

USAID/Latvia

FY 2001

R2 Submission

The attached results information is from the FY 2001 Results Review (R2) for Latvia and was assembled and analyzed by USAID/Latvia.

The R2 is a "Pre-Decisional" USAID document and does not reflect results stemming from formal USAID reviews. Additional information on the attached can be obtained from Patricia Matheson, ENI/PCS.

Related document information can be obtained from:

USAID Development Experience Clearinghouse

1611 N. Kent St., Suite 200

Arlington, VA. 22209-2111

Telephone: +1-703-351-4006, Ext. 106; Fax: +1-703-351-4039

E-mail: docorder@dec.cdie.org; Internet: <http://www.dec.org>

Please Note:

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

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 Oct. 1, 2001



The United States Agency for International Development in Latvia
(USAID/Latvia)

March 15, 1999

Memorandum

To: AA/ENI, Donald Pressley

Through: USAID/Lithuania, Ronald Greenberg /s/

From: USAID/Latvia, Howard R. Handler /s/

Subject: USAID/Latvia Results Report--FY 2001

USAID/Riga has two management/resource issues for USAID/Washington action.

First, USAID/Riga continues to be concerned with the issue of where responsibility will be assigned for policy, program and operations management guidance after direct hire presence ends in the Baltics. The issue is being addressed in detail by USAID/Lithuania for the entire Baltics. Our purpose in raising the issue is simply to reinforce the recommendation in the Vilnius R2 that the ENI/DAA review the options put forth in the cover memo of that document, which were discussed with us, and select the option which will allow for the most practical and efficient day-to-day program operations. Given the imminent close-out of the USAID office in Latvia, and in Lithuania a year later, it is of the utmost importance that what has been to date smooth field implementation not be disrupted. It is USAID/Riga's position that such responsibility be placed as close as possible to actual field operations to ensure timely and effective oversight.

Second, Ambassador Holmes recently took with him to Washington, for discussion with ENI management, a project proposal to establish in Latvia a Regional Center for Excellence for Management of Multidrug Resistant Tuberculosis (MDR-TB). The project, which has definite NEI overtones, would address the growing problem of MDR-TB and its threat to continuing TB control efforts in Latvia, Estonia, Lithuania and Russia. The project would be implemented by the Centers for Disease Control over a two-year period at an estimated cost of \$260,000. Initial discussions with other donors is indicative of the catalytic role the project would play. Contributions by the Swedish Institute of Infectious Diseases, the World Bank, WHO, the SOROS Foundation and the EU are either (a) in place and would be made supportive of the effort or (b) would be made available should the project materialize. We believe deob/reob funds from the Latvia program could fund the activity. Assuming expeditious approval of the activity, project activities could be launched prior to the close-out

of the USAID office in Riga. Thereafter, for approximately 12 months, oversight (to the degree required) would be the responsibility of the USAID-funded FSN Program Specialist who will remain in place at the Embassy during that period. The remaining implementation period (approximately 6-9 months, depending on the start-up date) would be monitored in accordance with the decisions made per the discussion in the paragraph above. However, it should be noted that the proposal proposes implementation mechanisms that would minimize, if not eliminate, on-site active USAID oversight. The proposal also addresses the seven criteria contained in Bureau Operating Procedure 312, dated July 20, 1998, "Guidance for Consideration of USAID Activities in Post-Presence ENI Countries." It is strongly recommended that ENI management address this proposal as soon as possible to allow USAID/Riga to take the necessary actions prior to close-out.

cc: ENI/PCS, Patricia Matheson

USAID/Latvia

FY 2001

R2 Submission

Part I: Program Overview

This is the last R2 to be prepared by USAID/Latvia before closure of the office in September 1999. The USAID/Latvia strategy approved in January 1997 includes one Strategic Objective (SO 1.4: A more competitive and market-responsive financial sector) and one Special Initiative (Legislation and regulation promote investment in the energy sector). The strategy also includes a training initiative to support work in these two areas and AEPS activities to carry out the bilateral program through closure of the office.

There is no doubt that the Latvian economy has essentially been restructured along market-driven, private sector lines, with a good deal of competition coming from regional (Baltic) and extra-regional imports. Likewise, Latvia has made substantial strides in establishing a functioning, multi-party democracy since the country regained independence in 1991. These were the over-arching objectives of U.S. cooperation in general and the USAID program in particular. Over time, the USAID program provided key support to Latvia's efforts on both fronts through a series of activities that included over 60 bilateral and regional activities. Latvia and the United States can be proud of the fruitfulness of their partnership -- past, present and future.

Vexing socioeconomic problems persist for Latvia, especially (a) unemployment among unskilled and semi-skilled workers and especially in the rural and eastern areas of Latvia, (b) insecure futures for pensioners and people drawing close to retirement age, and (c) improving the efficiency of the country's health system. Effective approaches to solving these problems are gradually being sorted out, with other donor assistance. In addition, while Latvia is an independent country, geopolitical realities limit its sovereignty, and the integration of ethnic minorities is a national priority that will occupy the country for a generation or more. Latvia's integration into the European Union is a foreign policy priority that continues to require substantial efforts by Latvia.

Latvia's economy is susceptible to events elsewhere. In 1998, the Russian financial and debt crisis impacted significantly on the financial sector (both banking and capital markets), which had handled significant assets from Russian citizens, invested in Russian government debt, and benefited from investments by Russian nationals. While withdrawals of deposits from commercial banks did not pose a major problem (the Bank of Latvia requires a 100% reserve against deposits from non-OECD countries), the high returns being offered on Russian debt induced short-term profit seeking. The Russian debt repayment moratorium required a significant write-down of the value of those investments, which caused problems for at least one major institution. In addition, about 6-7% of Latvia's GDP is dependent on the Russian economy. Export production for the Russian market has therefore suffered as well. Such problems should be transitory and relatively minor in the long run, and some analysts believe they are a useful reminder to Latvian exporters that the rest of the world has higher standards and different tastes. The crisis also made foreign investors more cautious about investing in Latvian securities.

The parliamentary elections in late 1998 were accompanied by hesitation on privatization of major state enterprises. This limited progress on further restructuring of the economy, including development of capital markets (as discussed in the next section of this report). Another factor limiting progress towards USAID program objectives was the continuation of the ineffective mechanism for approving Latvian accounting standards (also discussed below).

Despite these problems, the major objectives of our overall program continue to be realized reasonably well. Indeed, 1998 saw Latvia's acceptance as a member of the World Trade Organization and a new collateral law being put into effect, objectives we had been working on for several years. Latvia's capital market institutions continued their evolution towards being safe, reliable channels of financial intermediation that are prepared to grow in response to market demand.

Overall, Latvia is prepared for the changed relationship with the United States that is implied by the closure of all but one of our bilateral assistance activities (the Latvian Naturalization Board activity). Latvia is already engaged in the new relationship, such as its activities in the bilateral working groups under the Baltic Charter signed a little over a year ago. Latvia is eligible for a significant number of regional projects and can be expected to call on them. For this reason, an experienced USAID FSN employee will, for one year, help the Embassy maintain continuity and contacts with such USAID activities and Latvian counterparts.

Status of Close-out Plan: USAID/Latvia's programmatic close-out is progressing according to the schedule presented in last year's R2. As mentioned above, the one bilateral activity which extends beyond the office's closing is. One regional activity has closed since the last R2 and two more are scheduled to close during the balance of this fiscal year. However, at our last count, which may be inaccurate for any of several reasons, Latvia will be eligible, in FY 2000 and beyond, to participate in as many as 13 regional activities and two country-specific activities being carried out by inter-agency transfers (Democracy Commission and the Riga Graduate School of Law/Fulbright program). The overall programmatic close-out plan, as we currently see it, is presented at the end of this document.

Our administrative close-out plan has received significant attention over the last year. RSC staff assistance supplemented the mission's own efforts, including that of our shared regional Executive Officer. There have been no changes in the substance of our earlier administrative close-out plan, just greater specification and implementation. We see no unsurmountable hurdles to the timely and efficient completion of all administrative close-out actions by the end of September 1999.

Part II: Results Review by Strategic Objective

A. Strategic Objective 1.4: A More Competitive and Market-responsive Financial Sector

Linkage to U.S. National Interests: This objective is related to MPP National Interest #2 -- Economic Prosperity, and to the MPP strategic goal of Economic Development, but is also related to the Open Markets strategic goal.

SO Summary: Healthy money and capital markets serve the vital functions of attracting savings, intermediating funds, and allocating credit to productive uses. Strong and dynamic financial systems are a key to accelerated economic performance. USAID has been working on aspects of these issues under SO 1.4 since beginning its operations in Latvia in 1991.

Initially, our assistance helped to strengthen Latvia's banking system by separating the commercial banking activities of the central bank from its monetary policy functions and privatizing its commercial banking branches and by strengthening its bank supervision capabilities. The 1995 banking crisis enabled Latvian leaders to recognize the importance of capital markets to facilitating investment in support of the country's continued development. Accordingly, in 1997, USAID started to assist the development of private capital markets, as part of the "new" country strategy, to:

- develop the institutional and regulatory capacity of the recently created Securities Market Commission (SMC), charged with overseeing Latvia's capital markets;
- reform financial reporting practices in order to meet the requirements of Western investors;
- assist the Riga Stock Exchange (RSE) and Latvian Central Depository (LCD) in developing into commercially viable trading, clearance, settlement and depository mechanisms; and
- promote the professional development of market participants.

In addition, the "new" USAID strategy for capital market development continued work in the secured transactions field. Whereas earlier efforts were focused on the drafting and passage of a collateral law (through ABA/CEELI and CIPE), the new work focusses on implementation of the law and carrying out an education campaign for bankers, legal and judicial personnel, and the public at large.

Key Results

SO 1.4 A More Competitive and Market-responsive Private Financial Sector

INDICATOR	PERFORMANCE ASSESSMENT
SO 1.4 More Competitive Financial Market	making satisfactory progress
SO 1.4.1 Confidence in Banking System	making satisfactory progress
SO 1.4.2 Strengthened Capital Markets	making satisfactory progress

SO Indicator and Intermediate Results Indicators: The overall SO indicator is M3 as a percentage of GDP. (M3 is defined as M2 plus the market capitalization of stocks listed on the Riga Stock Exchange. M2 is defined as currency in circulation plus demand deposits and quasi-money.) The baseline datum for 1996 was 25.2%. The indicator's value was 33.3% at the end of 1997 and 38.3% at the end of 1998 (assuming real GDP growth in 1998 of 4%). The Mission judges progress in 1998 to be compatible with achieving the target value of 50% by the end of the year 2000, especially since this increase was achieved despite the decrease in commercial bank deposits in the aftermath of the Russian debt crisis. The rate of these decreases is abating, and Latvian banks should start seeing increased deposits before the end of 1999.

Increased confidence in the banking system, measured as the percentage of GDP represented by M2, increased from a baseline of 22.2% at the end of 1996 to 27.1% at the end of 1997, but then decreased to 26.9% at the end of 1998, again reflecting the effects of the Russian debt crisis. This result is judged by the Mission to be still consistent with the 40% target value by the end of the year 2000.

The market capitalization of stocks listed on the Riga Stock Exchange, which was established as the measure of strengthened Latvian capital markets, increased slower than would have been the case had major infrastructure enterprises been privatized as expected in 1998. The baseline figure of market capitalization as a percentage of GDP was 3.0% at the end of 1996. This moved to 6.2% at the end of 1997, towards a target market capitalization of 25% by the end of 1999. By the end of 1998, it had reached 11.4% of GDP (consisting of a market capitalization of domestic stocks equal to 6.6% of GDP and 4.8% of the foreign stocks now listed on the Riga exchange). It is worth noting that the increase in market capitalization of domestic stocks occurred even though the index of Latvian share values fell by over 70% in 1998, caused by liquidity declines in the face of the Russian crisis. The increase reflected the listing of the stocks of several large privatized enterprises.

The redefined objective is still a challenging one, but clearly within reach if the GOL offers shares, via public sale through the Riga Stock Exchange, in a few large enterprises, notably the enterprises for electricity (Latvenergo), ocean shipping, telecommunications, and retail gasoline distribution, plus the Latvian Savings Bank, and maintains a good rhythm of divesting its minority share holdings in about 120 other companies, as it stated it will do.

SO 1.4: A more competitive and market-responsive private financial sector			
APPROVED: 04/04/97		COUNTRY/ORGANIZATION: USAID/Latvia	
RESULT NAME: Financial Depth			
INDICATOR: M3 as a share of Gross Domestic Product (GDP)			
UNIT OF MEASURE: M3/GDP in percent <hr/> SOURCE: Mission calculations using data published by Latvian Central Statistical Bureau <hr/> INDICATOR DESCRIPTION: M3 is M2 plus market capitalization of stocks listed on the Riga Stock Exchange, both as of 12/31; M2 is currency in circulation plus demand deposits and quasi-money. <hr/> COMMENTS: Official GDP data for 1998 will be available at the end of April, 1999. The Mission's calculations are based on GDP growth of 4%. Actual growth may be somewhat lower, but using this figure gives a conservative estimate of the indicator.	YEAR	PLANNED	ACTUAL
	1996 (B)		25.2% revised
	1997		33.3% recalculated
	1998		38.3%
	2000 (T)	50%	

Performance and Prospects: SO 1.4.1: Increased Confidence in Banking System

The performance of the Bank of Latvia in response to the problems that arose in 1998 indicates that it has the human and other resources to supervise commercial banking effectively. This was again demonstrated recently when the Bank suspended the banking operations of the country's fifth largest commercial bank because of its negative equity and because of the indecisiveness of the strategic investors regarding an increase in their investment. The training we provided in financial instruments that are new to the Latvian market (such as derivatives) will help it prepare for the future. While it is clear that the BOL will continue to perform very well after our assistance ends, it may need to access some specialized forms of expertise. The proposed Partnership for Financial Stability project could be useful to it.

Latvia's new commercial pledge (collateral) law, adopted in 1998 and effective as of March 1, 1999, changed pledge registry requirements. (Interim revisions were adopted a year ago.) Our assistance not only resulted in the drafting and adoption of the law, it also helped the Pledge Registry staff to develop the needed regulations and new forms and to start the information dissemination process. We believe that, by the close of our project in mid-1999, Latvia will have a fully functioning, modern pledge registry operated by a staff capable of further systems refinement. Major system users and administrators, including lawyers, bankers and the general public, will have become familiar with the operation of the new system. One measure of user interest in securing their assets is that by March 1, 1999 about \$1.5 billion of pledged assets have been recorded (or re-recorded) in over 2,700 transactions under the revised registry system.

Performance and Prospects: SO 1.4.2: Strengthened Capital Markets

In 1998, work continued on the institutional and functional development of the Securities Market Commission, which was the newest market institution when the project began:

- Technical advice on staffing, work and budget planning, and the development of the Information Technology department (internal and external data base development, procurement of hardware and software, staff training and Y2K compatibility checks).
- Enactment of recommended amendments to corporate, securities, and bankruptcy laws, as well as to the SMC's regulations on investment companies.
- Development of the SMC's enforcement capabilities by carrying out an Enforcement Training Program and developing an Enforcement Reference Manual and by development of automated market surveillance techniques and related investigative procedures;
- The provision of draft qualification standards for industry professionals.
- Instruction in accounting standards for SMC staff and interested parties from related capital market institutions, including the Insurance Inspectorate, the Ministry of Finance and the Bank of Latvia.
- Seminars/training on the operation of the investment funds industry, investment companies act implementation, mortgage-backed securities, internal controls, and brokerage risk management techniques.

The SMC has matured organizationally and technically over the last year. All of its basic regulations and instructions have been issued and all of its staff have received basic training. Its competence is recognized within the GOL, and it has been assigned supervisory responsibilities for second-tier pensions. The SMC will also be a key constituent part of the GOL's super-regulator (now being designed with World Bank cooperation) that will be responsible for supervising all financial sector institutions. The emergence of new products and organizations, plus the SMC's accretion of duties, require that the SMC develop and issue additional implementing regulations and instructions. Assistance in 1999 will also be used to deepen staff knowledge and help train new staff members.

The Latvian Central Depository and the Riga Stock Exchange continued to receive assistance:

- Technical assessment of systems supporting safer and sounder LCD and RSE operations, including operational risk and Y2K compatibility.
- At the LCD, assistance was also provided on new product development methodologies, including a securities lending-borrowing program and a possible corporate services program (under which the LCD would help its clients to conduct proxy voting and to hold annual stockholder meetings).
- At the RSE, assistance was also provided to help install a system for trading fixed income securities and block trades, and to develop further the RSE's abilities to carry out its market surveillance functions.

Investment opportunities through the capital market continued to expand. The RSE added two new stock listings in 1998 and another 21 enterprises were privatized through the RSE (for a cumulative total of 84 offerings to 110,700 cumulative shareholders). The RSE's average weekly turnover of \$742,000 in 1997 grew to \$1,236,000 in 1998; the target of \$1.5

million should be reached in 1999 as the effects of the Russian debt crisis dissipate. It is clear that the LCD and RSE are able to handle the levels of activity projected for the near-term. In 1999, our assistance will provide guidelines for the transfer of the RSE's Guaranty Fund to the LCD and will continue staff and systems development at both institutions.

USAID-supported efforts with the Latvian Association of Sworn Auditors and the Latvian Accountants Association also continued in 1998:

- A working group was established under the project to support LASA's methodology committee to prepare Latvian Accounting Standards that are consistent with international standards. The order of preparation of such standards took into account their importance in modernizing accounting practices. So far, seven standards have been prepared and six have been published in the LASA journal. The plan is for a total of 15 standards to have been produced by the working group by the end of the project.
- Workshops on leasing and factoring were held under the project's auspices to improve accounting practices. New Latvian auditing standards have been put into practice, and a workshop was held on international auditing standards, attended by most Sworn Auditors.
- Assistance was also provided to improve LASA's business planning, and training provided an overview of improved auditor and accountant certification goals and procedures.

The Capital Markets Education Task Force established under the project is developing a public education program to increase understanding of capital markets in Latvia, including:

- a teacher's guide module for instructing high school students in a stock market game, in cooperation with Junior Achievement/Latvia;
- a brochure for potential investors dealing with capital market terminology and concepts;
- a series of television programs on capital markets and the Stock Exchange, modeled in part on a similar and successful series dealing with privatization; and
- a conference for capital markets practitioners dealing with disclosure and transparency.

Each of these elements of assistance is directed towards filling an identified critical gap in the counterpart institution's ability to function effectively in a changing international capital markets environment. Our cooperating institutions are headed and staffed by dedicated, hard-working officials that have proved to be exceptional counterparts. Given this work environment and the quality and quantity of advisory assistance provided under the Barents contract, we believe that, by the end of the project, each institution will have been strengthened more than originally planned.

Under a regional project, we had hoped that a study carried out last year would deliver recommendations that would assist these institutions as they moved to strengthen intra-Baltic cooperation and linkages. Unfortunately, the study stopped short of making such recommendations. We trust that this year we will be able to deliver a manual for each institution that describes best practices as well as the pitfalls that need to be avoided in this process.

The one area of the project that has proved less successful than hoped is financial reporting reform. We have provided an effective means of strengthening the capacity of LASA to

prepare Latvian Accounting Standards. By the end of the project, their production of standards will have gone a long way in meeting the stated objective for this element of the project. Nonetheless, no solution has been found to the need for a transparent, reliable method of getting proposed standards approved and officially put into practice. Although approval of accounting standards was not contemplated originally, the fact that we are now aware of the problem will require our working with the Ministry of Finance, which controls the process at present, or another mechanism will have to be adopted. An alternative, patterned after structures commonly used in EU states, is being developed.

B. Special Initiative: Legislation and Regulation Promotes Investment in the Energy Sector

Linkage to U.S. National Interests: This initiative is related to MPP National Interest #2 -- Economic Prosperity and the MPP strategic goal of Economic Growth.

Special Initiative Summary: In 1996, when USAID initiated work on one aspect of SO 1.5 -- development of legislation and regulation that promotes investment in the energy sector, neither of the two big energy utilities was privatized, nor was proper legislation in place to encourage competitive energy markets.

In April 1997, strategic investors bought 33% of Latvijas Gaze (Latvian Gas Company). An additional 26% of shares were sold in 1998, including 2.1% additional shares to the strategic investors. Meanwhile, the privatization of Latvenergo (the electricity enterprise) continues to be hampered by political manipulation. The Latvian Privatization Agency has developed several models for Latvenergo's privatization.

The legal framework for privatization of the electrical utility is now in place with the Energy Law adopted in September 1998. The tariff and licensing framework has been developed and enforced by the Energy Regulatory Council, originally under the Law on Regulation of Entrepreneurial Activities in the Energy Sector, but now under the successor Energy Law.

As a consensus has been reached that Latvia's power system would be too small to operate efficiently as a separate power market, the Latvian Privatization Agency hosted a seminar on "The Gradual Development Options of the Baltic Electricity Market" in December, 1998 and is developing mechanisms both to create a competitive market and the rules for the operation of such a market.

Key Results: Four indicators were thought necessary to evaluate achievements under this special initiative: (1) standard licenses to be issued by Energy Regulatory Council (ERC) for utilities; (2) the Energy Law adopted; (3) 35% of shares of utilities owned by strategic investors; and (4) tariffs to be approved by the ERC. All of these have been met, except for the privatization of Latvenergo.

Performance and Prospects: Performance over the past year has been as planned, and the project was closed on March 5, 1999, having produced all outputs that were required. However, the Government of Latvia has not yet approved a privatization strategy for Latvenergo. When it does, it will have the legal framework it needs and a plan it can use to constitute a competitive power market in Latvia as part of an integrated Baltic, and eventually European, power market.

In September 1998, the Energy Law was finally adopted. It sets the rules in the energy sector and will facilitate privatization of Latvenergo. Because Article 20 of the Energy Law prohibits privatization of the high voltage network and hydroelectric generating stations, only the low-voltage networks and thermal generating stations can be privatized, thus implying unbundling. The actual privatization of Latvenergo will happen as soon as the parliament lifts its ban on privatization. Meanwhile, Latvenergo has completed functional unbundling of generation, transmission and distribution and has created a series of profit centers within the company.

In 1998, the Energy Regulatory Council issued licenses to eight electricity supply utilities, 39 heat supply utilities, and 22 liquefied gas supply utilities. However, when the final decision on the privatization model of the electrical utility is made, either a System Operator license will need to be issued or the current transmission license will need to be revised. In accordance with the Energy Law, the Transmission System Operator will be part of the High Voltage Network (HVN), but no decision has been made about who will own the HVN.

Over the past year, the contractor, Bechtel, completed the work on the development of the methodology for determining electricity tariffs. The methodology was approved in December 1998. This was the first time that the costs of generation, transmission and distribution have been separated in the tariff methodology. In accordance with the pace of privatization of the company, use of the methodology will provide calculations for defining electricity purchase-sales prices between the generation and transmission services and between the transmission and distribution services.

The contractor also assisted the Government in the development of an action plan for a competitive energy market. The purpose of the action plan is to present a proposal to the LPA and the Ministry of Economy for the next steps in the development of the electricity market in the Baltics. Through its subcontractor, it also provided a model electricity sale-purchase contract for use in a competitive power market.

SPECIAL INITIATIVE: Legislation and regulation promotes investment in the energy sector			
APPROVED: 04/04/97 COUNTRY/ORGANIZATION: USAID/Latvia			
RESULT NAME: Percentage of ownership of utilities (gas, electricity) by strategic investors			
INDICATOR: Ownership by strategic investors			
UNIT OF MEASURE: Percentage of shares	YEAR	PLANNED	ACTUAL
SOURCE: Latvian Privatization Agency information	1996 (B)		none
INDICATOR DESCRIPTION: Privatization is carried out by selling certain percentages of shares to strategic investors. COMMENTS: The first and second phase of privatization of Latvijas Gaze were successfully completed. However, privatization of Latvenergo has been delayed due to the GOL's inability to decide on its approach for privatization. Some 35.1% of Latvijas Gaze shares are held by the strategic investors; another 24.0% is held by other private owners, while the remaining 40.9% is held by state institutions.	1997		33% of Latvijas Gaze in mid-1997
	1998		35.1% of Latvijas Gaze
	1999 (June) (T)	35% of Latvijas Gaze	
	2000 (Jan.) (T)	35% of Latvenergo	

SPECIAL INITIATIVE: Legislation and regulation promotes investment in the energy sector			
APPROVED: 04/04/97 COUNTRY/ORGANIZATION: USAID/Latvia			
RESULT NAME: Energy Regulatory Council approves rates for electricity, gas, and heat			
INDICATOR: Tariffs approved			
UNIT OF MEASURE: Tariff approvals	YEAR	PLANNED	ACTUAL
SOURCE: Decisions of the ERC	1996 (B)		none
INDICATOR DESCRIPTION: New tariff methodologies based on cost effectiveness and separation of production, transmission and distribution. COMMENTS: New tariff methodologies based on cost effectiveness developed in 1998 are now approved.	1997 (Dec.) (T)	for Latvijas Gaze	5/98
	1998 (June) (T)	for Latvenergo	12/98
	1999 (June) (T)	for Rigas Siltums (Heat)	3/98

**Close-out Schedule of USAID SEED-Funded Activities in Latvia
March 15, 1999**

SO	Project #	Activity	Last yr. of Obl.	Close per last R2	Close per this R2
I. <u>Bilateral Project Activities</u>					
1.1	180-0014	Privatization and Enterprise Restructuring - Coopers & Lybrand	1994	01/96	01/96
1.2	180-0027.01	Business Services-U.S. Dept. of Treasury 632 (b)	1995	09/98*	07/98*
* Comment: Treasury activities after 7/98 are regionally funded under a 632 (a).					
1.3	180-0004.01	Environmental Initiatives - World Environmental Council (WEC)	1995	09/97	09/97
1.3	180-0004.01	Environmental Initiatives -Harvard Institute for International Development (HIID)	1995	12/96	12/96
1.3	180-0023.07	Technical Assistance to Enterprises - US Peace Corps - EBDP	1996	06/99	06/99*
* Comment: EBDP will be regionally funded beyond FY 1999.					
1.3	180-0024.01	Restructuring of Ag. & Agribusiness - Volunteers in Overseas Cooperative Assistance (VOCA)	1995	12/96	12/96
1.3	180-0026.05	Competition Policy, Laws & Regulations - Commercial Law Development Program (CLDP) - Dept. of Commerce 632 (b)	1996	06/98	06/98
1.3	180-0029.01	Mgmt. Training & Economic Education-State University of New York/Buffalo (SUNY)	1996	09/99	09/99
1.4	180-0014	Strengthening Bank Supervision-KPMG Barents Group	1996	06/99	03/99
1.4	180-0014	Capital Markets Development-KPMG Barents Group	1998	09/99	09/99

SO	Project #	Activity	Last yr. of Obl.	Close per last R2	Close per this R2
1.4	180-0020	Collateral Law - ABA/CEELI	1997	11/98	10/98
1.4	180-0023	Technical Assistance to Enterprises - World Council of Credit Unions (WOCCU)	1994	06/98	09/98
1.4	180-0027.02	Business Services - Financial Services Volunteer Corps (FSVC)	1996	06/98	06/98
1.5	180-0030.01	Technical Assistance to Energy Regulatory Council and Ministry of Economy - Bechtel	1997	02/99	03/99
1.5	180-0030.01	Regional Energy Efficiency - Electrotek	1996	09/97	09/97
1.5	180-0030.01	Regional Energy Efficiency -United States Energy Association (USEA)	1996	09/98	09/98
2.1	180-0019.07	Democratic Governance & Public Administration - Public Administration Service (PAS) U.S. Baltic Foundation (USBF)	1995	01/98	01/98
2.1	180-0021	Civic Education Project for Democracy Advancement Center - USIS 632 (b)	1996	06/98	06/98
2.1	180-0021.05	Political & Social Process -National Democratic Institute (NDI)	1994	05/96	05/96
2.1	180-0021.05	Political & Social Process - International Republican Institute (IRI)	1995	12/96	12/96
2.1	180-0023	Political and Social Process - Naturalization Board	1999	N/A	05/00 (est.)
2.2	180-0020.02	Rule of Law - American Bar Association (ABA) CEELI	1996	11/97	11/97
4.1	180-0002	Human Resource Program-English Teaching-USIS 632 (b)	1996	09/97	09/97

SO	Project #	Activity	Last yr. of Obl.	Close per last R2	Close per this R2
4.1	180-0037	Partnerships in Health Care - American International Health Alliance (AIHA)	1996	09/98	09/98
4.1	180-0039.01	Improved Public Sector Environ. Services - U.S. Environmental Protection Agency (EPA) 632 (b)	1995	07/98	07/98
4.1	180-0045	Participant Training - Partners for International Education and Training (PIET)	1996	05/97	05/97
4.1	180-0045	Participant Training - TRANSIT-World Learning	1998	06/99	06/99
II. <u>Regional Project Activities</u>					
1.2	180-0027.01	Business Services - U. S. Dept. of Treasury 632 (a)	TBD	N/A	Cont.
1.3	180-0010	Enterprise Development - Baltic American Enterprise Fund (BalAEF)	TBD	2009	2009
1.3	180-0023.07	Technical Assistance to Enterprises - US Peace Corps - EBDP	TBD	N/A	09/01
1.5	180-0030.04	Regional Energy Efficiency -BREP-UPP-USEA/Electrotek	1996	01/99	01/00
2.1	180-0032.09	Non-Governmental Organizations Development - DemNet U.S. Baltic Foundation (USBF)	1996	09/98	09/98
2.1	180-0032.09	Non-Governmental Organizations Development - U.S. Baltic Foundation (USBF)	1998	N/A	06/99
2.1	180-0059	Baltic-American Partnership Fund (BAPF)	1998	2008	2008
2.2	180-0020	Law & Democracy: Dept. of Justice (DOJ) 632 (b) OPDAT	1998	09/99	09/01* (est.)
* Comment: MPP might seek an extension of the DOJ program.					

SO	Project #	Activity	Last yr. of Obl.	Close per last R2	Close per this R2
		International Insurance Technical Assistance Partnership -- U.S. Dept. of Commerce	TBD	N/A	TBD
		Rose-Roth--North Atlantic Assembly	1998	N/A	09/00
Note: USAID/Latvia does not have detailed information on the following six regional activities, but believes that Latvia is eligible to participate in them.					
		Partnership for Financial Stability			
		US-CEE Elec. Management Institute			
		Regional Energy Regulators Support Program			
		Trust for a Civil Society in CEE			
		Great Lakes/Baltic Sea Partnership (U.S. EPA)			
		EcoLinks (Eurasian-American Partnership for Environmentally Sustainable Economies)			
III. <u>Transfers</u>					
2.1	180-xxxx	Democracy Commission - United States Information Service (USIS) 632 (a)	TBD	09/99	Cont.
2.1	180-xxxx	Riga Graduate School of Law - Fulbright Program (USIS) 632 (a)	1999	N/A	09/01 (est.)
2.2	180-xxxx	Law & Democracy - Dept. of State/INL DOJ 632 (a)	1997	09/98	07/98

U:\public\close.out\latvia2.cop (version of March 15, 1999)

Operating expenses

Org. Title: USAID/Latvia Org. No: 22162 OC		Overseas Mission Budgets														
		FY 1999 Estimate			FY 2000 Target			FY 2000 Request			FY 2001 Target			FY 2001 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	109		109			0		0			0			0	
11.8	FN PSC Salaries	44.3		44.3			0		0			0			0	
11.8	IPA/Details-In/PASAs/RSSAs Salaries			0			0		0			0			0	
	Subtotal OC 11.8	153.3	0	153.3	0	0	0	0	0	0	0	0	0	0	0	
12.1	Personnel benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	USDH benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	Educational Allowances			0			0		0			0			0	
12.1	Cost of Living Allowances			0			0		0			0			0	
12.1	Home Service Transfer Allowances			0			0		0			0			0	
12.1	Quarters Allowances			0			0		0			0			0	
12.1	Other Misc. USDH Benefits			0			0		0			0			0	
12.1	FNDH Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	** Payments to FSN Voluntary Separation Fund - FNDH			0			0		0			0			0	
12.1	Other FNDH Benefits			0			0		0			0			0	
12.1	US PSC Benefits	14.8		14.8			0		0			0			0	
12.1	FN PSC Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	** Payments to the FSN Voluntary Separation Fund - FN PSC			0			0		0			0			0	
12.1	Other FN PSC Benefits	17.1		17.1			0		0			0			0	
12.1	IPA/Detail-In/PASA/RSSA Benefits			0			0		0			0			0	
	Subtotal OC 12.1	31.9	0	31.9	0	0	0	0	0	0	0	0	0	0	0	
13.0	Benefits for former personnel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0	FNDH	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0	Severance Payments for FNDH			0			0		0			0			0	
13.0	Other Benefits for Former Personnel - FNDH			0			0		0			0			0	
13.0	FN PSCs	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0	Severance Payments for FN PSCs	3.2		3.2			0		0			0			0	
13.0	Other Benefits for Former Personnel - FN PSCs			0			0		0			0			0	
	Subtotal OC 13.0	3.2	0	3.2	0	0	0	0	0	0	0	0	0	0	0	
21.0	Travel and transportation of persons	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21.0	Training Travel	5		5			0		0			0			0	

Operating expenses

Org. Title: USAID/Latvia Org. No: 22162 OC		Overseas Mission Budgets														
		FY 1999 Estimate			FY 2000 Target			FY 2000 Request			FY 2001 Target			FY 2001 Request		
		Dollars	TF	Total												
21.0	Mandatory/Statutory Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21.0	Post Assignment Travel - to field			0			0			0			0			0
21.0	Assignment to Washington Travel			0			0			0			0			0
21.0	Home Leave Travel			0			0			0			0			0
21.0	R & R Travel	1.7		1.7			0			0			0			0
21.0	Education Travel			0			0			0			0			0
21.0	Evacuation Travel			0			0			0			0			0
21.0	Retirement Travel			0			0			0			0			0
21.0	Pre-Employment Invitational Travel			0			0			0			0			0
21.0	Other Mandatory/Statutory Travel			0			0			0			0			0
21.0	Operational Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21.0	Site Visits - Headquarters Personnel			0			0			0			0			0
21.0	Site Visits - Mission Personnel	2		2			0			0			0			0
21.0	Conferences/Seminars/Meetings/Retreats	13.7		13.7			0			0			0			0
21.0	Assessment Travel			0			0			0			0			0
21.0	Impact Evaluation Travel			0			0			0			0			0
21.0	Disaster Travel (to respond to specific disasters)			0			0			0			0			0
21.0	Recruitment Travel			0			0			0			0			0
21.0	Other Operational Travel	5.8		5.8			0			0			0			0
	Subtotal OC 21.0	28.2	0	28.2	0	0	0	0	0	0	0	0	0	0	0	0
22.0	Transportation of things	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
22.0	Post assignment freight	20		20			0			0			0			0
22.0	Home Leave Freight			0			0			0			0			0
22.0	Retirement Freight			0			0			0			0			0
22.0	Transportation/Freight for Office Furniture/Equip.	1		1			0			0			0			0
22.0	Transportation/Freight for Res. Furniture/Equip.			0			0			0			0			0
	Subtotal OC 22.0	21	0	21	0	0	0	0	0	0	0	0	0	0	0	0
23.2	Rental payments to others	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.2	Rental Payments to Others - Office Space	24.4		24.4			0			0			0			0
23.2	Rental Payments to Others - Warehouse Space			0			0			0			0			0
23.2	Rental Payments to Others - Residences	25		25			0			0			0			0
	Subtotal OC 23.2	49.4	0	49.4	0	0	0	0	0	0	0	0	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.3	Office Utilities	4		4			0			0			0			0
23.3	Residential Utilities	6		6			0			0			0			0
23.3	Telephone Costs	12		12			0			0			0			0
23.3	ADP Software Leases			0			0			0			0			0
23.3	ADP Hardware Lease			0			0			0			0			0
23.3	Commercial Time Sharing			0			0			0			0			0
23.3	Postal Fees (Other than APO Mail)			0			0			0			0			0
23.3	Other Mail Service Costs			0			0			0			0			0
23.3	Courier Services	1		1			0			0			0			0
	Subtotal OC 23.3	23	0	23	0	0	0	0	0	0	0	0	0	0	0	0
24.0	Printing and Reproduction	2		2			0			0			0			0

Operating expenses

Org. Title: USAID/Latvia Org. No: 22162 OC		Overseas Mission Budgets														
		FY 1999 Estimate			FY 2000 Target			FY 2000 Request			FY 2001 Target			FY 2001 Request		
		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
26.0	Supplies and materials	7		7		0		0		0		0		0		0
	Subtotal OC 26.0	7	0	7	0	0	0	0	0	0	0	0	0	0	0	0
31.0	Equipment	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
31.0	Purchase of Residential Furniture/Equip.	1		1		0		0		0		0		0		0
31.0	Purchase of Office Furniture/Equip.	1		1		0		0		0		0		0		0
31.0	Purchase of Vehicles			0		0		0		0		0		0		0
31.0	Purchase of Printing/Graphics Equipment			0		0		0		0		0		0		0
31.0	ADP Hardware purchases			0		0		0		0		0		0		0
31.0	ADP Software purchases			0		0		0		0		0		0		0
	Subtotal OC 31.0	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0
32.0	Lands and structures	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
32.0	Purchase of Land & Buildings (& bldg. construction)			0		0		0		0		0		0		0
32.0	Purchase of fixed equipment for buildings			0		0		0		0		0		0		0
32.0	Building Renovations/Alterations - Office			0		0		0		0		0		0		0
32.0	Building Renovations/Alterations - Residential			0		0		0		0		0		0		0
	Subtotal OC 32.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
42.0	Claims and indemnities			0		0		0		0		0		0		0
	Subtotal OC 42.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL BUDGET		392.6	0	392.6	0	0	0									

Additional Mandatory Information

Dollars Used for Local Currency Purchases
Exchange Rate Used in Computations

99.5 _____
0.58 _____

** If data is shown on either of these lines, you MUST submit the form showing deposits to and withdrawals from the FSN Voluntary Separation Fund.
On that form, OE funded deposits must equal:

0 0 0 0 0

Workforce Tables

Org: USAID/Latvia End of year On-Board								Total						Total	Total	
FY 1999 Estimate	SO 1	SO 2	SO 3	SO 4	SO 5	SpO1	SpO2	SO/SpO	Org. Mgmt.	Fin. Mgmt	Admin. Mgmt	Con-tract	Legal	All Other	Total Mgmt.	Total Staff
OE Funded: 1/																
U.S. Direct Hire								0						0	0	
Other U.S. Citizens								0						0	0	
FSN/TCN Direct Hire								0						0	0	
Other FSN/TCN								0						0	0	
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Program Funded 1/																
U.S. Citizens								0						0	0	
FSNs/TCNs								1						0	1	
Subtotal	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	1
Total Direct Workforce	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	1
TAACS								0						0	0	
Fellows								0						0	0	
IDIs								0						0	0	
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WORKFORCE	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	1

1/ Excludes TAACS, Fellows, and IDIs

Workforce Tables

	SO 1	SO 2	SO 3	SO 4	SO 5	SpO1	SpO2	Total SO/SpO	Org. Mgmt.	Fin. Mgmt	Admin. Mgmt	Con- tract	Legal	All Other	Total Mgmt.	Total Staff
FY 2000 Target																
OE Funded: 1/																
U.S. Direct Hire								0							0	0
Other U.S. Citizens								0							0	0
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Program Funded 1/																
U.S. Citizens								0							0	0
FNS/TCNs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Direct Workforce	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAACS								0							0	0
Fellows								0							0	0
IDIs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WORKFORCE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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

1/ Excludes TAACS, Fellows, and IDIs

Workforce Tables

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

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

1/ Excludes TAACS, Fellows, and IDIs