example, ShirakInvest Bank has established an asset/liability committee, written a credit policy, prepared a strategic plan for the next five years, offered several new banking services to its customers, and prepared new loan documents. Several other banks have implemented new credit policies as well. Compared to last year's results, attendance by the commercial banks at the training program has, however, slowed in the last 3-6 months. The contractor is currently completing a diagnostic and market survey to determine what changes are needed to improve attendance.

In addition to Barents' work, the Eurasia Foundation provided technical assistance as well as loan capital to four banks directed at the lending needs of small and medium enterprises. The assisted banks have developed credit and collateral policies that enable them to administer small business loans profitably and with security.

IR 1.4.4 Improved policy, legal and regulatory framework. To date, the IMF has been the major player in advising the GoAm on monetary policy and building the legal and regulatory infrastructure for the financial sector. USAID's technical assistance efforts in drafting and

commenting on the Civil Code (under SO 1.3) is strongly supportive of and directly affects the legal and regulatory basis for commercial transactions. USAID's planned work in capital markets development will require the introduction of statutory and regulatory measures necessary to establish a functional capital markets system.

Expected progress through FY 2000: The development of capital markets will be a major component of USAID's new comprehensive market reform program, with implementation beginning toward the end of FY1998. By FY 2000, USAID notionally expects to help the GoAm to achieve:

- The establishment of an independent securities regulator;
- creation of a non-profit, privately-owned clearance, settlement and depository system;
- creation of a non-profit, privately-owned, widely-held trading mechanism;
- passage of a legal and regulatory framework to facilitate initial public offerings and participation of foreign investors;
- creation of registry of share ownership independent from government or enterprises; and
- development of capital market intermediaries.

This new emphasis on capital markets will be included in the mission's strategy submission. USAID's pilot efforts in land and property registration (through ICMA) will also be expanded in conjunction with financial sector development, since the absence of these registration systems precludes the use of land as collateral. Expectations in land titling and registration include: a rapid and cost-effective strategy for titling and registration of land; regulatory frameworks for land markets; enterprise lands privatized; and private sector participants trained to support land markets.

In banking, existing USAID-funded efforts in electronic payment/bank supervision systems will largely be completed by late 1998. The continuation of bankers' training is in question at this time, given implementation problems with Armenian partners. Finally, leadership training for the financial sector will be provided through the Twenty-First Century Fund.

Strategic Objective 1.4: A more competitive and market-responsive private financial sector			
APPROVED: Yes		COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus	
RESULT NAME: SO 1.4 A more competitive and market-responsive private financial sector			
INDICATOR: Financial sector depth			
<p>UNIT OF MEASURE: Financial intermediation index (1995 = 100)</p> <hr/> <p>SOURCE: IRIS based on Central Bank of Armenia data</p> <hr/> <p>INDICATOR DESCRIPTION: Index of financial sector depth (see below)</p> <hr/> <p>COMMENTS: The index methodology has been upgraded affecting the quality of our 1996 and 1997 projections. In addition, the indicator dropped from 100 in 1995 to 94 in 1996, largely because of substantial increases in loans to the general government to finance the budget deficit. Also because the ratio of dram deposits to total deposits declined. The index comprises six components: loans to the economy/GDP; weighted avg. interest margin; total deposits/GDP; dram deposits/total deposits; loans to gen. govt./net domestic assets; money multiplier.</p>	YEAR	PLANNED	ACTUAL
	1995(B)		100
	1996	110	94
	1997	120	104
	1998	110	
	1999	115	
	2000(T)	120	

Strategic Objective 1.4: A more competitive and market-responsive private financial sector			
APPROVED: Yes		COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus	
RESULT NAME: SO 1.4 A more competitive and market-responsive private financial sector			
INDICATOR: Spread between deposit and borrowing rates			
UNIT OF MEASURE: % interest rate differential <hr/> SOURCE: Central Bank of Armenia <hr/> INDICATOR DESCRIPTION: Avg. annual range of interest rates charged on 3-month dram loans minus the avg. range of interest paid on dram deposits by commercial banks <hr/> COMMENTS: The structural level of interest rates rose in 1997 for a number of factors -- depreciation of the exchange rate, tight monetary policy and inflation -- thereby increasing the annualized differential between the lending and deposit rates. For the future, we are considering using an index that reflects the average interest rate differential between deposit rates and credit for 30 day, 60 day and 90 day periods.	YEAR	PLANNED	ACTUAL
	1995(B)		30
	1996	30	28
	1997	25	31.6
	1998	TBD	
	1999	TBD	
	2000(T)	TBD	

Strategic Objective 1.4: A more competitive and market-responsive private financial sector			
APPROVED: Yes		COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus	
RESULT NAME: IR 1.4.1 Increased technical efficiency of financial sector transactions			
INDICATOR: Volume of interbank payments			
UNIT OF MEASURE: \$US millions <hr/> SOURCE: Central Bank of Armenia <hr/> INDICATOR DESCRIPTION: Monetary value of interbank payments -- domestic and foreign. <hr/> COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)		1,800
	1996	2,500	2,484
	1997	4,000	3,953
	1998	5,800	
	1999	8,500	
	2000(T)	12,000	

Strategic Objective 1.4: A more competitive and market-responsive private financial sector APPROVED: Yes COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus			
RESULT NAME: IR 1.4.2 Increased public confidence in the banking system			
INDICATOR: Real value of bank accounts			
UNIT OF MEASURE: real banking system deposit index (1995 = 100) <hr/> SOURCE: IRIS from Central Bank of Armenia data <hr/> INDICATOR DESCRIPTION: Real value of bank accounts - commercial and personal <hr/> COMMENTS: Our targets for 1998-2000 have been revised upward based upon the introduction of foreign competition to the banking sector, such as Midland Bank, and other sources of foreign credit.	YEAR	PLANNED	ACTUAL
	1995(B)		100
	1996	90	110
	1997	95.4	152
	1998	165	
	1999	180	
	2000(T)	200	

Strategic Objective 1.4: A more competitive and market-responsive private financial sector APPROVED: Yes COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus			
RESULT NAME: IR 1.4.3 Increased availability of financial services			
INDICATOR: Proportion of commercial banks offering basic financial services			
UNIT OF MEASURE: % of banks <hr/> SOURCE: Barents Groups survey <hr/> INDICATOR DESCRIPTION: % of banks offering basic set of six financial services <hr/> COMMENTS: Banks reported here meet at least 5 of the basic set of 6 services. The 6 services relate to lending and deposit facilities; information about interest rates and fees relative to inflation; terms and conditions for loans; letters of credit for banks involved in export/import; western service orientation.	YEAR	PLANNED	ACTUAL
	1996(B)	30%	15%
	1997	65%	70%
	1998	85%	
	1999	TBD	
	2000(T)	TBD	

Strategic Objective 1.4: A more competitive and market-responsive private financial sector APPROVED: Yes COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus			
RESULT NAME: IR 1.4.3.2 Increased access to capital			
INDICATOR: Real value of loans			
UNIT OF MEASURE: real banking system loan index (1995 = 100) <hr/> SOURCE: IRIS from Central Bank of Armenia data <hr/> INDICATOR DESCRIPTION: Real value of bank loans -- commercial and personal (excludes bank loans to government) <hr/> COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)		100
	1996	77.4	95
	1997	85.1	102
	1998	110	
	1999	118	
	2000(T)	125	

5. Strategic Objective 1.5 -- A More Economically Sustainable and Environmentally Sound Energy Sector - Performance Rating: Met Expectations

In Armenia, the two energy subsectors having the greatest impact on the economy are the electric power and the natural gas subsectors, and these are the areas where USAID is concentrating its assistance. Beginning in 1996, the GoAm has made significant progress in restructuring the electric power sector. Less progress has been realized in terms of gas sector restructuring, although in the past year there have been significant developments. The overall program has succeeded in turning around the situation of the first half of the decade when electricity was typically available for less than six hours per day in most areas, while there was no gas supply or central heating available at all. Power supply has improved dramatically and today 24 hour supply is the norm in most parts of the country. Not only have domestic needs been met but electricity is now being exported to Georgia. While important progress has been made in a number of areas, it is still too early to speak of success at the SO level. As the major elements of the energy sector are privatized beginning in 1998-2000, USAID expects to be able to show positive results at the SO level.

In 1998, the GoAm will reportedly invest \$35 million in the energy sector or 8.4 percent of budgetary expenditures. This is far short of overall sector needs, which are estimated by the GoAm to be on the order of \$2-2.5 billion. According to a recent World Bank estimate, the rehabilitation and replacement investment needs for the power sector alone total \$1.7 billion. Without major investments in the power sector there is danger that Armenia may develop greater reliance on the ANPP, which already supplies 40 percent of the country's electricity, thereby jeopardizing the GoAm's stated commitment to plant closure by 2004. France has expressed interest in helping the GoAm to construct a new nuclear plant, although the source of financing for that sizable investment is unclear. Alternative least-cost power supply options are necessary to convince the GoAm that the ANPP can be closed on schedule without harm to the economy. Until then safety improvements at the ANPP need to be supported in order to reduce the potential for severe environmental disaster. In addition, existing deficiencies in the non-nuclear energy sector pose long-term threats to human health and the environment.

While the GoAm has demonstrated willingness to undertake important energy sector reforms, USAID has not been completely satisfied with the degree of commitment demonstrated by the GoAm authorities to complete the process. The cash flow within the energy system remains unclear. Major losses in terms of unbilled and uncollected payments for electrical energy are unaccounted for. The GoAm has not yet identified a plan for sustaining the operation of the Energy Regulatory Commission. These measures have been included as conditions for a \$15 million gas purchase presently under consideration and intended to coincide with the temporary shutdown of the ANPP scheduled for August, 1998. (By way of clarification, the electrical power sector depends on natural gas supplied from outside of the country to meet approximately 40% of the current national demand for electricity. Some natural gas is also supplied directly to factories for electricity. Steam heat for metropolitan areas is "cogenerated" at the major power plants while also generating electricity.)

Initial USAID assistance to the energy sector involved the provision of critical equipment and fuel supplies, but is now focused on the systemic reform of the sector and the reduction of the hazards presented by the nuclear plant. The attainment of this strategic objective is critical to the success of Armenia's transition to a market economy and thus, supports the Embassy's interest in inspiring broad-based growth. USAID tracks achievement through three primary intermediate results:

- IR 1.5.1 Increased private sector participation in the energy sector
- IR 1.5.2 Increased economic efficiency in the energy sector
- IR 1.5.3 Reduced environmental hazards of operating the Armenian Nuclear Power Plant

IR 1.5.1 Increased private sector participation in energy sector. USAID has been successful in the past year in using reform conditions agreed to under the FY 1996 and FY 1997 gas deliveries to push the GoAm to complete the "unbundling" of the electric power sector. As a result, the sector is now organized along the lines spelled out by USAID's policy and institutional reform contractor, Hagler Bailly. At the urging of USAID and the World Bank, the power generation, transmission and distribution companies, as well as the natural gas enterprises, have been turned into "closed" joint stock companies, which further reduces state control of day-to-day operations and improves incentives for efficiency. These structural reforms are necessary first steps to private sector participation in the sector. It should be noted that a GoAm decision during 1997 to form a joint venture for gas transmission/storage with the Russian gas firm, Gazprom, and its commercial subsidiary, Itera, is not a transparent development. However, to date, the Russians do not appear to be interested in the distribution sector where USAID assistance has been focused.

Supporting intermediate results show that the national regulatory commission has been established and is operating independently (i.e., it has a budget and a salary structure separate from the rest of the GoAm). This regulatory commission, which is effectively operating sooner than USAID expected, is considered the best among those in the former Soviet Union. Within the past year, the commission has raised electricity tariffs and set natural gas and heat tariffs. The commission has been making preparations to issue operating licenses for all energy sector enterprises, and is expected to begin issuing licenses in the first half of 1998. USAID is also providing the commission with advice on physical and financial reporting standards for energy sector enterprises, a step that is expected to increase the transparency of both energy deliveries from one enterprise to another as well as the flow of cash between enterprises.

In compliance with World Bank conditionality, in December 1997, the GoAm issued resolution 551 regarding the financial rehabilitation of the energy sector, consistent with many of the recommendations made by USAID's technical assistance contractor. This resolution outlines plans for the financial rehabilitation, financial controls and subsequent privatization of the entire energy sector by the year 2000. Although an important action, the resolution is short on details, especially in the area of financial settlements, and does not describe the steps

that need to be taken to implement its provisions. The work of the interministerial financial reform group created under USAID's 1997 MOU with the GoAm is now critical to developing and carrying out the implementation steps required to ensure that the objectives laid out in the resolution can be achieved.

Other legal developments affecting attainment of IR 1.5.1 include the Parliament's recent passage of an umbrella privatization law in January 1998 which will facilitate the sale of energy enterprises to strategic investors. Also, the GoAm resolution 551 provides an outline of a privatization plan that includes all entities within the energy sector, such as electricity distribution enterprises, the two large hydro-cascades, and the Yerevan thermal power station. In early 1998, a Petroleum Law was submitted to Parliament; passage is expected in 1998. While the law encourages private sector investment in the exploration and development of Armenia's modest potential oil and gas resources, it is weaker than that drafted by USAID technical advisors in collaboration with the Ministry of Energy. An accounting standards law for Armenia is under development; Hagler Bailly and other USAID providers have provided significant input on draft versions.

IR 1.5.2 Increased economic efficiency in the energy sector. USAID has contributed substantially to this intermediate result through a combination of legal/regulatory, technical and administrative activities. For example, the regulatory commission in the past year has issued baseline tariffs for electricity and natural gas, including wholesale tariffs for power generation, transmission, and distribution, and retail tariffs for industrial, residential, and commercial consumers. While tariffs have not yet increased to full cost recovery, (approaching 80%), the regulatory commission is moving resolutely in this direction.

During both 1996 and 1997, the Ministry of Energy has pushed hard on increasing cash collections in the power distribution companies by moving meters out of apartments to central locations and cutting off electric services to those who do not pay. As a result, collections have improved from 20% in 1994 to an estimated peak of 72% in mid-1997. Collections are currently at approximately 65%. The GoAm's objective is to reach 100% collections by 2000 which, if achieved, will markedly improve the financial situation of the power sector. To achieve their collections target, the GoAm, working with USAID and the World Bank, must now get state enterprises and municipal authorities to pay their energy bills and must place more emphasis on improving cash flow and transparency through the sector from one enterprise (e.g., transmission) to another (e.g., distribution). Toward this end, the Ministry of Finance and Economy, the Ministry of Energy, and the regulatory commission have formed a joint working group, with USAID support, to work on energy sector accounting practices.

In 1997, with USAID funding, Hagler Bailly completed the majority of the work associated with installing a pilot metering, billing and collections system in the Komitas network of the Yerevan Electric Distribution Company. For the 5,000 customers currently covered, collections have improved from 80-85% to almost 99%. In early 1998, the system has been expanded to all 22,000 customers in the Komitas area; in the next reporting period, we will be able to report on collections data for this wider population. Hagler Bailly is summarizing

this pilot system for the World Bank, which is considering using some of its proposed Power Sector Transmission and Distribution System Rehabilitation Loan to replicate this system throughout Armenia. USAID has also supported work on a pilot project in seven natural gas distribution networks to restart residential service on a commercial basis; service will restart on a pilot basis in the second half of 1998, and significant reductions in electricity use are expected as a result. Another pilot commercialization effort has been initiated at the Yerevan Electric Distribution Company and at the Armenergo Power Transmission Company to introduce international accounting standards into the Armenian energy sector. As a result of all of these efforts, Armenia has the best consumer collection rates among the Republics of the former Soviet Union.

In 1997, USAID's technical assistance contractor, Burns and Roe, and its subcontractor, Resource Management Associates, completed business training for private Armenian energy service companies, who in turn were awarded six contracts for weatherization work at three sites. USAID partnership activities through U.S. Energy Association sponsored exchanges and study tours that exposed Armenian energy industry personnel to the financial and management operations of energy sector enterprises in the United States.

USAID activities have also mobilized public and private financing for selected energy projects. For example:

- The U.S. Geological Survey has identified a 40-fold increase in the estimates of domestic coal deposits in Armenia and the technologies appropriate to use them in a relatively "clean" and low cost way. Identification of these deposits and appropriate ways to use this coal open new possibilities for investment in still modest coal mining and related businesses.
- USAID funded equipment upgrades at the Seismic Institute has enabled this Armenian institute to contract with a private firm, the Armenian American Exploration Company (AAEC), to carry out a seismic survey over selected oil and gas prospects in Armenia. This activity is supportive of the existing \$10 million oil and gas exploration agreement between the GoAm and AAEC.
- After many delays caused by changing government procedures, the World Bank has finally negotiated an agreement with the GoAm for the rehabilitation of two units, (using USAID funds transferred to the Bank in 1996), at the Gyumush Hydroelectric Station, which was damaged in a mud slide in 1995. During the first half of 1998, the World Bank is expected to disburse all of the funds in support of the rehabilitation effort. This World Bank effort built on a USAID-funded initial assessment of damage to the Gyumush station in 1995.
- Burns and Roe completed the first Environmental Assessment (EA) of the Armenian energy sector. This report provides the environmental input to the \$95 million World Bank Transmission/Distribution System Rehabilitation Loan. Since then, Burns and

Roe has worked with the GoAm and the World Bank to develop a PCB mitigation plan, which together with the results of the EA, will be incorporated into the Armenian National Environmental Action Plan in 1998.

IR 1.5.3 Reduced environmental hazards of operating the Armenian Nuclear Power Plant (ANPP). Armenia continues to rely heavily on the ANPP for its electricity generating capacity (approximately 40%). USAID's gas deliveries enabled the GoAm to shutdown the plant in order to make necessary repairs and enhancements, thereby ensuring improved operating efficiency and reduced environmental hazards. The U.S. Department of Energy's Nuclear Regulatory Commission (NRC), through a 632 transfer of funds from USAID, has made significant progress, in cooperation with the managers of the Armenian nuclear power plant, in improving fire safety and operating procedures. The NRC has also provided training to nuclear regulators, building on previous efforts to strengthen the capability and authority of the Armenian Nuclear Regulatory Authority. USAID continues to assist the GoAm to identify and rely more heavily on alternative (non-nuclear) generating capacity. Toward this end, USAID's technical assistance contractor, Burns and Roe, working with the GoAm, has developed and published a project selection report and project implementation schedule to guide investments for (non-nuclear) replacement power facilities. The projects identified will be presented at the Armenia Power Investment Conference, planned for fall 1998.

Expected Progress through FY 2000: USAID expects the Armenian energy sector will be privately owned and operated (except for the ANPP) by 2001. To this end, USAID will continue to focus its efforts on: strengthening of the Energy Regulatory Commission; commercialization of the gas and power sectors; further consolidation of the distribution companies into more economically viable units; conversion of the "closed" power sector joint stock companies into "open" companies to facilitate transparency and privatization; separation of the transmission and dispatch functions as required by the Energy Law; and dissolution of the holding company and the disaggregation of the natural gas sector into separate companies based on function.

In the fall of 1998, USAID, in cooperation with the U.S. Energy Association and the GoAm, is planning an Armenian energy sector investment conference in the United States. This event is expected to showcase the status of reforms in Armenia, to provide feedback to the GoAm on what further reforms are needed to interest investors, and to highlight the privatization and power project opportunities available to investors.

The U.S. Department of Energy will continue to provide training and technology transfer to the Armenia Nuclear Power Plant to help the GoAm meet the nuclear safety conditionalities in the European Bank for Reconstruction and Development's Hrazdan 5 thermal power plant completion loan. The Hrazdan loan will, in turn, help create the replacement power required to close the nuclear power plant on schedule. Additionally, during 1998, USAID will begin work with the GoAm on the development of investment preparation documents for replacement power, demand reduction and supply increase projects. These documents will be used to solicit investment from private and multilateral sources.

Strategic Objective 1.5: A more economically sustainable and environmentally sound energy sector			
APPROVED: Yes		COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus	
RESULT NAME: SO 1.5 A more economically sustainable and environmentally sound energy sector			
INDICATOR: Energy consumption per unit of Gross Domestic Production			
UNIT OF MEASURE: Kilogram of energy use (oil equivalent) per unit of GDP (1987 dollars)	YEAR	PLANNED	ACTUAL
SOURCE: Hagler Bailly	1995(B)	-	0.69
INDICATOR DESCRIPTION: Energy consumption in GWh and other fuel units converted to standard unit of measure (use of biomass and other traditional fuels are excluded)	1996	-	0.66
COMMENTS: Hagler Bailly has documented the interesting result that efforts by the GOA to improve collections has resulted in a significant decrease in average residential electricity consumption. In the Ararat network, overall monthly electricity consumption has dropped by 50%. This highlights the significant energy savings still possible within the Armenian economy as it continues to evolve towards a more functional market economy.	1997	-	0.64
	1998	0.61	
	1999	0.59	
	2000 (T)	0.56	

Strategic Objective 1.5: A more economically sustainable and environmentally sound energy sector			
APPROVED: Yes		COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus	
RESULT NAME: IR 2 Increased economic efficiency in the energy sector			
INDICATOR: Collections from end-users paid to distribution companies			
UNIT OF MEASURE: % of billed energy collected	YEAR	PLANNED	ACTUAL
SOURCE: Hagler Bailly	1995(B)	N/A	N/A
INDICATOR DESCRIPTION: Cash collections based on energy bills to consumers - industrial and residential	1996	65 %	64.6%
COMMENTS:	1997	75%	66.2%
	1998	86%	
	1999	93%	
	2000 (T)	100%	

Strategic Objective 1.5: A more economically sustainable and environmentally sound energy sector APPROVED: Yes COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus			
RESULT NAME: IR 2.2.2 International Accounting Standards (IAS) adopted by energy companies			
INDICATOR: Number of energy enterprises using IAS			
UNIT OF MEASURE: Number of major energy sector distribution, transmission and generation enterprises	YEAR	PLANNED	ACTUAL
SOURCE: Hagler Bailly	1995(B)		0
INDICATOR DESCRIPTION: Energy Enterprises capable of reporting audited financial information according to IAS	1996	0	0
COMMENTS: Full compliance with IAS requires utilization of IAS throughout the accounting cycle (recording through reporting). Preliminary activities required include extensive education and training, beginning with creating awareness of the concepts.	1997	0	0
	1998	1 of 11 (D) 1 of 1 (T) 0 of 6 (G)	
	1999	1 of 11 (D) 1 of 1 (T) 2 of 6 (G)	
	2000 (T)	6 of 11 (D) 1 of 1 (T) 4 of 6 (G)	
	2001	11 of 11 (D) 1 of 1 (T) 6 of 6 (G)	

B. EMPOWERMENT OF CITIZENS THROUGH DEMOCRATIC POLITICAL PROCESS

1. Overview and Factors Affecting Program Performance

Progress toward more empowered citizens through democratic political processes has moved forward this past year, though by no means in a uniform way or as far as might have been hoped.

As noted in the country overview, the most significant political factor of the reporting period was the series of events leading up to and including the extraordinary Presidential elections in March 1998. Increasing political pressure early in the year led to the resignation of President Ter-Petrosian in early February 1998 and to Prime Minister Robert Kocharian (a former President of Nagorno-Karabakh) assuming the role of Acting President. As required by the Constitution, an election for President was held 40 days later. The conduct of the initial election and subsequent run-off election drew serious criticisms from international observers regarding clear problems in some polling stations, although, the outcome of the election overall was not called into question. While the irregularities of the 1998 election are considered less egregious than those of 1996, these most recent elections were not sufficiently free of incidents to improve public confidence in the electoral process.

As was demonstrated during the Presidential elections, political parties in Armenia remain largely personality-based rather than issues-based. Responsiveness to constituents is not yet a widely recognized or valued consideration for political parties. Some political parties are participating in efforts to improve responsiveness and an issues orientation. Improvements in the party process will clearly need significant effort, both domestically as well as from donors, over a number of years.

The independent media, while still not strong, is improving in Armenia. A growing number of private journalists are increasing their skills and their confidence to report on a wider variety of news stories (as was evidenced in coverage of the Presidential election). In addition, media organizations are increasingly willing and able to engage Parliament on legislation which currently restricts press freedoms. There are no active government restrictions on the freedom of the press in Armenia, although new legislation is pending which may solidify current freedoms, or could reduce them.

Public confidence in citizens' ability to effect change remains limited, in large part due to the flawed 1995, 1996 and 1998 elections. The local NGO community remains weak. Groups of local NGOs are working hard to overcome public cynicism and are assuming a greater advocacy role with both government and the media, but there is a long way to go to strengthen local NGOs as a vehicle for public participation in the nations' economic and political decision-making.

Finally, the pace of legal and judicial reforms has been steady over the past year, partially as a result of increased commitment to reforms on the part of key players within the GoAm. In spite of forward movement on actual reforms, however, there is still considerable effort needed to ensure proper implementation of these reforms.

USAID has been a major player in the democracy sector, focusing primarily on legal reform and civil society. While, in general, USAID's activities have been successful, a lack of political will and/or capacity on the part of local partners and clients -- both governmental and non-governmental -- has limited the impact of assistance in this sector. Over the next two years, USAID anticipates addressing local government issues (in addition to its current focus on legal reform and civil society) and to better integrate legal reform efforts between the economic and democracy sectors. It is expected that the present results frameworks for the democracy portfolio will be revised during strategy development. To date, USAID has planned and tracked results under the following strategic objectives:

- SO 2.1: Increased, better informed citizen's participation in political and economic decision-making
- SO 2.2: Legal systems that better support democratic and market reforms.

2. Strategic Objective 2.1 -- Increased, Better Informed Citizens' Participation in Political and Economic Decision-making -

Performance Rating: Below Expectations

Overall, progress in this SO has not met expectations, although performance at the IR level is mixed. Results in establishing an independent media have been very good, while constraints on the participation side have largely been outside USAID's manageable interests. Sustained public confidence in the political process remains below expectations, not only as a result of the questionable election processes, but due to political parties' lack of capacity, and perhaps interest, in responding to constituency needs. Also lacking is a serious opposition force to counterbalance the ruling forces (both government and military apparatus).

USAID has continued cooperative relationships within the USG Mission, as well as with other key donors, including, the Open Society Institute (OSI - Soros), and to a lesser but growing extent, EU/TACIS. USIS is supporting media (mainly print) through International Visitor programs and commodity assistance, and NGO development through Democracy Commission Grants. In addition, USIS supports masters programs through the IREX and Muskie fellowships. OSI programs focus on pre-school level civic education, publishing, training and grants for arts and culture programs, and in coordination with USAID, for human rights, women, minorities and rule of law. As part of its regional strategy, EU/TACIS is also supporting one of USAID's providers in the development of a region-wide infrastructure for independent television. OSI and two of USAID's providers have participated jointly in a grants competition focused on the sustainability of independent television stations.

Until the unexpected resignation of President Ter-Petrossian, the GoAm had demonstrated modest but significant progress toward instituting democratic practices at the institutional and grass-roots levels. It is still too soon to assess how committed the new administration is to genuine democratic reform. While President Kocharian has maintained his support for independent media, the Parliament has moved slower on passing legislation and regulatory mechanisms to favor freedom of speech and media practices. Advocacy groups, such as NGOs and professional associations, have started on-going dialogues with different branches of government, especially in relation to electoral processes, media, social services and environmental reforms.

During this reporting period, USAID tracks achievements under the following high-level intermediate results:

- IR 2.1.1 Improved availability of and access to information
- IR 2.1.2 Human Rights Institutions established to insure fair enforcement
- IR 2.1.3 Increased public confidence in citizen's ability to affect change
- IR 2.1.4 Sustained public confidence in the political process.

IR 2.1.1 Improved availability of and access to information. Progress under this IR has been impressive over the past year due to increased broadcast news coverage on political, economic and social issues in independent television, newspapers, and to a lesser extent, radio. In electronic media, USAID-funding in the past year has supported Internews' initiation of the first mass media journalism school in Armenia. To date, 120 private Armenian media professionals from television, radio and print have participated in 9 two-week intensive seminars on television and radio reporting, newsroom production, television management and sales, and print journalism. As a result of improved reporting skills and new technology use, several independent television stations based in the capital and the regions were able to provide immediate, on-the-air, election coverage to approximately one third of the population. Several international media monitors, like the European Institute for Media, concluded that "the public had sufficient opportunity in both state and private media to view, hear, and read about candidates."

During the election period, State TV was reported to have increased its daily news broadcasts on the elections. In addition, one regional broadcaster made effective use of gained reporting and technical skills to engage several presidential candidates in live talk-shows. Internews is also working with twelve independent television stations which regularly contribute reports for "Storaket," a weekly national news exchange program broadcast throughout much of Armenia. In recent months, "Storaket" has featured an increased number of stories addressing political, economic and social issues and the program is also available to US international audiences. While most independent television stations are heavily dependent on donors for their financial survival, Internews is working with several stations to create business plans and to build the basis for sustainability. On-site residency programs focused on intensive advertising and television sales training, have helped a station based in the second largest city of Gyumri to double advertising revenue by up to 20% within the last 2-3 months.

Over the past year, the Eurasia Foundation has provided support to three media associations - the Yerevan Press Club, the Media Association and the Union of Journalists. This work has increased the quality and spread of information and fomented cooperation between state and independent journalists. For example, cooperating entities effectively mobilized and obtained government exemptions on VAT costs for newsprint and distribution. It is expected that a private printing press will be operational by 1998, serving as an alternative to the current state-owned monopoly. This will allow the independent print media to make their newspapers available to the public at a lower cost as well as to improve their layout and expand production.

Internews, in cooperation with the Yerevan Press Club (YPC), has engaged the National Assembly Committee on Science, Culture, Education and Youth over the past year in discussions of two proposed laws that would have severely restricted the rights and freedoms of the independent press in Armenia. As a result, the laws have been delayed and the YPC has submitted alternative drafts and cooperated with National Assembly drafters on reworking several articles of the radio and television broadcast legislation. The National Assembly is expected to review and vote on these laws in late Spring. By increasing legislative assistance

and commentary of the media and broadcast laws, Internews has provided journalists with a broader understanding of the regulatory framework governing mass media and of their rights and freedoms.

IR 2.1.2: Human rights institutions established to insure fair enforcement. This intermediate result was envisioned as a UN and/or OSCE program, which has not been forthcoming. To date, human rights institutions in Armenia do not appear to be thriving, although the reasons for this are not understood. Consideration is being given to some USAID involvement in this area, possibly in FY1999, following a USAID assessment of the sector.

IR 2.1.3: Increased public confidence in citizens' ability to affect change. In general, public confidence has not improved over the reporting period, as a direct result of the faulty September 1996 and March 1998 elections. Nonetheless, USAID activities are working to build a sustainable base of confidence for the future. Such USAID activities work through public education efforts, civics education curriculum in secondary schools, and NGO development. USAID support has been instrumental in continuing the public dialogue (e.g., government officials, NGOs and media) on issues related to the drafting of new legislation regulating the activity of NGOs; as a result, a significant portion of the population has been educated on the role of NGOs in a democratic society, and specifically, on opportunities for citizen participation through local NGOs.

USAID funding of the Armenian Assembly of America's NGO Center, the Eurasia Foundation's small grants program and other donor contributions to NGOs, have supported the emergence of an active group of 10-15 public-policy oriented NGOs. These groups now have clearly defined missions, organized internal staffing patterns and divisions of labor, as well as considerable project implementation experience. They actively advocate to local government and media representatives on specific topics such as: the environment, women's rights issues, the plight of refugees, a law on charities, law on grants, media freedoms and tax exemptions and better social services for the elderly. Some NGOs have established cooperative partnerships with international organizations and government representatives, thus gaining greater credibility. For example, Mission Armenia -- an NGO concerned with the elderly and disabled -- has partnered with a number of international organizations and the Ministry of Social Welfare to provide better services to over 5,000 beneficiaries. Another example relates to a regionally based NGO that has obtained in-kind contributions from the Ministry of Health and from independent media outlets to carry out public awareness programs concerning-domestic violence issues.

Similarly, the Ministry of Environment has expressed a willingness to share information and cooperate with NGOs on resolving critical environmental problems as an outcome of several open forums with the NGO community. In the late summer of 1997, a citizen-led group supported by the USAID-funded Environmental Public Advocacy Center (EPAC) and several local environmental NGOs halted the Yerevan City mayor's illegal endeavor to transfer protected land to high-ranking government officials. Ultimately, EPAC filed an action in

court and distributed press releases to the media condemning the mayor's actions. The unfavorable media scrutiny, plus a petition signed by 12 environmental NGOs, appeared to have prompted the Mayor to invalidate his earlier resolutions. In the past 6 months, Ministry of Environment officials have shown an interest in participating in monthly roundtable discussions organized by EPAC, where an on-going dialogue with environmental NGOs has developed. These open discussions have led to joint efforts defining priority areas to be included into a National Environmental Action Plan (NEAP) as well as information sharing on a draft Convention on Public Participation in Environmental Decision-Making.

The success of USAID-supported voter education efforts, largely through the International Foundation for Election Systems (IFES), the National Democratic Institute (NDI) and Internews in secondary schools, universities, the media, town meetings and polling stations, can be demonstrated by the October 1997 Hrasdan by-election and the most recent 1998 Presidential elections. Election education was available to at least 50% of the population in multiple outlets (ie. polling stations, radio and television broadcasts, print, posters, etc). In turn, the electorate has shown increased understanding of the voting process, particularly, the new post-Soviet method of ballot-marking, which was the cause of up to 40% of invalidated ballots in the July 1995 elections. Invalid ballots due to incorrect marking were less than 10% of the total in the 1998 elections.

In addition, USAID funding to Junior Achievement of Armenia (JAA) has resulted in introduction of civics education in Armenian secondary schools. JAA introduced an Applied Economics (AE) course to fill in a perceived gap in 1993 and expanded its program from eight schools to 152 schools in less than three years. JAA was able to engage the Ministry of Education in passing a decree to make its program part of the Republic's school curriculum in 1995. During the academic year 1997/98, 3,000 high-school students are expected to graduate from the AE Program. Given the program's success with both students and teachers in teaching AE courses, JAA has incorporated pilot civics curriculum program to teach young people their civic duties and responsibilities, and the impact of citizen participation in free-market practices and on building a democracy. Teachers have also participated in the design of a new civic textbook and have agreed to form a teachers' association to train other teachers and to propose curriculum changes at the Ministry level.

While constituent-based activities have been successful, the legal and regulatory environment still is not sufficiently conducive to effective NGO activity. An NGO law was passed in 1996 has not yet been implemented appropriately (e.g., there is no parity in NGO registration or tax issues). The USAID-funded NGO center has engaged a legal expert that will be addressing key NGO legal and regulatory problems in the near future in cooperation with local NGOs.

IR 2.1.4.: Sustained public confidence in the political process. As noted previously, public confidence in the political process has remained low over the past two years, and has recently received yet another significant blow with seriously flawed March 1998 elections. Prior to the resignation of the former president, USAID, through NDI, had sent 10 mid-level party

activists from ruling and opposition parties to participate in a U.S. based training program that focused on conflict resolution and political party development. As a result, participants signed a joint statement calling for new electoral legislation, free and fair elections and national reconciliation. One of the participants, a parliamentarian, went as far as proposing to open committee hearings to the public to increase public participation. This progress was curtailed by the abrupt changes in the political sphere. USAID cannot assess at this point whether this type of transparency will continue under the newly-elected Government.

NDI has also organized seven one-day political party building seminars. As a result, some limited progress was recorded prior to the 1998 Elections, when regional chapter representatives of three major parties had renewed political dialogue and demonstrated attempts to reach out to citizens to broaden their constituencies. However, despite USAID assistance in this sphere, political parties are still dominated by personality-driven conflicts. They lack issue-based platforms and show little interest in responding to constituency needs.

USAID provided funding for the Organization for Security and Cooperation in Europe (OSCE/ODIHR) Election Observation Mission for presidential elections in March 1998. Additional USAID-funded activities included: the production and distribution of voter education materials, media programs and advertisements; production of pollworker guides for electoral commission workers; manuals for international election observers; training for electoral commission staff; technology assessment and related procedures to enhance security, transparency and efficiency in the results tabulation process. USAID also attempted to increase the chances for a fair poll by providing technical assistance aimed at amending the existing electoral law to allow domestic observers to monitor the process as a temporary measure prior to passage of a new electoral code. Ultimately, this measure did not pass the National Assembly due to lack of support from political party representatives who failed to make an appearance at time of voting. The lack of political will on the part of government and opposition parties suggests little interest toward increasing transparency and citizen participation in the election process. Through U.S. and OSCE encouragement, the Central Electoral Commission (CEC) did, however, adopt a clarifying resolution governing the placement of uniformed police at polling sites, which was a major problem in previous elections. The CEC also accepted recommended guidelines for resolution of complaints at the precinct levels.

Prior to the March 1998 elections and in advance of 1999 parliamentary elections, the USAID-funded International Foundation for Election Systems (IFES) assisted in the preparatory electoral work by organizing public forums where NGOs, political party representatives, Parliamentary officials and electoral code drafters could enter into active discussions and make recommendations on critical components of the electoral law. A small but active contingent of NGOs submitted recommendations on two drafts. Up until the unexpected resignation of the President, and consequent resignations of parliamentary officials, a total of four drafts were submitted to Parliament for review. USAID anticipates a new electoral law will meet international standards. In cooperation with the CEC and National Assembly, IFES will continue work on improving a training program for electoral

administration officials, providing legal advice and commentary on the law, and technical support.

Expected progress through FY 2000: USAID will continue to support the reform of the electoral process. A key test of the effectiveness of USAID's efforts will be seen in the next Parliamentary elections (expected mid-1999).

Once an independent printing press is operational, (expected in the summer of 1998), the Eurasia Foundation will focus on expanding the distribution of newspapers, not only in the capital but also in the regions. This will result in a wider readership, lower production costs and more time targeting audiences and improving content.

Internews will continue to focus on increasing financial sustainability of print and electronic independent media as well as encouraging and imparting skills for objective, independent news programming. They will support regional alliances between journalists and media associations, promote economic links in the regions that highlight free-market principles by using feature reporting and through news stories that accent the benefits of international cooperation. These regional partnerships will aim to collect financial benefits for participating stations by drawing on advertisers interested in promoting products on a region-wide basis. If successful, this activity will support regional economic growth and promote conflict resolution dialogue between ethnic rivals. With initial support from EU/TACIS, Internews has already started broadcasting a weekly newsmagazine in the region that has received positive feedback. The Eurasia foundation plans to hold a separate grants competition for the establishment of an alternative newspaper distribution system in Spring, 1998 to counterbalance the government controlled Soviet-era monopoly that operates inefficiently and without transparency. As a result, newspapers that suffer from delayed payment and a high percentage of returned editions will have a chance to focus their editions according to number of readers and thus, expand production to broader audiences in the regions.

The USAID-funded AAA NGO Center will be working on the legal and regulatory environment for NGOs in cooperation with a professional lawyers' association. In the next year, USAID expects to strengthen and increase the organizational and institutional capacity of public policy-oriented NGOs. USAID also expects the NGO Center to increase regional contact and initiatives within the Caucasus and the NIS.

USAID expects by the end of FY 2000:

- at a minimum, passage of improved media, NGO, grants and charity laws which include recommendations made by civic groups and improve and/or solidify an enabling environment;
- 10 active public policy NGOs that have worked with government and media on specific legal and regulatory issues of concern to their constituents on issues related to: environment, media, business, women's and human rights and social services;

- An improved stage of development of Armenian NGOs' sustainability according to five key criteria: legal environment, organizational capacity, financial viability, advocacy and public image;

With FY 1999 funding, USAID also plans to promote WID programs in support of women leaders, aimed at establishing regional and country specific partnerships to foment economic viability of women's issues and empowerment in society.

Strategic Objective 2.1: Increased, better informed citizens' participation in political and economic decision-making APPROVED: Yes COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus			
RESULT NAME: SO 2.1 Increased, better informed citizens' participation in political and economic decision-making			
INDICATOR: Number of active NGOs working on public policy issues			
UNIT OF MEASURE: Number SOURCE: AAA/ NGOC INDICATOR DESCRIPTION: Active public policy NGOs are those which have worked with government and media on specific legal and regulatory issues of concern to their constituents. Public policy is defined in terms of women's issues; health; environment; business; legislative, etc. COMMENTS:	YEAR	PLANNED	ACTUAL
	1996(B)		3
	1997	5	15
	1998	20	
	1999	25	
	2000(T)	30	

Strategic Objective 2.1: Increased, better informed citizens' participation in political and economic decision-making

APPROVED: Yes

COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus

RESULT NAME: IR 2.1.4 Sustained public confidence in political process

INDICATOR: Citizen empowerment

UNIT OF MEASURE: %

SOURCE: USIA opinion poll

INDICATOR DESCRIPTION: Percent of adults surveyed who agree or somewhat agree to the following statement: "Voting gives people like me some say [some influence] on how the government runs things."

COMMENTS: Baseline data from an USIA-commissioned nationally representative survey of 1,000 adults conducted over 2 weeks in May/June 1996. USAID proposes to include this question in a similar poll later in 1998. The margin of error for the sample is plus or minus 4 percentage points.

YEAR	PLANNED	ACTUAL
1996(B)		44%
1998	TBD	
1999	TBD	
2000(T)	TBD	

<p>Strategic Objective 2.1: Increased, better informed citizens' participation in political and economic decision-making</p> <p>APPROVED: Yes COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus</p>			
<p>RESULT NAME: IR 2.1.3 Increased public confidence in citizens' ability to affect change</p>			
<p>INDICATOR: Public understanding of NGOs' roles and objectives in society</p>			
<p>UNIT OF MEASURE: %</p> <hr/> <p>SOURCE: NGOC survey data</p> <hr/> <p>INDICATOR DESCRIPTION: Proportion of persons sampled who understand the functional roles and objectives of NGOs in a democratic society</p> <hr/> <p>COMMENTS: (f) refers to functional roles and (o) to objectives. This information was gathered in October-November 1997, for a NGOC-commissioned survey of the "Awareness of the Republic of Armenia's Population of NGO Activities." A follow-up survey is planned after the airing later this year of a documentary series on NGOs produced by the NGOC. The survey was of a total of 1,323 people and was conducted in three large administrative districts: Yerevan, Shirak and Syunik. USAID plans to include questions in future USAID-funded opinion surveys that will gauge changes in this indicator.</p>	YEAR	PLANNED	ACTUAL
	1997(B)		37%(f) 28%(o)
	1998	TBD	
	1999	TBD	
	2000(T)	TBD	

3. Strategic Objective 2.2 -- Legal Systems that Better Support Democratic and Market Reforms - Performance Rating: Met Expectations

Progress on legal and judicial reform in Armenia has been fairly steady over the last year, though stalled briefly due to the unexpected March 1998 presidential election.

This is due both to commitment on the part of a limited number of key GoAm officials in pushing for international experts recommendations for reform, as well as small but significant initiatives from grass-roots legal organizations. While significant progress has been made, particularly in light of a constitutional mandate to complete certain legislative and infrastructure reforms prior to July 5, 1998, much work remains to be done on establishing and making functional the institutions required to implement these new laws and systems.

Key laws which will lead to an overhaul of the judicial system as well as the basis for all economic activity in the country are moving at a reasonable pace through the legislative process, and are generally within international norms for both civil and economic protection issues. The institutions required to effectively and fairly enforce these laws are being reviewed within the context of a democratic market system by the GoAm, and new legislation establishing the responsibilities and authorities of these institutions (Judiciary, Procuracy, Bar, Ministry of Justice, etc.).

USAID has been cooperating closely with the World Bank, EU/TACIS, the Council of Europe, and bi-lateral German and Dutch assistance programs in this sector. The World Bank conducted a Judicial Reform Assessment in February 1998 to lay the groundwork for a possible World Bank Judicial Reform Loan, pending a GoAm commitment to reducing significantly the role of the Ministry of Justice (MOJ) in court administration, and removing the Procuracy from civil litigation. Key representatives from the State Judicial Reform Commission have committed to following these recommendations. EU/TACIS is considering support for an independent Judicial Training Institute, provided the Institute were truly independent, particularly of the MOJ or any other Executive branch structures. EU/TACIS also has an on-going program of legislative technical assistance aimed at supporting the Armenians' bid to accession into the Council of Europe and the WTO. The Council of Europe is working on criminal justice reform issues, generally in cooperation with USAID programs. The Germans have worked independently with the GOAm on specific commercial legislation issues, and the Germans and the Dutch have worked cooperatively with USAID on Civil Code and administrative law issues.

It appears at this time that the new GoAm administration will follow through on the commitments made to legal and judicial reform of the previous administration. However, as critical new legislation is passed over the next few months outlining the new systems, it will become more clear how deep that commitment is, and to what extent the emphasis will be on economic legal reforms over civil rights reforms. USAID providers are well-placed at this time to provide critical support to real reformers, and, in cooperation with other bi-lateral and multi-lateral donors, to push forward more recalcitrant members of the new administration. In addition, local organizations devoted to legal reform issues have gained some competence and

limited credibility over the reporting period, and are poised to begin making positive impact on the reform process as it progresses over the next two years. Overall, USAID believes prospects for progress at the SO level are good, barring significant political shake-ups in the executive branch, and/or a significant change in the status of the Nagorno-Karabakh stalemate.

At present, USAID tracks achievement through the following high level intermediate results:

- IR 2.2.1 Enactment of Effective and fair laws and regulations that protect civil and economic rights
- IR 2.2.2 Increased citizen respect for legal system
- IR 2.2.3 Fair, equal and timely enforcement of law

IR 2.2.1 Enactment of effective and fair laws and regulations that protect civil and economic rights. According to the Armenian Constitution, the Supreme Court, as established under the Soviet court system, must be dissolved within three years of the promulgation of the Constitution (i.e., July 5, 1998). In addition, the "Peoples' Courts", must be dissolved three years and six months after promulgation (i.e., January 5, 1999). The Soviet court system is to be replaced by a three-tier continental-style system. After more than two years of delay, due both to distraction toward economic issues and general lack of political will, the GoAm established a State Judicial Reform Commission in order to put the new system into place. This Commission was established in February 1997, and co-chaired by the Prime Minister and the Constitutional Court Chairman, with members from all three branches of government. The Commission drafted a Program Paper in August 1997, which was distributed to various donors. The Program outlined a series of 14 key laws, and 5 key institutions to be either drafted/enacted, established, and/or reformed.

As can be seen from the table, these key laws are on track in terms of USAID expectations, but most are unlikely to make the July 5, 1998 deadline. USAID has contributed significantly through the activities of both the American Bar Association's Central and East European Law Initiative (ABA/CEELI) and AMEX, International Inc. (AMEX), a new contractor for rule of law (ROL) in the Caucasus. ABA/CEELI has provided comprehensive legislative analyses. These include the draft criminal legislation included in the above noted 14-law package, such as the Criminal Code, Law on the Procuracy, and Criminal Procedure Code, etc. In addition, AMEX is facilitating cooperation with the Council of Europe on complementary criminal legislation, as well as a new Administrative Law and Code -- key infrastructure pieces for the implementation of the new Civil Code and judicial system.

USAID is also providing assistance, through AMEX, in the area of constitutional reform. The Armenian Constitution, as passed in 1995, is a relatively weak document in democratic terms, particularly regarding executive branch control and judiciary weakness. An AMEX consultant is working with the Chairman of the Constitutional Court and other GoAm figures in discussing the possibilities for changes to the Armenian Constitution which would increase in real terms the constitutional mandate for the independence of the judiciary. Any changes

would require a national referendum, but there appears significant political will among the new administration, including the new President, to move forward on these changes.

IR 2.2.2 Increased citizen respect for legal system. Historically, the Soviet legal system, particularly the judiciary, was based on an arbitrary system of personality and party politics. The government's State Judicial Reform Commission has taken the issue of public confidence in the system seriously, and is making efforts to address the problem over time. One of the first steps proposed is a certification and re-certification process for all sitting and prospective judges and procurators, which would require a rigorous examination on key new Armenian legislation, and perhaps, ethical considerations, to be passed by all successful nominees. USAID, through ABA/CEELI, has been supporting the efforts of the Commission to move forward on this process. Unfortunately, the Commission and representative GoAm institutions, such as the MOJ, have not moved forward as quickly as expected, in part due to the March election. As a result, the GoAm will not be able to test prospective judges for the Court of Cassation (which will replace the Supreme Court) by the July 5, 1998 deadline and, therefore, will be using less objective methods of selection -- although, now, within constitutional law. ABA/CEELI is continuing to work with both the Commission and the MOJ, however, on the certification process, optimally to get a system in place in time to test prospective new judges for the new Courts of First Instance and Review, which must replace the Peoples' Courts by January 5, 1999.

In addition, grass-roots organizations are relatively active in working to improve the public's perception of legal professionals and their rights of legal protection. ABA/CEELI is supporting both the Association of Judges of the Republic of Armenia (AJRA) and a new Bar Association of the Republic of Armenia (BARA) in the development of Codes of Ethics as well as public education campaigns.

USAID also addresses reforms and modernization at the Yerevan State University Law Faculty, the academic program through which more than 90% of Armenia's lawyers, judges, procurators, and law-makers are educated. USAID, through AMEX (in cooperation with the Dutch Center for International Legal Cooperation and American Law Schools such as UC Berkeley's Boalt School of Law, and New York University's School of Law) has begun training programs for junior faculty in the areas of electronic legal research, human rights law, and commercial law. In addition, an electronic legal research library was established at the school, and the program will now focus on curriculum development, teaching materials development, and teaching methodology reform.

IR 2.2.3 Fair, equal, and timely enforcement of law. For any or all of the above noted efforts to be effective in a sustainable context, implementation by new and/or reformed legal institutions must be based on the rule of law, using efficient modern methodologies. One of two key reform steps needed is the reduction of the role of the MOJ in court administration, including budgeting, training, and general administration absolutely. Current draft legislation, with technical assistance provided through both ABA/CEELI and AMEX, contemplates the establishment of a new Council of Court Chairman, comprised of the Chairs of all 21 new

courts, which would be responsible for budgeting, general administration, and the establishment and facilitation of an independent Judicial Training Center. The draft law as it stands is vague on the responsibilities and authority of this new Council, but USAID -- in cooperation with the World Bank and EU/TACIS -- will continue to strongly recommend a fully independent entity.

The Armenian Procuracy, historically the most powerful government agency in the Soviet system, still holds much of the power of its pre-independence days. A new Procurator General, although reluctant to relinquish any of the control of the procuracy over the judicial process, has taken significant in the area of human rights protection and in practical (rather than theoretical) re-training of his staff in key new legislation. USAID has begun preliminary discussions with the Procuracy to help support the establishment of a Procuracy Training Institute, to include training-of-trainers, curriculum development, and development of curriculum materials, with limited support for infrastructure development. The Dutch may become partners with USAID in this work area.

While reducing the role of MOJ in court administration is a critical GoAm reform step, the MOJ will still have an important role in the enforcement of law. The new Minister of Justice has requested USAID assistance in training both bailiffs and notaries in support of law enforcement. USAID has tentatively expressed interest in supporting this effort, pending additional information.

USAID will begin this fall actively supporting the development of defense attorneys' skills, as well as the new breed of commercial lawyers' skills, through assistance from the ABA. This assistance will include U.S.-based training, as well as in-country assistance through the auspices of the new Bar Association, as well as, as noted above, the Yerevan State University Law Faculty.

Expected progress through FY 2000: In advance of World Bank and EU/TACIS monies coming on-line, it is expected that USAID will continue to take the lead on legal and judicial reform issues. In addition, USAID-funded contracts for rule-of-law and commercial law assistance (AMEX and IRIS respectively) are expected to be merged following an extensive AID/W assessment mission to determine the scope of an integrated legal reform program. Prior to this, democracy and economic restructuring programs will be closely coordinated, particularly as relates to legislative drafting.

USAID programs will continue to support drafting and passage of new legislation that conforms to international norms for civil and economic rights. Emphasis over the next two years will be placed on ethical considerations in the legal and judicial spheres, as well as public education campaigns, in support of both grass-roots and GoAm efforts in these areas. Though a real change in public perception will be based both on the reality of real change within the judiciary, as well as lingering mistrust and skepticism, and may well take a generation to see comprehensive attitude changes, we believe these efforts can have significant impact in the short and long term.

Notionally, USAID expects by the end of FY 2000:

- Passage of the 14 key laws and amendments to those as needed, to assure compliance with World Bank recommendations, Council of Europe and WTO accession requirements
- Graduation of the first class from YSU Law Faculty solidly grounded in international commercial law, human rights practice, and the new key Armenian codes and procedures
- Established certification process for both judges and procurators which effectively tests knowledge of Armenian legislation, and is used as the basis for a merit-based selection process
- Foundation of a Procuracy Training Institute, including a modern international curriculum with a focus on human rights protection

Leadership training in support of improved legal systems will be provided through the Twenty-First Century Fund. This is expected to include over the period FY98 - FY00 between 4-8 long term (semester) internships for junior law faculty, and up to eight LLMS at US and possibly European universities.

Strategic Objective 2.2: Legal systems that better support democratic processes and market reforms APPROVED: Yes COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus			
RESULT NAME: IR 2.2.1 Enactment of effective and fair laws and regulations that protect civil and economic rights			
INDICATOR: Year selected laws enacted			
UNIT OF MEASURE: date <hr/> SOURCE: USAID/C Armenia Legislative Database <hr/> INDICATOR DESCRIPTION: The selected laws have been identified as key to advancing the Armenian legal reform agenda in terms of civil and economic rights. <hr/> COMMENTS: Laws supported by USAID that impact on civil rights: Code of Criminal Procedure; Criminal Code; Structure of the Judiciary/Courts; Law on the Procuracy; Law on Advocates' Services; Law on Status of Judges; Law on Operational Investigation; Universal Electoral Code; Law on Media; Law on Execution of Court Judgements (Penal Code). Laws supporting economic rights: Civil Code; Civil Service; Labor Code; Joint-Stock Companies; Public Procurement; Administrative Code; Intellectual Property Law; Securities Law.	YEAR	PLANNED	ACTUAL
	1995		Const. Court
	1996	Public Orgs.	Public Orgs.
	1997	Procuracy	
	1998	Civil Code Crim.Proc. Crim. Code Media Org. Judic'ry Status Judges Procuracy Oper. Inves. Advo. Serv's. Elec. Code Penal Code	
	1999	Civil Serv. Admin. Code Labor Code Joint-Stock Pub. Proc.	
	2000(T)	Intell. Prop. Securities Lw.	

Strategic Objective 2.2: Legal systems that better support democratic processes and market reforms APPROVED: Yes COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus			
RESULT NAME: IR 2.2.3 Increased capacity and independence of the judicial branch			
INDICATOR: Public confidence in the judicial system			
UNIT OF MEASURE: % <hr/> SOURCE: USIA opinion polls <hr/> INDICATOR DESCRIPTION: Proportion of public responding "a great deal or a fair amount" to the question: "How much confidence do you have in the following Armenian institutions and gov't. organizations?" <hr/> COMMENTS: Data were obtained from the results of two USIA-commissioned nationally-representative surveys: 1) survey of 1,031 adults in Aug. - Sept. 1993; 2) survey of 1,000 adults conducted between May 23 and June 6, 1996. The margin of error for the second sample is plus or minus 4 percentage points. USAID intends either to replicate this question in its own future polling or obtain as available from USIA.	YEAR	PLANNED	ACTUAL
	1993(B)		27%
	1996		~30%
	1998	TBD	
	1999	TBD	
	2000(T)	TBD	

C. STRENGTHENED CAPACITY TO MANAGE THE HUMAN DIMENSION OF THE TRANSITION

1. Overview and Factors Affecting Program Performance

The worst of the humanitarian crisis is over in Armenia. The estimated size of the vulnerable population in Armenia was adjusted downward over the past year to 400,000 in mid-1997. The decline in numbers of vulnerable people is due in large part to the success of donor humanitarian assistance over the past several years. In addition, the GoAm has begun to assume greater responsibility for assisting the country's vulnerable. Also, energy supplies are now relatively reliable country-wide, therefore winter heating is no longer as significant a factor as it had been in the recent past. Finally, while the economy cannot yet be considered "restructured" or "recovered," there has been sufficient economic stability in the past year to allow at least some people to provide more of their own support.

While the number of people officially classified as "vulnerable" is significantly lower than in years past, many people remain poor. Further, many of those still deemed either vulnerable or poor in Armenia -- for example, the disabled and pensioners -- may continue to be in need of assistance over the longer term. These factors combined argue for new solutions in assisting this segment of the population. During the next several years USAID is planning to: (1) focus efforts in the economic sector to improve access to opportunities (discussed elsewhere in this document) and (2) shift the emphasis from direct humanitarian assistance to local institutional development (both public and private) to ensure a sustainable safety net for those relatively less able to help themselves.

USAID has been a major contributor to reductions in the size of the vulnerable population over the past several years. The mission has been and will continue to be on the forefront of a shift to supporting and encouraging the development and strengthening of indigenous institutions to maintain a social safety net in the coming several years. This shift may result in a phase-out of SO 3.1 and initiation of SO 3.2 (sustainability of social benefits and services).

2. Strategic Objective 3.1 -- Reduced Human Suffering in Armenia - SO Performance Rating: Exceeded Expectations

USAID views progress in achieving this Strategic Objective as on target and, in several cases, ahead of schedule. The GoAm is now in a much better position to identify and target assistance to the truly "vulnerable"; at the same time, the numbers of vulnerable are down significantly, as noted above. In addition, the GoAm is showing an increasing willingness to accept responsibility for managing the "safety net" process for the vulnerable.

Implementation of a variety of community microprojects has made a significant difference in the lives of many Armenians, providing basic infrastructure at the local level as well as a growing sense of community participation and responsibility for local problems. In addition,

a number of small and micro loan activities have helped vulnerable households to increasingly meet their own income and/or subsistence agriculture needs. As a result of these combined efforts, human suffering is reduced -- though by no means eliminated -- in Armenia.

For the reporting period, results have been tracked under the following intermediate results:

- IR 3.1.1 More effective Government of Armenia "safety net" institutions
- IR 3.1.2 Urgent basic human needs met for vulnerable households through intervention
- IR 3.1.3 Vulnerable households meet their own basic needs.

IR 3.1.1 More effective Government of Armenia "safety net" institutions. Through USAID support to the Fund for Armenian Relief, the GoAm has begun to use the PAROS system, a computerized database of vulnerable households throughout the country (initially developed with USAID funding), to distribute welfare payments and electricity vouchers to vulnerable households, thereby taking its first steps toward a more effective national safety net. The GoAm plans to take over the funding of PAROS in its 1999 budget. At the same time, PAROS has become more effective at determining vulnerability through the use of proxy indicators. The World Bank, building on USAID's work with PAROS over the past several years, is working closely with the GoAm to improve the targeting of the social safety net, including rescoring of the PAROS formula and the introduction of a single Family Benefit program.

Through the monetization of FY 1996 USAID-provided natural gas, approximately \$3 million in electricity vouchers have been distributed to 200,000 poor and/or disabled households. Ninety percent of these 200,000 poor households have also received welfare payments during the 1997-98 winter months, demonstrating the GoAm's increasing acceptance of responsibility for its most vulnerable citizens.

IR 3.1.2 Urgent basic human needs met for vulnerable households through intervention. USAID funding has supported the implementation of both direct assistance to vulnerable populations and indirect assistance to the GoAm to help establish a more sustainable, indigenous capability for addressing humanitarian needs over time.

In terms of direct assistance, during FY 1997, USAID has funded 83 community microprojects (compared to 124 planned microprojects) and 19 local non-governmental organization development/capacity building efforts under the Save the Children (SCF) community development program over the past year. The difference between actual and planned microprojects can be explained by: overly ambitious targets by SCF; weather-related delays in project start-up; cost overruns which lead to cancellation of planned activities; and a lack of community participation at levels expected. Of the 83 community microprojects in FY 1997, 46 were for the repair of community drinking water projects and 16 were for the repair of local irrigation systems. Other microprojects include: the weatherization of schools;

the provision of health and bathing facilities and health education for vulnerable children; and improved housing for people in temporary (earthquake) shelters.

It is important to note that the initiative for these community microprojects comes from the communities themselves, based on customer discussions and community agreement. The primary target beneficiaries of this program are the unemployed, poorer families, larger families, women-headed households, internally displaced people (IDPs), refugees, entrepreneurs, pensioners and children. Women and children comprise 66% of the beneficiary population.

Once the remaining microprojects are completed, about 201,000 persons are likely to have benefitted in terms of microprojects completed and community action groups formed. A recent evaluation of the program concluded that the goals of the program have been successfully met.

Beginning in 1997, the World Bank and other donors have financed a \$20 million Armenian Social Investment Fund (ASIF), which has grown out of an initial USAID/World Bank pilot project which began in 1995. Although the aims and methodology of ASIF are similar to the USAID-funded Save the Children community development program, great attention has been paid to ensure that there is no duplication between the two programs. The extensive geographic coverage of the two programs testifies to the large continuing need for rehabilitation of social and economic infrastructure throughout the country. As a result of both the Save the Children and ASIF activities, there is now significantly more functional infrastructure (local roads, schools, drinking water, irrigation, etc.,) in rural areas of Armenia and a higher level of community participation as well as of private sector involvement at the local level.

In other areas of direct assistance, USAID funding to the United Methodist Committee on Relief has ensured that 20,000 vulnerable people have received medicines through 95 polyclinics throughout the country (although clinic visits have decreased due to the initiation of a fee-for-service policy in these clinics).

USAID funding to the Fund for Democracy and Development (FDD) has made a "winter warmth kerosene program" possible. Over the winter of 1997-98, this program has made available almost 10,000 metric tons of kerosene to households in 35,000 domiks (temporary shelters) and 1,200 schools throughout Armenia. As a result, vulnerable households in the earthquake zone have received 160 liters of kerosene each (approximately a two-month supply) to help them with their winter heating needs. Participating schools received enough kerosene to heat all classrooms in use for the entire winter season. School attendance is believed to have increased significantly as a result, though attendance figures provided to USAID (445, 000 students attending in the 1,270 participating schools) would appear to be seriously overinflated by school officials hoping to keep kerosene provisions high.

USAID also funded a weatherization program focused on more than twenty educational facilities in Gyumri and Vanadzor (both in the earthquake zone). In addition to the long-term heat saving benefits of this weatherization program, over 100 jobs were created, and community awareness of the need to maintain weatherized facilities was enhanced. Over a ten year period, it is expected that up to 200,000 persons will benefit in a variety of ways (e.g., warmer shelter, employment, community awareness, income savings) as a result of this program. Thus, these winter warmth activities have contributed significantly to the reduction in human suffering.

In order to ensure that the urgent basic needs of the vulnerable are made more sustainable, USAID has been involved in improving donor and GoAm coordination of assistance over the past year. As a result, the PAROS system is now used by almost all donors, NGOs and the Government in targeting beneficiaries, the use of the PAROS system has become more institutionalized, and information on beneficiaries is better coordinated. Under the USAID-funded grant to Save the Children, other donors (e.g., ACDI/VOCA, UNHCR, WFP, and Peace Corps) have begun to co-finance community microprojects, thereby ensuring a broader impact of USAID investments.

In other efforts to ensure that urgent basic needs are made more sustainable, USAID assistance has helped support a significant improvement in the ability to identify and verify vulnerable households over the past year. For example, the PAROS system has become more accurate in its ability to target vulnerable households; through re-registration and adjustments to vulnerability scores (based on changes in personal circumstances), the total numbers of vulnerable households registered has declined significantly (by more than 10%) in the past year. Through similar adjustment procedures, the domik population has decreased by approximately 15%. In addition, the Ministry of Social Security has begun to verify the vulnerability of households registered with PAROS, further demonstrating the increasing willingness of the GoAm to accept longer-term responsibility for assistance to the vulnerable.

USAID also provided a \$100,000 grant to the World Food Program's (WFP's) Food for Work self-targeting food distribution scheme, designed to create short- to medium-term employment. USAID's contribution enabled WFP to procure tools and construction materials required for the repair and reconstruction of irrigation canals and shelter, as well as reforestation activities.

A grant of \$200,000 was provided to UNICEF for the control of vaccine-preventable. The targets of this activity are children under two years of age (an extended program of immunization) and others 3-6 years of age for diphtheria control. The objective is 90% coverage to control diphtheria and, also, the eradication of polio.

In 1997, USAID funded approximately \$8.2 million in wheat for the GoAm in order to "meet critical food needs and support the reform and economic restructuring program of the food sector of Armenia" (quote taken from the 1997/98 Memorandum of Understanding between USAID and the GoAm). While not strictly a humanitarian program (the wheat was sold at market price), this program did provide general budget support to the GoAm. The GoAm

also made considerable progress towards privatization of the food sector in 1997, with 22 out of 25 bakeries privatized, along with some mills.

IR 3.1.3 Vulnerable households meet their own basic needs. Through a variety of micro- and small loan activities funded under the Save the Children umbrella grant, a number of vulnerable households have been better able to provide income and/or food for themselves during the past year. For example, a wheat mill was installed in Kakavadzor village with USAID funding, thereby creating a small, NGO-owned, for-profit business and seven jobs. A CARE agricultural development activity has provided loans (averaging \$300) to over 350 households in the Shirak region, in the earthquake zone and an agriculturally less productive area; while it is too early as yet to tell if production and/or productivity, therefore incomes, have increased as a result of these loans, we can report that loan repayment has been very high (approximately 97%), a proxy indicator of a reasonable return on the loans. World Vision has provided an average of \$500 in business grants to 547 businesses during the past year; of these businesses, less than 2% have failed, again a proxy indicator of loan success.

Expected Progress through FY 2000: During FY 1998, USAID will initiate new reproductive health and health partnership activities, thereby initiating a significantly larger health portfolio than has previously existed. In addition, USAID's role in assistance to the vulnerable is gradually shifting from direct provision of goods and services to a more institutional approach of supporting Armenian institutions (both public and private) to ensure the needs of the vulnerable over the longer term. Therefore, the mission anticipates that, as part of its strategy submission, the focus of this strategic assistance area will shift from humanitarian needs under SO 3.1 to improved sustainability of social benefits and services, under SO 3.2. This will enable the mission to combine health and social welfare assistance under a common strategic focus and look for possible integration of health and humanitarian assistance activities (e.g., through social sector leadership training).

On the social welfare side, USAID has agreed to fund an eighteen month extension of the successful community development activity with Save the Children. Approximately 100 new microprojects are proposed for this time period. Some new areas of focus will include: greater emphasis on building the capacity of communities and civic action groups; community action group training; greater assurance of gender equity in microproject design; and community mobilization. Beginning in mid-1998, USAID, through the FDD, will initiate a central heating pilot project in a select number of schools. If successful, USAID will expand this boiler rehabilitation project in schools throughout Armenia. As boiler rehabilitation proceeds, the number of schools requiring USAID-provided kerosene will decrease. Leadership training in social sector management and economics will be provided through the Twenty-First Century Fund.

Strategic Objective 3.1: Reduced human suffering in Armenia			
APPROVED: Yes		COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus	
RESULT NAME: IR 1 More effective domestic safety-net institutions			
INDICATOR: Better targeting of vulnerable population			
<p>UNIT OF MEASURE: Establishment and improvement of a vulnerable population identification system</p> <hr/> <p>SOURCE: Fund for Armenian Relief, World Bank</p> <hr/> <p>INDICATOR DESCRIPTION: Improvements mean system changes that significantly enhance the targeting of the vulnerable population</p> <hr/> <p>COMMENTS: Since it was established PAROS has been evolving from a purely humanitarian aid targeting mechanism towards a system for identifying the vulnerable population to be supported by the GoAm's social safety net. For example, the World Bank is funding work that will re-score PAROS to reduce the weight of income and introduce better poverty correlates. This is an important part of the GoAm's program to establish a single poverty benefit of the last resort -- the Family Benefit.</p>	YEAR	PLANNED	ACTUAL
	1994(B)		inad. vul. ID system
	1995	PAROS established	
	1997	PAROS improved --used for electricity & voucher payments	PAROS improved --used for electricity & voucher payments
	1998	Family Benefit established	
	1999(T)	GoAm funds PAROS	

Strategic Objective 3.1: Reduced human suffering in Armenia			
APPROVED: Yes		COUNTRY/ORGANIZATION: Armenia/USAID/Caucasus	
RESULT NAME: IR 2 Urgent basic human needs met for vulnerable households through intervention			
INDICATOR: Community micro-projects completed			
UNIT OF MEASURE: Number of micro-projects	YEAR	PLANNED	ACTUAL
SOURCE: Save the Children Federation	1996	126	96
INDICATOR DESCRIPTION: Micro-projects are small-scale community-partnered interventions that are selected by and implemented with members of targeted communities to address their most urgent priorities	1997	124	83
	1998	0	17
	1998	100	
	1999	60 (T)	
COMMENTS: Of the 196 micro-projects completed to date, 46% have been for drinking water and another 24% have been for irrigation purposes.			

D. SPECIAL INITIATIVES AND CROSS-CUTTING PROGRAMS

1. Strategic Objective 4.1 -- Special Initiatives

Hospital Partnerships. During the past year, there have been two hospital partnerships in Armenia, under the American International Health Alliance. At this point, neither of these two partnerships is integrated into the larger mission strategy or portfolio, though both are providing valuable contributions to the Armenian health system. The UCLA Medical Center and Erebuni Medical Center of Yerevan partnership is focusing on a nursing degree program which will upgrade the skills and professionalism of nurses in Armenia over time. USAID has concerns about the sustainability of this particular activity, given the magnitude of the funds required to establish a meaningful nursing degree program. Nonetheless, in the past year, UCLA has fielded American nurses for a semester at a time to train the first class of approximately 20 Armenian nurses at Erebuni.

USAID has had less direct contact with the Boston University Medical Center and the Emergency Scientific Medical Center of Yerevan partnership, where training has been provided in emergency trauma care over the past year. It appears that this activity is providing welcome and necessary improvements to one medical center in the Armenian hospital system.

Centers for Disease Control. Although USAID's funding for the U.S. Centers for Disease Control (CDC) in Armenia ended in August 1996, the results of their work are still having an impact. During the reporting period, the Government of Georgia (as well as at least one other NIS country) requested the assistance of the Armenian disease surveillance unit made operational by CDC, demonstrating the regional respect that this institution has already generated. This seems to speak well for this institution's potential sustainability, if it can continue to generate regional demand (therefore presumably revenues) for its services. In addition, this same institution identified a malaria outbreak in one region of Armenia and was quickly able to mobilize the effort needed to isolate this outbreak before it spread to other parts of the country. Thus, while USAID support for this CDC activity has finished, the achievements of this local recipient institution continue.

Expected Progress through FY 2000: As noted in the discussion of Strategic Objective 3.1, USAID anticipates that most, if not all, of its health activities will be moved under a new Strategic Objective 3.2. Based on the upcoming health sector assessment (planned for May 1998) and on the mission's strategic planning process, USAID may eliminate SO 4.1 from the mission's SO structure.

2. Strategic Objective 4.2 -- Cross-Cutting Issues

To date, the mission has included all training activities under this SO, despite their connection to specific activities under other, more sector-specific strategic objectives. In 1997, USAID funded 129 Armenian participant trainees to the U.S. and 40 Armenian trainees to third countries. An additional 400 Armenians participated in in-country training programs. Specific results of these training efforts have been reported, where appropriate, in other SO discussions above.

Expected Progress through FY 2000: Before the end of FY 1998, the mission will begin implementation of the 21st Century Fund, a new regional program designed to address the immediate and longer-term education and training needs of potential young leaders in the Caucasus region. This initiative will offer pro-reform practitioners and young academics the opportunity to observe, implement and study the workings of a democratic, modern pluralistic society with the aim that they will put that knowledge to work in their own countries and within the region as a whole. Also, in support of the NIS Partnership for Freedom initiative, the Fund will build linkages between U.S. and local institutions, develop cross-border ties among the participants, and establish formal networks and associations for professionals in the targeted fields of study. This is also an important element of the mission's goal to foster cooperation among the three Caucasus countries.

A distinctive feature of the 21st Century Fund is that it will limit the number of U.S. institutions participating in the program so as to ensure the development of longer-term relationships between the academic institutions providing the training and the alumni in the Caucasus. In this manner, the program will be highly visible at participating U.S. institutions; there will be sufficient numbers of trainees to warrant attention by the institution (alumni support) once programs are over; and there will be enough people in the three Caucasus countries who share a similar experience.

Training will also be provided under the auspices of USIA and a few other USAID providers to address needs not covered by the 21st Century Fund, such as NGO development, energy, and democratic strengthening. As part of strategy development, USAID will explicitly integrate training efforts into sector-specific strategic objectives. As a result, SO 4.2 may no longer be necessary, unless it is required as a budgetary line item. Leadership training will be identified, followed and reported on under relevant sector SOs.

E. RELATED CONCERNS

1. Partnership for Freedom

The program in Armenia continues its shift in emphasis away from humanitarian assistance toward a focus on supporting Armenia's transition to a market democracy. Although most of USAID's interventions to date have focussed on systemic change, several activities have

started to lay the groundwork for an increased emphasis on the Partnership for Freedom. For example, hospital partnerships and the U.S.-Armenia utilities partnership (sponsored through USEA) demonstrate the benefits to be derived by direct, cooperative relationships between U.S. and Armenian institutions. Additionally, several aspects of the economic restructuring portfolio (e.g., support for WTO accession) contribute to the elimination of trade impediments/barriers and enhance capital investment partnerships. The 21st Century Fund will establish partnership training and exchange opportunities and initiate at least two U.S.-Armenian institutional alliances by the end of FY 1999. The upcoming strategic planning process will continue to identify ways to promote trade, investment, and democratic ties between the U.S. and Armenia.

2. Environmental Compliance

The Armenia program for FY 1998-2000 anticipates, as in the past, a limited authorization of commodity procurement, delivery of natural gas and kerosene to heat schools and the poorly insulated shelters of the most vulnerable population during winter months. USAID/C will, as before, prepare appropriate environmental analyses in accordance with CFR 216, and will assure the implementation of risk-minimization actions by the GoAm prior to deliveries. Other authorization to be sought by USAID/C are likely to consist solely of technical assistance activities which qualify for a Categorical Exclusion.

PART III: STATUS OF THE MANAGEMENT CONTRACT

A. Strategic Planning

During the next several months, USAID/Caucasus will be preparing a multi-year strategy for U.S. assistance to the Caucasus countries. As part of that document, the mission will propose a revised set of strategic objectives, results frameworks, performance monitoring plans, and budgets. Thus, no changes in the current SO frameworks are recommended in this R4 submission.

Focus of Strategy Development: In a separate discussion paper, the mission has outlined the important directions it wants to take for developing strategies for the Caucasus region. First, the mission indicated that the country strategies expand the focus from a primarily bilateral focus and duplication of similar activities in each country to one that increasingly addresses the uniqueness of each country's needs and opportunities for regional cooperation and integration. Second, the mission indicated that it will explore opportunities to harmonize, consolidate and/or eliminate SOs in an effort to more effectively manage interventions and to track measurable achievements attributable to USAID activities. The mission requests a separate meeting to discuss the concepts raised in this paper so that a common understanding is reached between ENI/W and field staff prior to the intensive development of strategy documents.

Analyses: Since last year's R4 review, the mission has completed a SME assessment for all three countries, a Caucasus-wide agricultural inputs study, and a reproductive health survey. USAID has also collaborated with USDA on identifying potential regional activities. A health sector assessment is currently being conducted, with ENI/W assistance. A USAID/W team has also been planning to assess and make recommendations on how to better integrate gender considerations into the USAID/Caucasus program. There also has been discussion of a ENI/W team coming out to make recommendations on how to better integrate economic and democracy activities into a more unified legal reform program. The mission asks that these remaining assessments be completed during the May/July period.

Schedule: To assist ENI/W TDY planning, the mission proposes the following general schedule for strategy development:

May/July	Complete background analyses; mission articulate SO statements.
July/Sept.	Draft country analysis/overview sections; develop results frameworks and indicators; conduct any remaining analyses for program thrust and regional cooperation.
Sept./Oct.	(1) Collect data, identify baseline and targets, finalize performance monitoring plans for country programs;

(2) Draft regional overview and develop any "truly regional SOs" that may have been identified through earlier planning (country-specific plans will have also identified ways to promote regional cooperation).

November Complete mission strategies; share draft strategies with respective U.S. Embassies.

December Finalize and submit to ENI/W.

B. Mission Staffing/Coordination with ENI/W

Program funding levels in the Caucasus are high and likely to remain high for the foreseeable future. The political and economic importance and resultant attention the USG places on this region will continue -- and possibly even increase -- for some time to come. Given the ripe policy environment in which we're operating, the considerable lessons learned from other transitional countries, and our credibility with the host country governments through achievements to date, USAID has the opportunity to make a significant difference in the Caucasus. Additionally, given the high political profile of the region, it is incumbent upon us to make every effort to capitalize on these opportunities -- but to do so, we need the full support of the ENI Bureau and of the Agency itself.

The next six months will be very intensively demanding for USAID/Caucasus with strategy development, the move to Tbilisi, and ongoing program implementation. While additional mission staff, currently being recruited, will help the mission in advancing the Caucasus program, there will still be a great deal of work that needs to be done. The mission is keenly aware of its programmatic and management vulnerabilities both as stewards responsible for U.S. resources and as achievers of significant and lasting development results in this region. In order to reduce these vulnerabilities as much as possible and maximize program impact, the mission needs greater responsiveness and more support from ENI/W in program development, implementation and management. The mission proposes that, in addition to a side meeting on strategic concepts, there also be a separate meeting to discuss ways to: (1) ensure the mission receives the full support and attention it needs; and (2) improve bureau/mission coordination and communication on program and management concerns. While specific topics for such a proposed meeting will be detailed separately, the mission is providing an illustrative list:

- A definitive plan for the deployment of staff (TDY and/or permanent in the field) to establish and implement appropriate management systems;
- Agreement on the division of responsibilities between ENI/W and mission staff, both technical and support, and on how related communications will be assured (e.g., on budget decisions, planned expenditures and actual obligations);

- Agreement on the division of (and changes in) contracting and COTR responsibilities between field and Washington;
- A mechanism for planning and coordinating TDY to ensure maximum productivity in the field for everyone involved;
- Agreement on how and when the ENI Bureau will work with the mission to develop a system that will provide timely and reliable access to such important management data as pipelines, rates of disbursement, activity and contract/grant life-of-project ceilings;
- Discussion on the provision of important support equipment, such as communications hardware within the region (to ensure the mission can communicate more quickly and effectively among the three countries).

PART IV: RESOURCE REQUEST

Program Priorities and Budget Request: Based on an assessment of overall country needs, strategic objective performance to date, anticipated strategic objective performance in the next two years (including GoAm commitment to support and encourage progress), and individual strategic objective contributions to broader U.S. interests, USAID prioritizes its strategic objectives as follows:

- (1) SO 1.3 Development/Growth of Private Enterprises
- (2) SO 1.4 Competitive/Responsive Private Financial Sector
- (3) SO 2.2 Legal Systems Support Democratic Processes/Market Reform
- (4) SO 1.5 Economically Sustainable/Environmentally Sound Energy Sector
- (5) SO 1.2 Sound Fiscal Policies and Fiscal Management
- (6) SO 2.1 Increased, Better Informed Citizens' Participation
- (7) SO 3.1 Human Suffering Reduced

All of these strategic objectives are integrally interrelated, and all must be implemented simultaneously with full mission attention and energy to ensure success. It is important to bear in mind that the budget request contained in this R4 is based on the SO configuration that the mission is currently following. As has been noted throughout the document, the mission plans to submit a new strategy for Armenia by late 1998, including a reduction in the SOs to be pursued. Thus, at the time of strategy submission, the mission will include revised budgets which reflect any additions and/or changes to the current SO structure. It is also important to note that higher priority does not necessarily mean higher proposed funding levels but rather higher priority in terms of getting sufficient funding in the event of budget reductions (i.e., those SOs ranked relatively lower would be cut first and relatively more than those SOs ranked relatively higher).

It is the mission's assessment that private sector economic growth is the necessary engine upon which other essential changes will depend. Embassy/Yerevan, in its most recent Mission Performance Plan (MPP), places "broad-based growth" (which it ranks under a U.S. national interest of "democracy and human rights") high on its list of priorities (second only to the national interest of security (regional stability)). Thus, SO 1.3 is seen both by USAID and Embassy/Yerevan as a high priority objective which needs primary mission focus and attention. Although progress in SO 1.3 during the current reporting period has been somewhat below expectations, much of the groundwork for significant progress in the coming several years (e.g., WTO accession) has now been set, thereby giving the mission confidence that the pace of results will begin to accelerate. As a result, as can be seen from the resource request table, USAID proposes to significantly increase (by approximately 30%) the funding level for SO 1.3.

Financial and legal reforms (SOs 1.4 and 2.2 respectively) are clearly and directly tied to private sector economic growth, therefore are ranked a very close second and third behind SO 1.3. Without a competitive and market-responsive private financial sector, private economic

growth and development achieved under SO 1.3 will not be sustainable. Likewise, private sector growth and development depends heavily on having the necessary legal systems that support market reform as well as democratic processes in place to support it. Both of these USAID SOs also fall within the Embassy's MPP priorities for "broad based growth." USAID also proposes funding increases for SOs 1.4 and 2.2, though relatively less than for SO 1.3.

Reliable and affordable energy is obviously essential for sustained economic growth. Significant progress has been made in the energy sector over the past several years, allowing the mission to place SO 1.5 relatively further down the list of priorities compared to those more directly focused on private sector economic growth. Nonetheless, there is still much that needs to be done in the energy sector. Thus, USAID proposes to maintain this SO at relatively the same funding level in FYs 1998, 1999, and 2000.

While fiscal policies and management are clearly important to Armenia's development and progress is being made in this area, USAID is not the key player in SO 1.2, which thus falls lower on the scale of priorities. In this context it should be noted that, at the present time, funding for SO 1.2 is incorporated in the "comprehensive market reform" component listed under SO 1.3. A more precise break out by SO and component is not yet available to the mission.

Democracy is clearly an essential part of Armenia's development. The relatively lower ranking of SO 2.1 should in no way be taken to indicate that the mission does not perceive this SO as important. However, given the mission's emphasis on private sector growth, other, more directly supportive SOs tend to rank somewhat higher. The mission clearly recognizes that significant results in increasing citizen participation are directly and positively related to private sector growth and development. However, the converse -- i.e., that private sector growth and development may also positively affect citizen participation -- is also seen to be true. Although the mission is ranking SO 2.1 relatively lower on its list of priorities, it should be noted that this is a relatively labor intensive area of USAID assistance, therefore relatively high (and modestly increasing) levels of resources will continue to be programmed for this SO.

Finally, the worst of the humanitarian crisis in Armenia is over, thanks at least in part to the success of the USAID humanitarian response program over the past several years. Vulnerable groups still exist, but in declining numbers; as the economic situation improves, the numbers of vulnerable are expected to continue to decline. Thus, high levels of emergency assistance are no longer needed or justifiable. Continued investments in social sector institutional development will continue in the coming several years. As can be seen in the resource request table, USAID proposes a significant decline in funding for SO 3.1. In this regard, however, it should be noted that health earmarks for Armenia are on the increase, therefore more broadly defined "social sector" investments will be higher than what is reflected in the current resource request for SO 3.1 alone. The only centrally funded mechanism that the mission foresees is within the health sector, i.e., use of Global Bureau's central contract with Johns Hopkins University for reproductive health assistance.

Mention needs to be made of the significant resources programmed under SO 4.2 for the global training contract with the Academy for Educational Development. Consistent with the mission's recent proposal for the Twenty-First Century Fund, USAID is requesting over 10% of the annual program budget for Armenia be put into economics, business and management training across all sectors. Thus, the resources programmed against almost all of the other SOs can be seen as understated; with the addition of funds for training under the Twenty-First Century Fund (requested, for simplicity, under SO 4.2 in the budget request), most SOs will be funded at somewhat higher levels.

Operating Expense and Workforce Request: The results and resources presented in this R4 document are focused on Armenia only. However, the mission responsible for the Armenia program covers Georgia and Azerbaijan as well, i.e., a single, primarily regional staff manages the programs in all three countries simultaneously. As a result, USAID has attached operating expense (OE) and workforce tables for Armenia only as well as a consolidated (mission-wide) OE budget table to highlight the fact that the Armenia budget is part of a larger mission whole.

The OE and workforce tables presented for Armenia in the attached tables reflect the decision to move the USAID/Caucasus regional office to Tbilisi, Georgia in FY 1998 and early FY 1999. However, a significant portion of the regional program will continue to flow to Armenia (about \$80 million in FY 1999), and the staffing and operating expense budgets portray the minimum level of support required to effectively manage the Armenian activities.

The USDH on-board level for FY 1998 will drop to five (in lieu of 14) and will stabilize in FY 1999 and FY 2000 at four. The OE funded internationally recruited PSC staff will continue at four for FY 1998, then drop to two in the out-years. The locally recruited OE staff will continue at 32 for FY 1998, will grow to 33 in FY 1999 to facilitate program transition, and then drop to 30 in FY 2000. This predominately reflects continued administrative support provided by the Executive Office, which will maintain an experienced in-house staff. It should be noted that any transition to increased services taken from ICASS will reduce the level of locally employed staff. In an effort to maintain maximum responsiveness to rapidly evolving program needs, mission management prefers to maintain its own in-house capability for support services. If, however, we are required to participate more fully in ICASS, the budget implications would have to be reevaluated.

The mission is budgeting \$2.4 million for Armenia in FY 1998. Included in this number is a one-time charge of \$220,000 for completion of the new office building and inclusion of \$313,000 for ICASS. As the regional staff moves to Tbilisi, FY 1999 costs will drop to \$1.7 million and then to \$1.65 million in FY 2000 as the mission stabilizes. A 10% inflation factor was used on local personnel salaries in anticipation of regional increases. ICASS is included for both FY 1999 and FY 2000 at \$375,500 which reflects costs related to co-locating with the Embassy. This increase is partially balanced by a reduction in non-residential rents.

FY 1998--FY2000
COUNTRY RESOURCE REQUEST BY SOs
ARMENIA

Last revision date:
12-May-98

PF#	Proj.#/Comp.	SOs	ACTIVITY	FY 98 Plan 12-May-98	FY 99 Plan	FY 00 Plan	FY 00 Plan (-6%)	FY 00 Plan (-20%)
		1.2	Increased soundness of fiscal policies and fiscal management practices	\$2,163,656	\$3,500,000	\$3,200,000	\$3,008,000	\$2,560,000
		1.3	Accelerated development and growth of private enterprises	\$5,650,000	\$10,650,000	\$12,400,000	\$11,656,000	\$9,920,000
		1.4	A more competitive and market-responsive private financial sector	\$7,646,344	\$10,200,000	\$9,000,000	\$8,460,000	\$7,200,000
		1.5	A more economically sustainable and environmentally sound sector	\$5,755,000	\$5,700,000	\$5,800,000	\$5,452,000	\$4,640,000
		2.1	Increased, better informed citizens' participation in political and economic decision making	\$5,299,000	\$5,400,000	\$5,000,000	\$4,700,000	\$4,000,000
		2.2	Legal systems that better support democratic process and market reform	\$1,901,000	\$1,600,000	\$1,600,000	\$1,504,000	\$1,280,000
		3.1	Human suffering and negative consequences of crises are reduced	\$23,213,000	\$3,500,000	\$2,750,000	\$2,585,000	\$2,200,000
		4.1	Special initiatives	\$1,975,000	\$5,000,000	\$5,000,000	\$4,700,000	\$4,000,000
		4.2	Cross-cutting programs	\$2,580,000	\$10,950,000	\$11,450,000	\$10,763,000	\$9,160,000
TOTAL				\$56,183,000	\$56,500,000	\$56,200,000	\$52,828,000	\$44,960,000
STRATEGIC ASSISTANCE AREA 1: A COMPETITIVE MARKET-ORIENTED ECONOMY								
SO 1.2 Increased soundness of fiscal policies and fiscal management practices								
TIE	5.?	1.2	Tax/Fiscal Reform - TBD	\$2,163,656	\$3,500,000	\$3,200,000	\$3,008,000	\$2,560,000
SUBTOTAL FOR SO1.2				\$2,163,656	\$3,500,000	\$3,200,000	\$3,008,000	\$2,406,400
SO 1.3 Accelerated development and growth of private enterprises								
TIE	5	1.3	SME Development - TBD	\$1,000,000	\$2,000,000	\$2,000,000	\$1,880,000	\$1,600,000
TIE	5	1.3	IESC	\$0	\$500,000	\$750,000	\$705,000	\$600,000
TIE	5	1.3	Admin: Tech Support/Field Management	\$400,000	\$1,000,000	\$1,500,000	\$1,410,000	\$1,200,000
TIE	6	1.3	Agricultural TA - VOCA	\$250,000	\$150,000	\$150,000	\$141,000	\$120,000
TIE	9	1.3	U. Md, Univ Res Corp - IRIS(CEPRA)	\$1,000,000	\$1,000,000	\$2,000,000	\$1,880,000	\$1,600,000
TIE	10	1.3	EURASIA - Standard Grants	\$3,000,000	\$3,000,000	\$3,000,000	\$2,820,000	\$2,400,000
TIE	?.?	1.3	FoundationEndowments	\$0	\$1,000,000	\$1,000,000	\$940,000	\$800,000
TIE	11	1.3	Enterprise Fund	\$0	\$2,000,000	\$2,000,000	\$1,880,000	\$1,600,000
SUBTOTAL FOR SO1.3				\$5,650,000	\$10,650,000	\$12,400,000	\$11,656,000	\$9,324,800
SO 1.4 A more competitive and market-responsive private financial sector								
TIE	5	1.4	Comprehensive Market Reform	\$4,836,344	\$7,500,000	\$6,750,000	\$6,345,000	\$5,400,000
TIE	9.2	1.4	Electronical Banking Systems - IRM	\$1,750,000	\$0	\$0	\$0	\$0
TIE	9.2	1.4	Financial Sector TA Training - KPMG	\$810,000	\$1,000,000	\$1,250,000	\$1,175,000	\$1,000,000
TIE	9.2	1.4	Bank Supervision	\$0	\$1,000,000	\$500,000	\$470,000	\$400,000
TIE	9.7	1.4	Admin: Tech Support/Field Management	\$250,000	\$700,000	\$500,000	\$470,000	\$400,000
SUBTOTAL FOR SO1.4				\$7,646,344	\$10,200,000	\$9,000,000	\$8,460,000	\$6,768,000
SO 1.5 A more economically sustainable and environmentally sound sector								
TIE	2.1	1.5	Power Program - B&R	\$1,000,000	\$0	\$0	\$0	\$0
TIE	2.2	1.5	Power Sector Reform - TBD	\$1,500,000	\$1,500,000	\$1,500,000	\$1,410,000	\$1,200,000
PRT	2.2	1.5	Energy - IIE	\$500,000	\$500,000	\$500,000	\$470,000	\$400,000
PRT	2.2	1.5	Partnerships/Training - USEA	\$500,000	\$1,000,000	\$1,000,000	\$940,000	\$800,000
TIE	2.3	1.5	ESCO Development - G IQC	\$300,000	\$500,000	\$500,000	\$470,000	\$400,000
TIE	2.5	1.5	Advisory Services - HB	\$1,500,000	\$1,500,000	\$1,500,000	\$1,410,000	\$1,200,000
TIE	2.6	1.5	Admin: Tech Support/Field Management	\$455,000	\$700,000	\$800,000	\$752,000	\$640,000
SUBTOTAL FOR SO1.5				\$5,755,000	\$5,700,000	\$5,800,000	\$5,452,000	\$4,361,600
STRATEGIC ASSISTANCE AREA 2: EMPOWERMENT OF CITIZENS THROUGH DEMOCRATIC POLITICAL PROCESSES								
SO 2.1 Incr., better inf. citizens' participation in political and econ. decision making								
PRT	7.1	2.1	Political Civic Orgs - NDI	\$500,000	\$0	\$0	\$0	\$0
PRT	7.1	2.1	Political Civic Orgs - IRI	\$0	\$400,000	\$400,000	\$376,000	\$320,000
PRT	7.1	2.1	Political/Civic Orgs -- IFES	\$650,000	\$500,000	\$400,000	\$376,000	\$320,000
PRT	7.1	2.1	Political/Civic Orgs -- JunAchievement	\$375,000	\$350,000	\$350,000	\$329,000	\$280,000
PRT	7.1	2.1	Political/Civic Orgs -- Human Rights - TBD	\$250,000	\$500,000	\$500,000	\$470,000	\$400,000
PRT	7.1	2.1	Political/Civic Orgs -- WID	\$0	\$350,000	\$350,000	\$329,000	\$280,000
PRT	7.2	2.1	Independent Media -- INTERNEWS	\$830,000	\$800,000	\$800,000	\$752,000	\$640,000
PRT	7.2	2.1	Independent Media -- Print Media - IQC	\$350,000	\$800,000	\$800,000	\$752,000	\$640,000
PRT	7.5	2.1	PVO/NGO Program -- AAA NGO Center	\$1,640,000	\$1,000,000	\$700,000	\$658,000	\$560,000
PRT	7.7	2.1	Admin: Tech Support/Field Management	\$704,000	\$700,000	\$700,000	\$658,000	\$560,000
SUBTOTAL FOR SO2.1				\$5,299,000	\$5,400,000	\$5,000,000	\$4,700,000	\$3,760,000
SO 2.2 Legal systems that better support democratic process and market reform								
PRT	7.4	2.2	Rule of Law -- ABA/CEELI	\$600,000	\$600,000	\$600,000	\$564,000	\$480,000
PRT	7.4	2.2	Rule of Law - ARD/Checchi	\$51,000	\$0	\$0	\$0	\$0
PRT	7.4	2.2	Rule of Law -- AMEX	\$1,250,000	\$1,000,000	\$1,000,000	\$940,000	\$800,000
SUBTOTAL FOR SO2.2				\$1,901,000	\$1,600,000	\$1,600,000	\$1,504,000	\$1,203,200

PFF#	Proj./# Comp.	SOs	ACTIVITY	FY 98 Plan 12-May-98	FY 99 Plan	FY 00 Plan	FY 00 Plan (-6%)	FY 00 Plan (-20%)
STRATEGIC ASSISTANCE AREA 3: STRENGTHEN THE CAPACITY TO MANAGE THE HUMAN DIMENSION OF THE TRANSITION								
SO 3.1 Human suffering and negative consequences of crises are reduced								
	1.2	3.1	PVO Cauc/Compr. Human -- SCF Community Development	\$2,000,000	\$500,000	\$500,000	\$470,000	\$400,000
	1.2	3.1	PVO Cauc/Compr. Human -- CCMI (Design Contract)	\$463,000	\$0	\$0	\$0	\$0
	1.2	3.1	PVO Cauc/Compr. Human -- CCMI (Policy Center)	\$0	\$1,000,000	\$1,000,000	\$940,000	\$800,000
	1.5	3.1	Armenia Crisis Response -- Gas	\$15,000,000	\$0	\$0	\$0	\$0
	1.5	3.1	Armenia Crisis Response -- Gas Procurement Oversight	\$100,000	\$0	\$0	\$0	\$0
	1.5	3.1	Armenia Crisis Response -- Kerosene	\$3,000,000	\$0	\$0	\$0	\$0
	1.5	3.1	Armenia Crisis Response -- Vulnerable ID Mech (PAROS) - FAR	\$252,000	\$0	\$0	\$0	\$0
	1.5	3.1	Armenia Crisis Response -- Boiler Project - FDD	\$65,000	\$0	\$0	\$0	\$0
	1.5	3.1	Armenia Crisis Response -- TBD	\$33,000	\$0	\$0	\$0	\$0
	1.6	3.1	Multilat. Human Asst. -- Food for work (WFP)	\$1,000,000	\$1,000,000	\$250,000	\$235,000	\$200,000
	1.6	3.1	Multilat. Human Asst. -- Logistics Support (WFP/CLAU)	\$250,000	\$250,000	\$250,000	\$235,000	\$200,000
ID/WQ	1.6	3.1	Multilat. Human Asst. -- Health (UNICEF)	\$250,000	\$250,000	\$250,000	\$235,000	\$200,000
	1.9	3.1	Admin: Tech Support/Field Management	\$800,000	\$500,000	\$500,000	\$470,000	\$400,000
SUBTOTAL FOR SO3.1				\$23,213,000	\$3,500,000	\$2,750,000	\$2,585,000	\$2,068,000
STRATEGIC ASSISTANCE AREA 4: CROSS-CUTTING PROGRAMS AND SPECIAL INITIATIVES								
ID/WQ	4	4.1	Vaccine Pharm. Proc. Workshop - BASICS/PATH	\$0	\$0	\$0	\$0	\$0
P 2/	4	4.1	Medical Partnerships	\$1,000,000	\$3,500,000	\$3,500,000	\$3,290,000	\$2,800,000
FP	4	4.1	Family Planning (TBD)	\$675,000	\$1,000,000	\$1,000,000	\$940,000	\$800,000
	4	4.1	Admin: Tech Support/Field Management	\$300,000	\$500,000	\$500,000	\$470,000	\$400,000
							\$0	\$0
	4	4.2	Health Information Systems (Infectious Disease)	\$0	\$1,000,000	\$1,000,000	\$940,000	\$800,000
	4	4.2	Water Sanitation	\$0	\$1,000,000	\$1,000,000	\$940,000	\$800,000
Exch	12	4.2	Buy-in Global Trng. Contract -- Admin. (AED)	\$2,580,000	\$8,950,000	\$9,450,000	\$8,883,000	\$7,560,000
SUBTOTAL FOR SO4				\$4,555,000	\$15,950,000	\$16,450,000	\$15,463,000	\$12,370,400
PERFORMANCE FUND & TRANSFERS/ALLOCATIONS								
PF		XXX	Performance Fund	\$8,117,000	\$0	\$0	\$0	\$0
P 2/		XXX	Partnership Fund	\$0	\$1,000,000	\$1,000,000	\$940,000	\$800,000
		XXX	Transfers or Allocations					
T/A		1.2	Treasury IAA	\$1,500,000	\$1,500,000	\$1,500,000	\$1,410,000	\$1,200,000
T/A		1.5	Nuclear Safety (DOE) 632(a)	\$5,000,000	\$5,000,000	\$5,000,000	\$4,700,000	\$4,000,000
T/A		1.5	Nuclear Safety (NRC & Studies Part) 632(b)	\$400,000	\$500,000	\$500,000	\$470,000	\$400,000
T/A			USIA Training and Exchanges - Partnerships	\$5,050,000	\$1,000,000	\$1,000,000	\$940,000	\$800,000
T/A			USIA Training and Exchanges - Exchange	\$2,460,000	\$5,000,000	\$5,000,000	\$4,700,000	\$4,000,000
T/A			Peace Corps	\$0	\$0	\$0	\$0	\$0
T/A		2.2	Law Enforcement	\$0	\$0	\$0	\$0	\$0
T/A			EXIM Trade and Investment Support	\$0	\$0	\$0	\$0	\$0
T/A			Science Centers 632(a)	\$1,000,000	\$0	\$0	\$0	\$0
T/A		3.1	Humanitarian Transport - S/NIS/C	\$1,500,000	\$1,500,000	\$1,500,000	\$1,410,000	\$1,200,000
T/A			USDA Cochran Fellowships	\$90,000	\$0	\$0	\$0	\$0
T/A			USDA - Export and Extension	\$6,000,000	\$6,000,000	\$6,000,000	\$5,640,000	\$4,800,000
T/A			NSF/CRDF	\$200,000	\$0	\$300,000	\$282,000	\$240,000
T/A			Criminal Justice	\$0	\$2,000,000	\$2,000,000	\$1,880,000	\$1,600,000
SUBTOTAL FOR PERFORMANCE FUND & TRANSFERS / ALLOCATIONS				\$23,200,000	\$22,500,000	\$22,800,000	\$21,432,000	\$17,145,600
TOTAL (Armenia)				\$87,500,000	\$80,000,000	\$80,000,000	\$75,200,000	\$64,000,000

PFF CODES:

- FP Family Planning
- EUR Eurasia Foundation
- EF Enterprise Fund
- PRT Project Related Training
- FE Foundation Endowments
- ID/WQ Infectious Disease/Water Qual.
- TIE Trade Impediment Elimination
- IFI IFI Loan Support
- Exch Exchanges
- P 2/ Partnerships 2/
- PF Performance Fund
- T/A Transfers Allocations

	PROJECT SUMMARY	FY 98 Plan 12-May-98	FY 99 Plan	FY 00 Plan	FY 00 Plan (-6%)	FY 00 Plan (-20%)	% of proj totals versa country total		
							FY98	FY99	FY00
	110-0001 Special Initiatives	\$23,213,000	\$3,500,000	\$2,750,000	\$2,585,000	\$2,068,000	26.53%	4.38%	3.44%
	110-0002 Energy	\$5,755,000	\$5,700,000	\$5,800,000	\$5,452,000	\$4,361,600	6.58%	7.13%	7.25%
	110-0004 Health Care	\$1,975,000	\$7,000,000	\$7,000,000	\$6,580,000	\$5,264,000	2.26%	8.75%	8.75%
	110-0005 Private Sector	\$8,400,000	\$14,500,000	\$14,200,000	\$13,348,000	\$10,678,400	9.60%	18.13%	17.75%
	110-0006 Food Systems	\$250,000	\$150,000	\$150,000	\$141,000	\$112,800	0.29%	0.19%	0.19%
	110-0007 Democratic Reform	\$7,200,000	\$7,000,000	\$6,600,000	\$6,204,000	\$4,963,200	8.23%	8.75%	8.25%
	110-0009 Economic Restructuring	\$3,810,000	\$3,700,000	\$4,250,000	\$3,995,000	\$3,196,000	4.35%	4.63%	5.31%
	110-0010 Eurasia Foundation	\$3,000,000	\$3,000,000	\$3,000,000	\$2,820,000	\$2,256,000	3.43%	3.75%	3.75%
	110-0011 Enterprise Funds	\$0	\$2,000,000	\$2,000,000	\$1,880,000	\$1,504,000	0.00%	2.50%	2.50%
	110-0012 Exchanges & Training	\$2,580,000	\$8,950,000	\$9,450,000	\$8,883,000	\$7,106,400	2.95%	11.19%	11.81%
	Transfers	\$23,200,000	\$22,500,000	\$22,800,000	\$21,432,000	\$17,145,600	26.51%	28.13%	28.50%
	Foundation Endowments	\$0	\$1,000,000	\$1,000,000	\$940,000	\$752,000	0.00%	1.25%	1.25%
	Partnership Fund	\$0	\$1,000,000	\$1,000,000	\$940,000	\$752,000	0.00%	1.25%	1.25%
	Performance Funds	\$8,117,000	\$0	\$0	\$0	\$0	9.28%	0.00%	0.00%
	TOTAL COUNTRY	\$87,500,000	\$80,000,000	\$80,000,000	\$75,200,000	\$60,160,000	100%	100%	100%

GLOBAL FIELD SUPPORT									
Objective Name	Field Support: Activity Title & Number	Priority *	Duration	Estimated Funding (\$000)					
				FY 1998		FY 1999		FY 2000	
				Obligated by:		Obligated by:		Obligated by:	
				Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau
Reproductive Health	IECA	low	3	\$675,000	\$0	\$1,000	\$0	\$1,000	\$0
GRAND TOTAL.....				\$675,000	\$0	\$1,000	\$0	\$1,000	\$0

* For Priorities use high, medium-high, medium, medium-low, low

TRUST FUNDS & FSN SEPARATION FUND

Orgno: 22111
 Org. Title: USAID/C Armenia

Foreign National Voluntary Separation Account

Action	FY 97			FY 98			FY 99		
	OE	Program	Total	OE	Program	Total	OE	Program	Total
Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Withdrawals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Unfunded Liability (if any)
 at the end of each FY.

Local Currency Trust Funds - Regular (\$000s)

	FY 97	FY 98	FY 99
Balance Start of Year	0.0	0.0	0.0
Obligations	0.0	0.0	0.0
Deposits	0.0	0.0	0.0
Balance End of Year	0.0	0.0	0.0

Exchange Rate(s) Used

Trust Funds in Dollar Equivalents, not in Local Country Equivalents

Local Currency Trust Funds - Real Property (\$000s)

	FY 97	FY 98	FY 99
Balance Start of Year	0.0	0.0	0.0
Obligations	0.0	0.0	0.0
Deposits	0.0	0.0	0.0
Balance End of Year	0.0	0.0	0.0

Trust Funds in Dollar Equivalents, not in Local Country Equivalents

Operating Expenses

Org. Title: USAID/CAUCASUS--ARMENIA Org. No: OC		Overseas Mission Budgets														
		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
		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	
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	
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	
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	305.5		305.5	178.4		178.4	178.4		178.4	195		195	195		195
11.8	FN PSC Salaries	56		56	127.4		127.4	127.4		127.4	134		134	134		134
11.8	IPA/Details-In/PASAs/RSSAs Salaries			0			0		0			0			0	
	Subtotal OC 11.8	361.5	0	361.5	305.8	0	305.8	305.8	0	305.8	329	0	329	329	0	329
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	16.3		16.3	34		34	34		34	34		34	34		34
12.1	Cost of Living Allowances			0			0		0			0		0		0
12.1	Home Service Transfer Allowances	0		0	0		0	0		0	0		0	0		0
12.1	Quarters Allowances	3.9		3.9			0		0			0		0		0
12.1	Other Misc. USDH Benefits	5.4		5.4	0		0	0		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 the FSN Separation Fund - FNDH			0			0		0			0		0		0
12.1	Other FNDH Benefits			0			0		0			0		0		0
12.1	US PSC Benefits	48		48	39.9		39.9	39.9		39.9	44		44	44		44
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 Separation Fund - FN PSC			0			0		0			0		0		0
12.1	Other FN PSC Benefits	13.8		13.8	69.1		69.1	69.1		69.1	72		72	72		72
12.1	IPA/Detail-In/PASA/RSSA Benefits			0			0		0			0		0		0
	Subtotal OC 12.1	87.4	0	87.4	143	0	143	143	0	143	150	0	150	150	0	150
13	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	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	Severance Payments for FNDH			0			0		0			0		0		0
13	Other Benefits for Former Personnel - FNDH			0			0		0			0		0		0
13	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	Severance Payments for FN PSCs			0			0		0			0		0		0
13	Other Benefits for Former Personnel - FN PSCs			0			0		0			0		0		0

Operating Expenses

Org. Title: USAID/CAUCASUS--ARMENIA Org. No: OC		Overseas Mission Budgets														
		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
		Dollars	TF	Total												
Subtotal OC 13.0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	
21	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	Training Travel	37.8		37.8	40		40	40		40	40		40		40	
21	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	Post Assignment Travel - to field	159.5		159.5	0		0	0		0	12		12	12		12
21	Assignment to Washington Travel	0		0	0		0	0		0	12		12	12		12
21	Home Leave Travel			0	3.7		3.7	3.7		3.7	15		15	15		15
21	R & R Travel	14.4		14.4	14		14	14		14	15		15	15		15
21	Education Travel	0		0	2.5		2.5	2.5		2.5	2.5		2.5	2.5		2.5
21	Evacuation Travel			0			0			0			0			0
21	Retirement Travel	17.4		17.4			0			0			0			0
21	Pre-Employment Invitational Travel			0			0			0			0			0
21	Other Mandatory/Statutory Travel			0	5		5	5		5	5		5	5		5
21	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	Site Visits - Headquarters Personnel	51.5		51.5	40		40	40		40	40		40	40		40
21	Site Visits - Mission Personnel	100		100	24		24	24		24	26		26	26		26
21	Conferences/Seminars/Meetings/Retreats	31.2		31.2	15		15	15		15	0		0	0		0
21	Assessment Travel			0			0			0			0			0
21	Impact Evaluation Travel			0			0			0			0			0
21	Disaster Travel (to respond to specific disasters)			0			0			0			0			0
21	Recruitment Travel			0			0			0			0			0
21	Other Operational Travel	74.2		74.2	15		15	15		15	10		10	10		10
Subtotal OC 21.0		486	0	486	159.2	0	159.2	159.2	0	159.2	177.5	0	177.5	177.5	0	177.5
22	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	Post assignment freight	87.6		87.6	0		0	0		0	80		80	80		80
22	Home Leave Freight			0	1		1	1		1	20		20	20		20
22	Retirement Freight			0	0		0	0		0			0			0
22	Transportation/Freight for Office Furniture/Equip.	58		58	24.9		24.9	24.9		24.9	10		10	10		10
22	Transportation/Freight for Res. Furniture/Equip.	0		0	50		50	50		50	10		10	10		10
Subtotal OC 22.0		145.6	0	145.6	75.9	0	75.9	75.9	0	75.9	120	0	120	120	0	120
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	70.5		70.5	0		0	0		0			0			0
23.2	Rental Payments to Others - Warehouse Space	5		5	12		12	12		12	12		12	12		12
23.2	Rental Payments to Others - Residences	190.4		190.4	89.4		89.4	89.4		89.4	97		97	97		97
Subtotal OC 23.2		265.9	0	265.9	101.4	0	101.4	101.4	0	101.4	109	0	109	109	0	109
23.3	Communications, utilities, and miscellaneous charge	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	21		21	66		66	66		66	72		72	72		72
23.3	Residential Utilities	26		26	24.2		24.2	24.2		24.2	26		26	26		26
23.3	Telephone Costs	50		50	45		45	45		45	40		40	40		40
23.3	ADP Software Leases			0			0			0			0			0

Operating Expenses

Org. Title: USAID/CAUCASUS--ARMENIA Org. No: OC		Overseas Mission Budgets														
		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
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	0		0	10.3	10.3	10.3		10.3	10		10	10		10	
	Subtotal OC 23.3	97	0	97	145.5	0	145.5	145.5	0	145.5	148	0	148	148	0	148
24	Printing and Reproduction			0		0			0			0			0	
	Subtotal OC 24.0	0	0	0	0	0	0	0	0	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	46.5		46.5		0		0			0		0		0	
25.1	Engineering & Technical Services			0		0			0			0			0	
	Subtotal OC 25.1	46.5	0	46.5	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	24		24		0		0			0		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		0	0	0	0	0	0	0	0	0	0	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			0	7.9	7.9	7.9	7.9	0	7.9	0	0	0	0	0	
25.2	Records Declassification & Other Records Services			0		0			0			0			0	
25.2	Recruiting activities			0		0			0			0			0	
25.2	Penalty Interest Payments	14.6		14.6	10	10	10	10	5	5	5	5	5	5	5	
25.2	Other Miscellaneous Services	35.4		35.4	5	5	5	5	5	5	5	5	5	5	5	
25.2	Staff training contracts	11.7		11.7		0		0			0		0		0	
25.2	ADP related contracts			0		0			0			0			0	
	Subtotal OC 25.2	85.7	0	85.7	22.9	0	22.9	22.9	0	22.9	10	0	10	10	0	10
25.3	Purchase of goods and services from Government ac	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	313.6		313.6	375.5	375.5	375.5	375.5	375.5	375.5	375.5	375.5	375.5	375.5	375.5	
25.3	All Other Services from Other Gov't. accounts			0		0			0			0			0	
	Subtotal OC 25.3	313.6	0	313.6	375.5	0	375.5	375.5	0	375.5	375.5	0	375.5	375.5	0	375.5
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	12.4		12.4	12	12	12	12	12	12	12	12	12	12	12	
25.4	Residential Building Maintenance	19.7		19.7	7.5	7.5	7.5	7.5	8	8	8	8	8	8	8	
	Subtotal OC 25.4	32.1	0	32.1	19.5	0	19.5	19.5	0	19.5	20	0	20	20	0	20

USAID FY 1998 BUDGET REQUEST BY PROGRAM/COUNTRY
ARMENIA

09-Nov-98
04:10 PM

Country/Program:
Scenario: Base Level

S.O. # , Title	FY 1998																Future Cost (POST 2000)	Year of Final Oblig.	
	Approp. Acct	Bilateral/Field Support	Est. SO Pipeline End of FY 97	Estimated Total	Basic Education	Agric.	Other Growth	Pop	Child Survival	Infectious Diseases	HIV/AIDS	Other Health	Environ	D/G	Est. Expend. FY 00	Est. Total Cost life of SO			
1.2																			
	Bilateral	N/A	2,164			2,164												0	XX
	Field Spt		0			0												0	
	Total		0	2,164	0	0	2,164	0	0	0	0	0	0	0	0	0	0	0	
1.3																			
	Bilateral	N/A	5,650	0	250	5,400	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	XX
	Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Total		0	5,650	0	250	5,400	0	0	0	0	0	0	0	N/A	N/A	N/A	0	
1.4																			
	Bilateral	N/A	7,646	0	0	7,646	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	XX
	Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Total		0	7,646	0	0	7,646	0	0	0	0	0	0	0	N/A	N/A	N/A	0	
1.5																			
	Bilateral	N/A	5,755	0	0	5,755	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	XX
	Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Total		0	5,755	0	0	5,755	0	0	0	0	0	0	0	N/A	N/A	N/A	0	
2.1																			
	Bilateral	N/A	5,299	0	0	0	0	0	0	0	0	0	0	5,299	N/A	N/A	N/A	0	XX
	Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Total		0	5,299	0	0	0	0	0	0	0	0	0	5,299	N/A	N/A	N/A	0	
2.2																			
	Bilateral	N/A	1,901	0	0	0	0	0	0	0	0	0	0	1,901	N/A	N/A	N/A	0	XX
	Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Total		0	1,901	0	0	0	0	0	0	0	0	0	1,901	N/A	N/A	N/A	0	
3.1																			
	Bilateral	N/A	23,213	0	0	23,213	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	
	Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Total		0	23,213	0	0	23,213	0	0	0	0	0	0	0	N/A	N/A	N/A	0	
4.1 ; 4.2																			
	Bilateral		4,555	0	0	2,580	675	0	0	0	1,300	0	0	0	N/A	N/A	N/A	0	
	Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Total		0	4,555	0	0	2,580	675	0	0	1,300	0	0	0	N/A	N/A	N/A	0	
Total Bilateral			0	56,183	0	250	46,758	675	0	0	1,300	0	0	7,200					
Total Field Support			0	0	0	0	0	0	0	0	0	0	0	0					
TOTAL PROGRAM			0	56,183	0	250	46,758	675	0	0	1,300	0	0	7,200				0	

FY 1998 Request Sector Totals -- DA	
Econ Growth	47,008
[Of which Microenterpris	[1,000]
HCD	2,580
PHN	1,975
Environment	0
[Of which Biodiversity]	[0]
Democracy	7,200
Humanitarian	23,213

FY 1998 Request Sector Totals -- ESF	
Econ Growth	
[Of which Microenterprise]	[]
HCD	
PHN	
Environment	0
[Of which Biodiversity]	[]
Democracy	0
Humanitarian	0

FY 2001 Target Program Level	0
FY 2002 Target Program Level	0
FY 2003 Target Program Level	0

USAID FY 1999 Budget Request by Program/Country
ARMENIA

09-Nov-98
04:10 PM

Country/Program:
Scenario: Base Level

S.O. # , Title	FY 1999														Future Cost (POST 2000)	Year of Final Oblig.		
	Approp. Acct	Bilateral/Field Support	Est. SO Pipeline End of FY 98	Estimated Total	Basic Education	Agric.	Other Growth	Pop	Child Survival	Infectious Diseases	HIV/AIDS	Other Health	Environ	D/G			Est. Expend. FY 99	Est. Total Cost life of SO
1.2																		
	Bilateral Field Spt	N/A	3,500	0	0	3,500	0	0	0	0	0	0	0	0	N/A	N/A	N/A	XX
	Total	0	3,500	0	0	3,500	0	0	0	0	0	0	0	0	N/A	N/A	0	0
1.3																		
	Bilateral Field Spt	N/A	10,650	0	150	10,500	0	0	0	0	0	0	0	0	N/A	N/A	N/A	XX
	Total	0	10,650	0	150	10,500	0	0	0	0	0	0	0	0	N/A	N/A	0	0
1.4																		
	Bilateral Field Spt	N/A	10,200	0	0	10,200	0	0	0	0	0	0	0	0	N/A	N/A	N/A	XX
	Total	0	10,200	0	0	10,200	0	0	0	0	0	0	0	0	N/A	N/A	0	0
1.5																		
	Bilateral Field Spt	N/A	5,700	0	0	5,700	0	0	0	0	0	0	0	0	N/A	N/A	N/A	XX
	Total	0	5,700	0	0	5,700	0	0	0	0	0	0	0	0	N/A	N/A	0	0
2.1																		
	Bilateral Field Spt	N/A	5,400	0	0	0	0	0	0	0	0	0	0	5,400	N/A	N/A	N/A	XX
	Total	0	5,400	0	0	0	0	0	0	0	0	0	0	5,400	N/A	N/A	0	0
2.2																		
	Bilateral Field Spt	N/A	1,600	0	0	0	0	0	0	0	0	0	0	1,600	N/A	N/A	N/A	XX
	Total	0	1,600	0	0	0	0	0	0	0	0	0	0	1,600	N/A	N/A	0	0
3.1																		
	Bilateral Field Spt	N/A	3,500	0	0	3,500	0	0	0	0	0	0	0	0	N/A	N/A	N/A	XX
	Total	0	3,500	0	0	3,500	0	0	0	0	0	0	0	0	N/A	N/A	0	0
4.1 ; 4.2																		
	Bilateral Field Spt	N/A	15,950	0	0	8,950	1,000	0	1,000	0	5,000	0	0	0	N/A	N/A	N/A	XX
	Total	0	15,950	0	0	8,950	1,000	0	1,000	0	5,000	0	0	0	N/A	N/A	0	0
Total Bilateral			56,500	0		42,350	1,000	0	1,000	0	5,000	0	0	7,000				
Total Field Support			0	0		0	0	0	0	0	0	0	0	0				
TOTAL PROGRAM			56,500	0	0	42,350	1,000	0	1,000	0	5,000	0	0	7,000			0	

FY 1999 Request Sector Totals -- DA	
Econ Growth	42,350
[Of which Microenterpris	[4,000]
HCD	8,950
PHN	7,000
Environment	0
[Of which Biodiversity]	[]
Democracy	7,000
Humanitarian	3,500

FY 1999 Request Sector Totals -- ESF	
Econ Growth	
[Of which Microenterprise]	[]
HCD	
PHN	
Environment	0
[Of which Biodiversity]	[]
Democracy	0
Humanitarian	0

FY 2001 Target Program Level	0
FY 2002 Target Program Level	0
FY 2003 Target Program Level	0

USAID FY 2000 Budget Request by Program/Country
ARMENIA

09-Nov-98
04:10 PM

Country/Program:
Scenario: Base Level

S.O. # , Title	FY 2000																Future Cost (POST 2000)	Year of Final Oblig.
	Approp. Acct	Bilateral/Field Support	Est. SO Pipeline End of FY 99	Estimated Total	Basic Education	Agric.	Other Growth	Pop	Child Survival	Infectious Diseases	HIV/AIDS	Other Health	Environ	D/G	Est. Expend. FY 98	Est. Total Cost life of SO		
1.2																		
	Bilateral Field Spt	N/A	3,200	0	0	3,200	0	0	0	0	0	0	0	0	N/A	N/A	N/A	XX
	Total	0	3,200	0	0	3,200	0	0	0	0	0	0	0	0	N/A	N/A	0	0
1.3																		
	Bilateral Field Spt	N/A	12,400	0	150	12,250	0	0	0	0	0	0	0	0	N/A	N/A	N/A	XX
	Total	0	12,400	0	150	12,250	0	0	0	0	0	0	0	0	N/A	N/A	0	0
1.4																		
	Bilateral Field Spt	N/A	9,000	0	0	9,000	0	0	0	0	0	0	0	0	N/A	N/A	N/A	XX
	Total	0	9,000	0	0	9,000	0	0	0	0	0	0	0	0	N/A	N/A	0	0
1.5																		
	Bilateral Field Spt	N/A	5,800	0	0	5,800	0	0	0	0	0	0	0	0	N/A	N/A	N/A	XX
	Total	0	5,800	0	0	5,800	0	0	0	0	0	0	0	0	N/A	N/A	0	0
2.1																		
	Bilateral Field Spt	N/A	5,000	0	0	0	0	0	0	0	0	0	0	5,000	N/A	N/A	N/A	XX
	Total	0	5,000	0	0	0	0	0	0	0	0	0	0	5,000	N/A	N/A	0	0
2.2																		
	Bilateral Field Spt	N/A	1,600	0	0	0	0	0	0	0	0	0	0	1,600	N/A	N/A	N/A	XX
	Total	0	1,600	0	0	0	0	0	0	0	0	0	0	1,600	N/A	N/A	0	0
3.1																		
	Bilateral Field Spt	N/A	2,750	0	0	2,750	0	0	0	0	0	0	0	0	N/A	N/A	N/A	XX
	Total	0	2,750	0	0	2,750	0	0	0	0	0	0	0	0	N/A	N/A	0	0
4.1 ; 4.2																		
	Bilateral Field Spt	N/A	16,450	0	0	9,450	1,000	0	1,000	0	5,000	0	0	0	N/A	N/A	N/A	XX
	Total	0	16,450	0	0	9,450	1,000	0	1,000	0	5,000	0	0	0	N/A	N/A	0	0
Total Bilateral			0	56,200	0	150	42,450	1,000	0	1,000	0	5,000	0	6,600				
Total Field Support			0	0	0	0	0	0	0	0	0	0	0	0				
TOTAL PROGRAM			0	56,200	0	150	42,450	1,000	0	1,000	0	5,000	0	6,600			0	

FY 2000 Request Sector Totals -- DA	
Econ Growth	42,600
[Of which Microenterpris	0
HCD	9,450
PHN	7,000
Environment	0
[Of which Biodiversity]	0
Democracy	6,600
Humanitarian	2,750

FY 2000 Request Sector Totals -- ESF	
Econ Growth	0
[Of which Microenterprise]	0
HCD	0
PHN	0
Environment	0
[Of which Biodiversity]	0
Democracy	0
Humanitarian	0

FY 2001 Target Program Level	0
FY 2002 Target Program Level	0
FY 2003 Target Program Level	0

Workforce

FY98 Armenia

Org. FY 1998 On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire	1	1	1	0	0	0	0	3	2	0	0	0	0	0	2	5
Other U.S. Citizens: 1/ OE Internationally Recruited	0	1	0	0	0	0	0	1	1	0	2	0	0	0	3	4
OE Locally Recruited	0	0	0	0	0	0	0	0	0	0	2	0	0	0	2	2
Program	6	3	3	0	0	0	0	12	0	0	0	0	0	0	0	12
FSN/TCN Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FSN/TCN Non-Direct Hire: OE Internationally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Locally Recruited	0	0	0	0	0	0	0	0	4	6	20	0	0	0	30	30
Program	7	3	2	0	0	0	0	12	0	0	3	0	0	0	3	15
Total Staff Levels	14	8	6	0	0	0	0	28	7	6	27	0	0	0	40	68
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Workforce

FY99 Armenia

Org. FY 1999 Target On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire								0							0	0
Other U.S. Citizens: 1/ OE Internationally Recruited								0							0	0
OE Locally Recruited Program								0							0	0
FNSN/TCN Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FNSN/TCN Non-Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited Program								0							0	0
Total Staff Levels	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Org. FY 1999 Request On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire	1	1	1	0	0	0	0	3	1	0	0	0	0	0	1	4
Other U.S. Citizens: 1/ OE Internationally Recruited	0	1	0	0	0	0	0	1	0	0	1	0	0	0	1	2
OE Locally Recruited	0	0	0	0	0	0	0	0	0	0	2	0	0	0	2	2
Program	6	3	3	0	0	0	0	12	0	0	0	0	0	0	0	12
FNSN/TCN Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FNSN/TCN Non-Direct Hire: OE Internationally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Locally Recruited	0	0	0	0	0	0	0	0	4	6	20	0	0	0	30	30
Program	7	3	2	0	0	0	0	12	0	0	3	0	0	0	3	15
Total Staff Levels	14	8	6	0	0	0	0	28	5	6	26	0	0	0	37	65
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Workforce

FY00 Armenia

Org. FY 2000 Target On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire								0							0	0
Other U.S. Citizens: 1/ OE Internationally Recruited								0							0	0
OE Locally Recruited Program								0							0	0
FSN/TCN Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FSN/TCN Non-Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited Program								0							0	0
Total Staff Levels	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Org. FY 2000 Request On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire	1	1	1	0	0	0	0	3	1	0	0	0	0	0	1	4
Other U.S. Citizens: 1/ OE Internationally Recruited	0	1	0	0	0	0	0	1	0	0	1	0	0	0	1	2
OE Locally Recruited Program	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	6	3	3	0	0	0	0	12	0	0	0	0	0	0	0	12
FSN/TCN Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FSN/TCN Non-Direct Hire: OE Internationally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Locally Recruited	0	0	0	0	0	0	0	0	4	6	20	0	0	0	30	30
Program	7	3	2	0	0	0	0	12	0	0	3	0	0	0	3	15
Total Staff Levels	14	8	6	0	0	0	0	28	5	6	24	0	0	0	35	63
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Workforce

Org. FY 2001 On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire	1	1	1	0	0	0	0	3	1	0	0	0	0	0	1	4
Other U.S. Citizens: 1/ OE Internationally Recruited	0	1	0	0	0	0	0	1	0	0	1	0	0	0	1	2
OE Locally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Program	6	3	3	0	0	0	0	12	0	0	0	0	0	0	0	12
FSN/TCN Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FSN/TCN Non-Direct Hire: OE Internationally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Locally Recruited	0	0	0	0	0	0	0	0	4	6	20	0	0	0	30	30
Program	7	3	2	0	0	0	0	12	0	0	3	0	0	0	3	15
Total Staff Levels	14	8	6	0	0	0	0	28	5	6	24	0	0	0	35	63
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Workforce

Org. Summary	SO/SpO Staff							Total SO/SpO Staff	Management Staff					Total Mgmt.	Grand Total Staff	
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con-troller	AMS/ EXO	Con-tract	Legal			All Other
FY 1998:																
U.S. Direct Hire	1	1	1	0	0	0	0	3	2	0	0	0	0	0	2	5
OE Internationally Recruited	0	1	0	0	0	0	0	1	1	0	2	0	0	0	3	4
OE Locally Recruited	0	0	0	0	0	0	0	0	4	6	22	0	0	0	32	32
Total OE Funded Staff	1	2	1	0	0	0	0	4	7	6	24	0	0	0	37	41
Program Funded	13	6	5	0	0	0	0	24	0	0	3	0	0	0	3	27
Total FY 1998	15	10	7	0	0	0	0	32	14	12	51	0	0	0	77	109

FY 1999 Target:																
U.S. Direct Hire	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Internationally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Locally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total OE Funded Staff	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Program Funded	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total FY 1999 Target	0															

FY 1999 Request:																
U.S. Direct Hire	1	1	1	0	0	0	0	3	1	0	0	0	0	0	1	4
OE Internationally Recruited	0	1	0	0	0	0	0	1	0	0	1	0	0	0	1	2
OE Locally Recruited	0	0	0	0	0	0	0	0	4	6	22	0	0	0	32	32
Total OE Funded Staff	1	2	1	0	0	0	0	4	5	6	23	0	0	0	34	38
Program Funded	13	6	5	0	0	0	0	24	0	0	3	0	0	0	3	27
Total FY 1999 Request	15	10	7	0	0	0	0	32	10	12	49	0	0	0	71	103

FY 2000 Target:																
U.S. Direct Hire	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Internationally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Locally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total OE Funded Staff	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Program Funded	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total FY 2000 Target	0															

FY 2000 Request:																
U.S. Direct Hire	1	1	1	0	0	0	0	3	1	0	0	0	0	0	1	4
OE Internationally Recruited	0	1	0	0	0	0	0	1	0	0	1	0	0	0	1	2
OE Locally Recruited	0	0	0	0	0	0	0	0	4	6	20	0	0	0	30	30
Total OE Funded Staff	1	2	1	0	0	0	0	4	5	6	21	0	0	0	32	36
Program Funded	13	6	5	0	0	0	0	24	0	0	3	0	0	0	3	27
Total FY 2000 Request	15	10	7	0	0	0	0	32	10	12	45	0	0	0	67	99

FY 2001 Estimate:																
U.S. Direct Hire	1	1	1	0	0	0	0	3	1	0	0	0	0	0	1	4
OE Internationally Recruited	0	1	0	0	0	0	0	1	0	0	1	0	0	0	1	2
OE Locally Recruited	0	0	0	0	0	0	0	0	4	6	20	0	0	0	30	30
Total OE Funded Staff	1	2	1	0	0	0	0	4	5	6	21	0	0	0	32	36
Program Funded	13	6	5	0	0	0	0	24	0	0	3	0	0	0	3	27
Total FY 2000 Target	15	10	7	0	0	0	0	32	10	12	45	0	0	0	67	99

Workforce

MISSION :

--

USDH STAFFING REQUIREMENTS BY SKILL CODE

BACKSTOP (BS)	NO. OF USDH EMPLOYEES IN BACKSTOP FY 98	NO. OF USDH EMPLOYEES IN BACKSTOP FY 99	NO. OF USDH EMPLOYEES IN BACKSTOP FY 2000	NO. OF USDH EMPLOYEES IN BACKSTOP FY 2001
01SMG	0	0	0	0
02 Program Off.	1	1	1	1
03 EXO	0	0	0	0
04 Controller	0	0	0	0
05/06/07 Secretary	0	0	0	0
10 Agriculture.	0	0	0	0
11Economics	0	0	0	0
12 GDO	1	1	1	1
12 Democracy	1	1	1	1
14 Rural Dev.	0	0	0	0
15 Food for Peace	0	0	0	0
21 Private Ent.	0	0	0	0
25 Engineering	0	0	0	0
40 Environ	0	0	0	0
50 Health/Pop.	0	0	0	0
60 Education	0	0	0	0
75 Physical Sci.	0	0	0	0
85 Legal	0	0	0	0
92 Commodity Mgt	0	0	0	0
93 Contract Mgt	0	0	0	0
94 PDO	1	1	1	1
95 IDI	0	0	0	0
Other*	0	0	0	0
TOTAL	4	4	4	4

*please list occupations covered by other if there are any