

AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID/CAUCASUS

**RESULTS REVIEW AND
RESOURCE REQUEST**

FY 2001

Georgia

April 1999

Please Note:

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ACRONYMS

ABA/CEELI	American Bar Association/Central and Eastern European Law Initiative
ACDI/VOCA	Agricultural Cooperatives Development International/Volunteers in Overseas Cooperative Assistance
ADRA	Adventist Development and Relief Agency
AED	Academy for Educational Development
AIOC	Azerbaijan International Operating Company
CAC	Citizens Advisory Council
CBO	Community-Based Organization
CEC	Central Electoral Commission
CIS	Commonwealth of Independent States
COE	Council of Europe
COJ	Council of Justice
CSO	Civil Society Organization
DG	Democracy and Governance
DOJ	U. S. Department of Justice
EBRD	European Bank for Reconstruction and Development
ECHO	European Community Humanitarian Organization
ENI	Bureau for Europe and the New Independent States (USAID)
ENKI	Georgian Intermediate Credit Foundation
EU	European Union
EU/TACIS	European Union/Technical Assistance to the CIS
FDI	Foreign Direct Investment
FINCA	Foundation for International Cooperative Assistance
FSA	Freedom Support Act
FSU	Former Soviet Union
GIC	Gas International Company, state-owned gas transmission company
GIOC	Georgian International Oil Company
GNERC	Georgia National Electricity Regulatory Commission
GOG	Government of Georgia
GYLA	Georgia Young Lawyers Association
GtZ	German Technical Assistance Agency
GWHAP	Georgian Winter Heating Assistance Project
IAS	International Accounting Standards
IDP	Internally Displaced People
IESC	International Executive Service Corps
IFC	International Finance Corporation
IFES	International Foundation for Electoral Systems
IFRC	International Federation of Red Cross and Red Crescent Societies
IIEC	International Institute for Energy Conservation
IMF	International Monetary Fund
IOCC	International Orthodox Christian Charities
IR	Intermediate Result
IRC	International Rescue Committee

IRI	International Republican Institute
IRIS	Institutional Reform and the Informal Sector
IRM	Information and Resources Management (USAID/Washington)
ISAR	Institute for Social Action and Renewal
ISFED	International Society for Fair Elections and Democracy
MEP	Main Export Pipeline
MOFE	Ministry of Fuel and Energy
MOE	Ministry of Environment
MPP	Mission Performance Plan
MT	metric tonne
NAPA	National Academy for Public Administration
NBG	National Bank of Georgia
NDI	National Democratic Institute
NIS	New Independent States
NEAP	National Environmental Action Plan
NGO	Non-Governmental Organization
OSCE	Organization for Security and Cooperation in Europe
PFP	Policy Framework Paper (World Bank)
PRM	Bureau for Population, Refugees and Migration (State Department)
PVO	Private Voluntary Organization
ROL	Rule of Law
Sakenergo	Electric Dispatch & Transmission Company, state-owned
SCF	Save the Children Federation
SIF	Georgian Social Investment Fund (World Bank Sponsored)
SME	Small and Medium Enterprises
SMEDA	Small and Medium Enterprise Development Agency
SO	Strategic Objective
SRO	Self-Regulating Organization
SWIFT	An International Electronic Payments System
UMCOR	United Methodist Committee on Relief
UNDP	United Nations Development Programme
UNHCR	United Nations High Commission on Refugees
UNICEF	United Nations International Children's Fund
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USEA	United States Energy Association
USIA	United States Information Agency
USIS	United States Information Service
WB	World Bank
WFP	World Food Program
WHO	World Health Organization
WTO	World Trade Organization

Part I Overview and Factors Affecting Program Performance

Summary

The USAID Mission in Georgia was officially established in July 1998. Prior to that, assistance to Georgia was managed through the Caucasus regional program headquartered in Yerevan. Through FY 98, USAID has been a key player in creating a vastly improved economic environment through support to monetary and fiscal reform measures. Among other initiatives, USAID economic restructuring support includes new reform legislation, creating regulatory bodies, tax reform, budget management, land tenure reform, privatization assistance and introduction of international accounting standards. This macro-level assistance is beginning to demonstrate excellent results, but requires more time to set its roots. Energy sector policy and development of regulatory mechanisms, as well as privatization of the sector, are showing positive change.

Similarly, rule-of-law activities such as judicial education and training for an independent judiciary, strengthening the legal profession and promoting a framework for legislative and judicial transparency are exhibiting nascent successes. Importantly, these achievements are critical components that reinforce the advances on the economic restructuring side, through assured enforcement of private contracts and more accountable performance by governmental oversight institutions.

Similar to economic assistance, the democracy program has progressed well to include creating appropriate new legislation, organizing lawyers and judges, introducing quality and professionalism in the judiciary, strengthening legal institutions, and improving parliamentary procedures. At the local level, NGOs are more actively monitoring and engaging in rule-of-law activities, and political parties are becoming inculcated with democratic principles.

Performance Overview

Throughout FY 98, USAID provided essential assistance to the privatization process -- both in land and heavy industry -- in Georgia. Privatization is a key factor in improving the economic situation in the country. Efforts made in FY 1998 have led the way to an additional 1,000 enterprise land plots that are expected to be privatized, and an additional 1,200 which are expected to register their ownership rights by the end of CY 1999.

Georgia has the lowest tax revenue collection rate in the NIS. USAID's Economic Restructuring Program has been working diligently with the GOG and other international partners to devise a revenue mobilization program designed to yield near-term improvement in revenue collections. USAID efforts in these endeavors have included the establishment of a Fiscal Reform Apparatus. Local fiscal analysts have received training in budgeting, and for the first time, a strategic view of the budget was publicly disseminated, demonstrating the GOG's commitment to establishing a more transparent and accountable system.

USAID made a number of important contributions to the development of the private enterprise sector. The passage of progressive legislation relating to securities markets, accounting reform and urban land reform, confirms the program's initial progress. Additionally, through USAID-

sponsored programs, small and medium enterprises have had access to credit for the first time. Under the USAID-funded Caucasus SME finance Program -- being implemented by Shorebank and FINCA -- loans totaling over \$800,000 were disbursed to small and medium enterprises in FY 1998.

USAID contributed to a number of significant milestones in the restructuring of Georgia's energy sector in FY 98. Of these, perhaps the most visible was a pilot commercialization demonstration activity, which confirmed that customers are prepared to pay for reliable electricity service and accept service cutoff for non-payment under such circumstances. The Democracy and Governance sector of the Mission's portfolio has experienced considerable success. The rapid development of the independent media and the non-governmental organization (NGO) sector demonstrates the civic desire to become engaged and participate in a democratic society.

USAID assistance to Georgia's legal system also has experienced significant achievement by establishing a merit selection process for judicial candidates to help create a competent, independent and honest judiciary. To date 32 judges have been appointed.

USAID's humanitarian assistance sector played a crucial role in responding to further outbreaks of ethnic violence in the Abkhazia region in FY 98. USAID's implementing partners were responsible for setting up emergency shelters for over 40,000 newly internally displaced people.

USAID staff were integral participants in the creation of the Mission Performance Plan. USAID programs provide direct and critical support to the achievement of Performance Plan goals.

Factors Affecting Performance

The transition from a regional Mission based out of Yerevan, to a full fledged Mission based in Georgia's capital of Tbilisi, has not been without growing pains. The most obvious logistical factors such as staffing the Mission and establishing its physical location had their effects on the program in FY 98. Staffing up has been slower than anticipated. Some historical information was lost when the computer system was transferred to the new office location. Additionally, the Mission never has had an approved Strategic Plan. Consequently, while each technical office was performing admirably at separately implementing their individual programs, there was a deficiency in coordination between the offices in establishing an overall Mission vision and goal. In spring 1999, the Mission developed a four-year strategy which will be reviewed in USAID/Washington in June 1999. The Strategic Plan is the result of weeks of planning and review of the Mission's portfolio, and embodies a cohesive synergy among all of the technical programs, formulating one joint Mission vision.

Overall Prospects for Progress through FY 2001

USAID's program in Georgia is shifting its emphasis from establishing an enabling environment for a market economy through macro-level legal and institutional reform to increased attention

on impact at the local and individual level. Clearly the job of economic restructuring is far from complete, and USAID intends to stay the course toward reaching its established goals. While it is recognized that broad economic restructuring is a *sine qua non* for increased employment and income, Georgia is not in a position to await passively its trickle-down to the household level. Although genuine economic reform has been underway only for one year in the USAID program, tremendous strides have been made in policy change, capacity-building and creating a body of new legislation. Getting the macro-environment “right” still leaves numerous distortions and policy and institutional problems to be resolved at the sector and sub-sector level in terms of both democratic and economic development. Consequently, it is necessary to carry the program to the next logical step -- that is an effort to enhance local development.

In developing its new 2000 - 2003 Country Strategy, the Mission carefully reviewed its portfolio and sought external guidance from partners and stakeholders in order to find ways in which current activities can have greater local development impact, and to identify appropriate initiatives for the planning period that translate into an increased effort at the people level -- democratic, social and economic. The Strategy, which will be reviewed in tandem with the Georgia R4, reflects this next generation shift to a sub-national emphasis, while retaining its continuing, but targeted priority in economic restructuring. Programs that touch people directly, quickly and tangibly will be given precedence. Humanitarian assistance will continue to serve the IDP population, albeit at a diminished level, with a shift in direction toward assisting vulnerable groups (including non-IDPs) in attaining greater self-sufficiency.

Part II: Results Review by Strategic Objective

Strategic Objective 1.1: Increased Transfer of State-Owned Assets to the Private Sector

SO Summary: Privatization has been underway in Georgia since 1991, with mixed results. Small-scale privatization is largely complete, but the effective transfer of medium and large-scale industrial firms has been disappointing. Most infrastructure assets – e.g., electricity, gas, water, ports, airlines and railroads – remain in state hands. The largest, most lucrative firms in the Georgian economy are not privatized for the most part. Land privatization and general assistance to the Government of Georgia (GOG) in privatizing remaining state-owned enterprises (including major infrastructure elements) are major pieces of the broad multi-year market reform program initiated by USAID. The privatization of these properties will reduce the fiscal and management burden on the state, improve the delivery of services to the Georgian people, create or preserve jobs, support the development of capital markets and the rehabilitation of the industrial sector, and stimulate foreign exchange earnings.

Key Results: The key activities under this SO are 1) Poti Port privatization 2) Land privatization 3) Telecommunications privatization and 4) Technical assistance to the Ministry of State Property Management (MSPM) for the purpose of privatizing large industries and miscellaneous properties.

Performance and Prospects: This SO fell short of expectations. Despite a USAID-funded analysis of the port, including a rationale and blueprint for privatization, no decision on the privatization of the Poti Port was taken by the Government of Georgia (GOG). The government subsequently established some short-lived working groups to examine the options for privatizing the port and state-owned enterprises in the telecommunications sector. In addition, the GOG is proceeding with the privatization of the country's largest electricity distribution enterprise and has requested donor assistance to complete the privatization of large state-owned strategic, industrial and manufacturing enterprises. Developments in the area of land privatization were also mixed as of September 30, 1998.

Poti Port privatization: The privatization of Poti Port, the largest port on Georgia's Black Sea coast, is an important opportunity for the Mission's market reform program. Poti represents a vital gateway for Georgian, Caucasian and inner-Asian trade to international markets. In addition, as privatization of this entity brings capital and managerial improvements, support for the privatization of other industrial and strategic enterprises is expected to grow. Under Phase I of this activity, completed in early 1998, USAID provided funding to International Business and Technical Consultants, Inc. (IBTCI) to develop a strategy for privatizing the commercial activities of the port. USAID agreed with the recommendation that a private investor or consortium of private investors enter into a 30-year, build-own-operate-transfer lease to foster an integrated management and investment (up to \$140 million) plan for the port. This process would help realize the potential for the port to return significant economic benefits to Georgia, including the creation of up to 21,000 jobs, the generation of as much as \$1.7 billion in additional income, and \$460 million in tax revenues over 30 years. To safeguard GOG interests at the port, a Seaport Administration will be established to regulate fees and manage state-owned property at the port.

The GOG finds it difficult to make the necessary high-level political decision between the USAID-financed proposal and an approach advanced by another donor (EU/TACIS). With Embassy support, USAID has encouraged the GOG to take a decision on this matter and a final GOG decision is expected by June 1999. If the GOG agrees to privatize at least 51 percent of the shares of this SOE in an open, competitive and transparent way, USAID will provide additional technical assistance leading to private ownership and regulatory oversight by a port authority. This objective should be attainable within nine months of a clear and satisfactory decision by the GOG.

Land privatization: As a result of the excellent work of USAID consultants during FY 98, in October the Georgian Government passed the Law on the Declaration of Private Ownership of Enterprise Land, which is believed to be one of the most progressive enterprise land privatization laws in the NIS. This law eliminates sales procedures, notarizations, pricing calculations, surveying requirements and other cumbersome processes that have enabled corruption and severely impeded enterprise land privatization in several other NIS countries. Since the passage of this law, over 2,700 enterprise land plots have been privatized and over 1,500 have registered their ownership rights. The same technical advisors also have been working with the Parliament, NGOs, the World Bank and the State Department of Land Management (SDLM) to fashion a system for expediting the registration and titling of small-holder agricultural land based on existing boundaries and private sector survey work. Achieving consensus with the SDLM continues to be complicated by alternative land titling and registration proposals by the World Bank and other commercial interests to use high-technology methodologies that would raise the cost of such work and slow the pace of implementation.

An additional 1,000 enterprise land plots now are expected to be privatized, and an additional 1,200 are expected to register their ownership rights by the end of 1999. If a resolution can be achieved in the near future -- permitting the registration and titling of peasant land holdings based on existing boundaries and private sector surveys -- an estimated 400,000 (out of a total of about 3,000,000) small-holder agricultural land parcels could be registered as early as November 1999. Assistance would need to be provided to land registrars since the demand for registration would overwhelm their present capacity. It is expected to take two years or more to register all 3,000,000 parcels. At the same time, assistance could be given to the private sector in developing a surveying and mapping industry. The approach proposed by USAID would assist small farmers by severely reducing opportunities for corruption; would *not* de-capitalize the small-holder sector with exorbitant fees; and would avoid acquiring future debt service obligations associated with loans and credits that are not immediately productive.

Technical assistance to the Ministry of State Property Management (MSPM): Following the appointment of reform-minded individuals to key Ministerial positions by President Shevardnadze in the summer of 1998, the new Minister of State Property Management asked USAID for assistance in identifying strategic state-owned enterprises that could be privatized by the end of 1999. To respond to this request that potentially would accelerate the privatization process, USAID has arranged for a consultant to help identify which SOEs can be sold quickly, which should be liquidated, and which require minimal restructuring to salvage potentially viable companies. USAID also plans to provide an intensive period of on-the-job training for the Ministry of State Property Management personnel by preparing 12 to 15 state-owned

manufacturing companies for sale over the next year or so with foreign consultant expertise. Following this training-by-doing effort, the MSPM should have the capacity to continue the process of identifying manufacturing companies with potential viability, preparing the required analyses, and packaging that information to attract interested investors. In addition, the MSPM will also be able to determine which companies are ready for tendering and which ones should be liquidated.

While assistance with telecommunications privatization was not specifically envisioned in FY 98, it is consistent with and supportive of USAID's market reform strategy. The GOG has shown a strong commitment to privatizing its two telecommunications assets, one involving a 51 percent state ownership position in a long-distance and international company, and the other a SOE that is the principal supplier of local telecommunications services. The GOG has approached the Mission for assistance in this privatization endeavor.

While USAID interventions are modest in scope, it is expected that successful privatization of the Poti Port and/or telecommunications enterprises will encourage further privatization of strategic enterprises in other sectors of the economy, such as energy and transportation. By introducing and reinforcing transparent tendering procedures, public confidence in the process of transferring state assets to private ownership will be enhanced. Finally, by shifting ownership patterns from state to private hands and establishing, where appropriate, independent regulatory bodies, greater efficiency, economy and transparency should emerge to Georgia's benefit.

Possible Adjustments to Plans: Under the Mission's proposed new Strategic Plan, SO 1.1 will be modified to become a Special Initiative that encompasses the limited privatization activities involving SOEs discussed above, including the Poti Port and the telecommunications privatizations. Given the contribution of land privatization to small and medium enterprise development, land privatization will be folded under SO 1.3, Accelerated Development and Growth of Private Enterprise, in the proposed Strategic Plan for FY 00 - FY 03.

Other Donor Programs: USAID's advisors in land markets work with the State Department of Land Management, the Parliament and NGOs. Both the World Bank and GtZ have activities addressing land privatization. The activities of these two donors are monitored by USAID to avoid duplication and to promote donor synergy. The EU TRACECA project, World Bank, EBRD, U.S. Trade and Development Agency, and United Nations Development Program all have programs in the area of privatization.

Major Contractors and Grantees: Booz-Allen & Hamilton are implementing the privatization of urban and industrial land. International Business and Technical Consultants was responsible for the restructuring of Poti Port. Barents Group will provide a privatization advisor.

Performance Data Tables SO 1.1

STRATEGIC OBJECTIVE: 1.1: Increased transfer of state-owned assets to the private sector			
APPROVED: N/A			
COUNTRY/ORGANIZATION: USAID/Caucasus			
INDICATOR: Private and privatized enterprises registering their land			
UNIT OF MEASURE: Number of enterprises <hr/> SOURCE: Chief Registrar at State Department of Land Management <hr/> INDICATOR DESCRIPTION: Number of enterprise land plots registered with the State Department of Land Management <hr/> COMMENTS: Georgia's Enterprise land privatization law is also an excellent example of reducing the potential for corruption through As many of the privatized enterprises have failed it is difficult to specify the total number of privatized enterprises with land. USAID is currently seeking to determine that total number.	YEAR	PLANNED	ACTUAL
	1998 (B)		0
	1999	3000	
	2000	500	

STRATEGIC OBJECTIVE: 1.1: Increased transfer of state-owned assets to the private sector			
APPROVED: N/A			
COUNTRY/ORGANIZATION: USAID/Caucasus			
INTERMEDIATE RESULT:			
INDICATOR: Number of agricultural plot titles registered			
UNIT OF MEASURE: Number of plot titles <hr/> SOURCE: State Department of Land Management <hr/> INDICATOR DESCRIPTION: Number of plot titles registered with the State Department of Land Management. <hr/> COMMENTS: There are an estimated three million small holder agricultural plots allocated to approximately one million households. Land distribution began in 1993 but no titles have been issued and registered. A registered title is necessary before land can be either legally sold, leased or used as collateral.	YEAR	PLANNED	ACTUAL
	1998 (B)	0	0
	1999	200,000	
	2000	1,000,000	

STRATEGIC OBJECTIVE: 1.1: Increased transfer of state-owned assets to the private sector			
APPROVED: N/A			
COUNTRY/ORGANIZATION: USAID/Caucasus			
INTERMEDIATE RESULT:			
INDICATOR: Strategic enterprise privatized			
UNIT OF MEASURE: Number of enterprises			
SOURCE: USAID			
INDICATOR DESCRIPTION: Privatization completed of Poti Port and Telecommunications assets.			
COMMENTS: USAID will help the GOG to privatize its telecommunications assets and Poti Port (if and when the GOG's policies become clear and stable).			
	YEAR	PLANNED	ACTUAL
	1998 (B)	0	0
	1999	0	
	2000	2	

Strategic Objective 1.2: Increased Soundness of Fiscal Policies and Management Practices

SO Summary: Georgia has the lowest tax revenue/GDP ratio in the NIS -- about 9 percent of 1997 GDP compared to an average of nearly three times this level in other NIS countries. With the expectation of improving this condition, in July 1998 the Government of Georgia (GOG) agreed in a "Letter of Intent" to the IMF to reduce the overall fiscal deficit to 2.5 percent of GDP, while improving the revenue raising capacity and strengthening expenditure and budget controls. Notwithstanding this commitment, tax revenues worsened in 1998. In an effort to correct this problem as soon as possible, the World Bank, IMF, USAID and the U.S. Treasury, along with their GOG counterparts, devised a revenue mobilization program designed to yield near-term (1999) improvement in revenue collections.

Key Results: Three intermediate results contribute to the achievement of this SO: IR 1.2.1 Market-oriented budget and financial system for national and regional governments; IR 1.2.2 Tax codes are conducive to accelerated legitimate business activities, and IR 1.2.3 Establish treasury securities system.

Performance and Prospects: Performance of this SO fell short of expectations in FY 98. The efforts expended by USAID in 1998, through Barents and the U.S. Treasury, in collaboration with the IMF, did not translate into increased revenues. VAT tax collections were slightly lower relative to 1997, excise tax collections fell by two-thirds, and customs duties fell by one-third. Much was accomplished in terms of institution building, but training and new procedures failed to have the desired impact on the entrenched culture of tax evasion and corruption. Also, frequent changes in the leadership of the Tax Inspectorate and the ill-timed announcement by the then Minister of Finance that he was considering a tax amnesty undermined the desired institutional reforms. That Minister of Finance was replaced in December 1998 by a new US-trained Minister who has strongly encouraged reform measures. The prospects for increased revenues in 1999 are excellent.

Efforts by USAID in the budget area were more fruitful. A Fiscal Reform Apparatus was established in September 1998 and fiscal analysts received training. Budget roundtables were held and, for the first time, a strategic view of the budget was published ("the Budget in Brief"). In addition, the number of administrative budget units was reduced from 2,000 to 77. The Georgian Parliament developed an effective Tax and Budget analysis unit that it now depends on for providing budget proposals, analyses of actual results, and recommendations for action.

Other achievements from 1998 include the completion of six manuals on audit procedures for direct taxes based on Georgian law, a proposal to reorganize the structure of the headquarters of the Tax Inspectorate, and the development of procedures for a law on public disclosure of personal assets for employees of the Tax Inspectorate. To improve the implementation of the tax code, a package of commentary on the VAT and excise tax was provided with USAID assistance. Reports on user fees and tax sharing between national and local governments were also prepared and a series of tax administration roundtables was held.

IR 1.2.1 Market-oriented budget and financial system for national and regional governments: The Parliamentary Budget Office was established in March 1998, and has developed the capacity to provide reliable budget projections, results analyses, and action

recommendations to the Parliament. In addition, a Fiscal Reform Apparatus of fiscal analysts and macroeconomic and budget advisors was formed within the Ministry of Finance. The training and institutional strengthening efforts in the budget area led to significant improvements in the process of preparing the 1999 budget. A Citizen's Guide to the Georgian Budget was published, promoting greater public understanding of this process that affects the well-being of all Georgians.

USAID will continue its efforts to reinforce the collaborative intergovernmental Budget Round Tables. This assistance will help ensure that the FY 00 budget is the product of appropriate debate and discussion both within the executive branch and among the Ministry of Finance, Parliament Budget Office and the Budget and Finance Committee. Additional training also is envisioned to strengthen the Ministry of Finance's Fiscal Analysis Apparatus, which, among other duties, prepares strategic documentation associated with the budget. Donor support in FY 01 will be required to computerize the budget process within the Ministry of Finance and to better engage line ministries and Parliament in sensible resource allocation decision-making procedures. USAID will also work to achieve a further reduction of the number of administrative budget units.

IR 1.2.2 Tax codes conducive to accelerated legitimate business activities: The tax laws and regulations in place are fundamentally sound, but implementation of the laws and regulations remained a problem. Tax administration continued to be very poor, with attempts at professionalization hindered by entrenched attitudes and a compensation structure that, were it to be reliably paid, still would not provide a living wage.

The program to support tax reform was radically modified at the end of 1998 when it became apparent that revenue collections were falling off substantially. An emergency revenue mobilization program began in February 1999 focused on those tax instruments and procedures most likely to yield immediate and significant improvement in revenue collections. The areas targeted under this revenue mobilization program include the collection of arrears, registration of new taxpayers, the excise tax and VAT. This extraordinary effort is expected to show improvements in revenue collections by the end of 1999.

The computerization of Georgia's tax administration will improve the accuracy and transparency of tax assessments, filings, payments and deposits. While the World Bank is purchasing a considerable amount of computer equipment for the program, USAID will assist in properly programming the computers and providing related training. A complete set of procedures and job descriptions needs to be assembled for the Tax Inspectorate. Both central and regional tax inspectorates must be computerized and reorganized to operate along functional lines, rather than with designated taxpayers. A strong internal control function also will be created. Finally, a study will be completed to propose a radical overhaul of the approach to compensation for tax officials. These activities will help eliminate the scope for corruption and abuse. The advent of the emergency revenue mobilization program led to a postponement of the development of a property tax system until early in FY 00. As property tax is essentially a local tax, it has important implications for the Mission's local government initiative.

IR 1.2.3 Establish treasury securities system: The Ministry of Finance of Georgia began issuing treasury bills in late 1997 to provide non-inflationary financing of its budget deficit. As the program gained momentum in 1998, issuance amounts increased, maturities were extended, competition heightened, interest rates declined, and the investor base widened. However, in mid-1998 Georgia developed a severe fiscal crisis, based, among other things, on an inability to collect revenues. Inevitably, the fiscal crisis reduced confidence in and the value of the local currency, the lari. In that environment it became impossible to sell lari-denominated assets such as treasury bills. As a result, the Georgian government has not sold securities since September 1998. USAID/Caucasus expects that the Ministry of Finance will recommence issuance of treasury bills in 1999 and is assessing the situation to determine the appropriate time to launch the new issue. In the meantime, the Ministry of Finance and the National Bank of Georgia are working to improve the mechanisms through which debt issuance is coordinated with monetary policy. The Georgian government recognizes the critical role of government securities in its macro-economic stabilization and development of the domestic financial markets.

Possible Adjustments to Plans: Within the framework of USAID's existing fiscal reform projects, a joint U.S. Treasury/USAID Tax Assistance Program is being prepared in close coordination with other donors and the GOG. The new program will highlight revenue mobilization as its strategic goal, by focusing on tax administration and collection and reducing emphasis on tax policy. USAID anticipates most of its fiscal policy reform objectives will be completed by the end of 2000, and accordingly has not included this SO in the new Strategic Plan. Treasury might continue in a residual advisory and training role, outside of USAID's manageable interest. The World Bank and IMF are expected to continue to support fiscal reform.

Other Donor Programs: USAID assistance in budget formulation augments IMF support to develop a Treasury Department and to establish a primary securities market. This program also complements World Bank assistance in fiscal reform.

Major Contractors and Grantees: U.S. Department of Treasury, and the Barents Group.

Performance Data Tables SO 1.2

STRATEGIC OBJECTIVE 1.2: Increased Soundness of Fiscal Policies and Management Practices APPROVED: N/A COUNTRY/ORGANIZATION: 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: Percent of GDP SOURCE: IMF INDICATOR DESCRIPTION: Consolidated central government balance (on an accrual basis), including grants COMMENTS: The 1998 data is based on unpublished information from the IMF and will be revised when the IMF officially publishes the data.	YEAR	PLANNED	ACTUAL
	1995(B)		-5.3%
	1996	-3.4%	-4.5%
	1997	-3.1%	-4.0%
	1998	-3.0%	-3.2%
	1999	-2.9%	
	2000(T)	-2.7%	

STRATEGIC OBJECTIVE 1.2: Increased Soundness of Fiscal Policies and Management Practices APPROVED: N/A COUNTRY/ORGANIZATION: 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: Percent of GDP SOURCE: IMF INDICATOR DESCRIPTION: Consolidated government revenue from all tax sources COMMENTS: The 1998 actual will be provided when the IMF publishes this data.	YEAR	PLANNED	ACTUAL
	1995(B)		4.7%
	1996	6.7%	7.3%
	1997	8.1%	9.0%
	1998	9.7%	N/A
	1999	11.6%	
	2000(T)	13.2%	

STRATEGIC OBJECTIVE 1.2: Increased Soundness of Fiscal Policies and Management Practices APPROVED: N/A COUNTRY/ORGANIZATION: 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: yes/no SOURCE: US Treasury INDICATOR DESCRIPTION: The budget includes revenue and expenditure programs, employment, production and capital financing plans COMMENTS: The law took effect in 1998, but further efforts are needed to strengthen and deepen the implementation process within the Ministry of Finance.	YEAR	PLANNED	ACTUAL
	1995(B)		no
	1996	no	no
	1997	no	no
	1998	yes	yes
	1999	yes	
	2000(T)	yes	

STRATEGIC OBJECTIVE 1.2: Increased Soundness of Fiscal Policies and Management Practices APPROVED: N/A COUNTRY/ORGANIZATION: USAID/Caucasus			
RESULT NAME: IR 1.2.3 Establish Treasury Securities System			
INDICATOR: Average maturity of government bonds			
UNIT OF MEASURE: Number of days SOURCE: US Treasury INDICATOR DESCRIPTION: Average length term of T-Bills COMMENTS: At the end of 1998, there were no government securities outstanding due to suspension of issuance and redemption of all outstanding treasury bills. While the Ministry was actively issuing, the weighted average maturity was in the range of 45-50 days. Each issue has its own average maturity in range, indicated above.	YEAR	PLANNED	ACTUAL
	1995(B)	N/A	N/A
	1996	N/A	N/A
	1997	30	48
	1998	55	45-50
	1999	80	
	2000(T)	100	

STRATEGIC OBJECTIVE 1.2: Increased Soundness of Fiscal Policies and Management Practices
APPROVED: N/A **COUNTRY/ORGANIZATION:** USAID/Caucasus

RESULT NAME: IR 1.2.3.1 Increasing capability to finance the central government's budget deficit

INDICATOR: Proportion of government budget financed by government securities

UNIT OF MEASURE: Percent of the budget

SOURCE: US Treasury

INDICATOR DESCRIPTION: Proportion of the budget deficit financed by domestic borrowing

COMMENTS: Although the GOG was issuing securities in 1998, as a result of the fiscal and monetary crises, the government stopped issuing securities and did not finance any of the annual fiscal deficit.

YEAR	PLANNED	ACTUAL
1995(B)		0%
1996	0%	0%
1997	3%	2.9%
1998	6%	0%
1999	12%	
2000(T)	20%	

Strategic Objective 1.3: Accelerated Development and Growth of Private Enterprises

SO Summary: Georgia's positive economic growth rate over the past four years attests to the success of its macroeconomic stabilization policies, as well as the depth to which its economy had sunk in the wake of the collapse of the former Soviet Union. While much of the country's Soviet-era industry has remained largely idle or at low capacity, economic growth has been driven by the nascent private sector, particularly agriculture and new small businesses. This strategic objective helps accelerate development and growth of private enterprise in Georgia through a multi-year economic reform program, providing comprehensive assistance with accounting reform, commercial law, and market development for Georgian products.

Key Results: During the past year, progress in achieving this strategic objective was tracked through five intermediate results: IR 1.3.1 Increased foreign investment, IR 1.3.2 Increased transfer of technology, IR 1.3.3 Increased access to credit by domestic enterprises, IR 1.3.4 Increased access to export markets and development of domestic markets, IR 1.3.5 Improved framework for economic policies, commercial laws and regulations for economic activities.

Performance and Prospects: This SO fell short of expectations, but is well on its way to meeting expectations this year. In FY 98, USAID made a number of significant contributions that helped improve the environment for private enterprise development. Although this reform program began only recently, the passage of progressive legislation relating to the securities markets, accounting reform, and urban land reform confirms the program's initial progress. Additional strides in moving Georgia closer to WTO accession demonstrate the Georgian government's willingness to establish an open trading system and to increase trade and investment opportunities. However, a number of impediments to enterprise development remain, including limited access to credit, pervasive corruption, the inability of the government to provide reasonable levels of social capital and compensation to public servants, and continued ethnic tensions in various parts of the country.

IR 1.3.1 Increased foreign investment: Foreign direct investment (FDI) levels in Georgia continued on an upward trend, despite economic and political uncertainties. Based on data from a survey of the largest investors in Georgia, FDI increased from approximately \$54 million in 1996 to at least \$189 million in 1997 and to \$271 million in 1998. USAID helped the GOG achieve improvements in the legal and regulatory environment that contributed to this increased level of foreign investment. Through the market reform program under this IR, USAID provided assistance with a securities law that established the principle of an independent securities commission and the promise of greater openness, transparency and accountability in share transactions, pricing and the registration of ownership. Another achievement of the program was the adoption of legislation establishing international standards of accounting and auditing in Georgia and the principle of professional self-regulation by an independent association of auditors and accountants. Finally, a highly progressive urban-industrial land privatization law, reported under SO 1.1 but part of the comprehensive market reform program under this SO, was adopted.

Although total FDI levels continued to climb, the weight of pipeline construction in total investment distorts this otherwise encouraging trend. In 1997, only one-third of FDI was

invested in pipeline rehabilitation with the remainder invested in oil and gas extraction, banking, agro-processing, telecommunications and light industry. In 1998, however, pipeline investments rose to nearly 64 percent of total FDI in Georgia. USAID will continue to monitor FDI closely, differentiating between pipeline and other investments. Assuming continued political stability and a government committed to market reform, foreign investment should continue to increase, excluding investments related to pipeline accounts. This is based in part on renewed GOG interest in privatizing state-owned industrial, commercial and strategic enterprises as well as continued support for the market reforms being implemented with USAID and other donor support.

Progress toward WTO accession also helped attract foreign investment. IRIS helped the GOG prepare market access offers on goods and services, which placed Georgia on the fast-track to accession. IRIS also provided support to the GOG in negotiations with the WTO in Geneva, and assisted in the development of regulations that ensure that Georgia complies with WTO standards. Expected in 1999, WTO accession will be a major benchmark in terms of making Georgia attractive to foreign investors.

IR 1.3.3 Increased access to credit by domestic enterprises: The USAID-funded Caucasus SME Finance Program, being implemented by Shorebank and FINCA, made good progress during the year in establishing models for lending to micro, small and medium enterprises. Under this program, FINCA disbursed over \$450,000 in the last quarter of 1998, expanding its client base at the rate of 1,000 new clients per month, of which 75% were women. In 1998, Shorebank operations got off to a slow start, with loans totaling \$393,000 compared to a target of \$818,000. The lending pace should pick up in 1999 as Shorebank expands its operations through additional commercial banks with branches outside of Tbilisi. FINCA anticipates lending to 12,000 borrowers through 2001, and maintaining an arrearage rate of less than 2 percent. Shorebank envisions credit outlays to SMEs totaling approximately \$11.5 million through 2001. Other donors, including the EBRD, the World Bank and GtZ, have also opened up lines of credit through financial institutions for on-lending to private enterprises in Georgia.

In addition to specific credit assistance, USAID worked with firms, business and professional associations to strengthen their ability to better absorb and utilize credit. For example, with USAID funding, ACDI/VOCA implemented a credit component for both seed growers and their potential customers in three credit cooperatives. One cooperative recovered all but one of its loans, charging market rates of interest, while increasing land usage by 35% and employment by 120% over the 1997 levels. Another credit cooperative curtailed its lending activities when the commercial bank holding the ACDI/VOCA account experienced liquidity problems, preventing ACDI/VOCA from withdrawing capital for the credit program. Working at the community level, USAID will be promoting the creation of additional credit cooperatives, especially in regions outside of the capital, to provide credit for agribusinesses and other small and micro enterprises including farming. USAID will pay particular attention to providing credit to women.

Sibley International was instrumental in establishing both a legal and institutional framework to bring international accounting and auditing standards to Georgia. This modernization will enable firms in Georgia to convert their current bookkeeping systems to an accounting system

capable of recording and reflecting their true financial condition, thus allowing managers and investors alike to make informed business decisions. Such information also will help firms gain access to credit, as financial institutions expand their lending operations based on risk analysis.

IR 1.3.4 – Increased access to export markets and development of domestic markets: The IESC continued to render management and technical advice to individual firms and business associations, which helped increase firm access to both domestic and foreign markets. As a result of this assistance, company revenues in those firms increased to \$1.8 million, export sales totaled \$1.2 million, over 100 specific contacts were established between U.S. and local firms, and several hundred jobs either were saved or created. Georgia has a liberal international trade policy characterized by a low, uniform customs tariff of 12 percent applied to nearly all imports and virtually no export prohibitions. As the necessary laws are adopted and progress towards WTO accession continues, this program is largely on target for achieving planned results, although, as discussed under SO 1.2, progress in fiscal reform has been slow.

IR 1.3.5 Improved framework for economic policies, commercial laws and regulations for economic activities: With USAID and other donor support, Georgia has made important strides in establishing a policy, legal and regulatory framework conducive to investment and private sector-led growth. As noted above, several key laws were adopted in FY 98. While impressive, the actual enforcement of these laws and related regulations remained weak, with bribery, cronyism, and similar considerations often shaping the real rules of business conduct in Georgia. To address these problems, USAID will focus additional attention and resources on the question of law enforcement over the next several years. The introduction of interconnected computer systems and information networks, the establishment of independent regulatory bodies, and enhanced training to ensure that judges understand business law will help improve implementation. In addition, business support organizations will be established to render a variety of services to SMEs, including representing their interests at the national and local levels.

Possible Adjustments to Plans: With the broad policy and legal framework in place and WTO accession on track, USAID/Caucasus is proposing three new intermediate results in the new Strategic Plan: Reduced transaction costs for enterprises, Functioning land and real estate market to support SME growth, and Selected agribusiness opportunities identified and facilitated. These IRs specifically address the problems that need to be resolved for continued private sector growth in Georgia. SO 1.3 will form the backbone of USAID assistance for economic reform in the proposed Strategic Plan. The focus on enterprise development and an improved business environment are key components in the Strategic Plan.

Other Donor Programs: The World Bank, EBRD, EU/TACIS, GtZ, and UNDP are supporting Small and Medium Enterprise development with various projects including access to financing, technical assistance, grants, and institutional development.

Major Contractors and Grantees: USAID activities are implemented by IRIS, Shorebank, FINCA, and PVOs such as the International Executive Service Corps, ACIDI/VOCA and the Eurasia Foundation.

Performance Data Tables SO 1.3

STRATEGIC OBJECTIVE 1.3: Accelerated Development and Growth of Private Enterprise APPROVED: N/A COUNTRY/ORGANIZATION: USAID/Caucasus			
RESULT NAME: SO 1.3 Accelerated development and growth of private enterprise			
INDICATOR: Private sector share of employment			
UNIT OF MEASURE: Percent of employment <hr/> SOURCE: IMF, Georgian Economic Trends <hr/> INDICATOR DESCRIPTION: Private sector share of the labor force. <hr/> COMMENTS: The targets set were from Georgian Economic Trends (GET), but we have not been able to get annual data from GET as anticipated when the baseline data was collected. Actual data has, however, been obtained from the IMF. The 1996 actual has been revised based on more accurate data from the IMF. Data for FY 98 is not available yet, but actual data for FY 97 is being reported for the first time. This data confirms that the private sector share of employment has grown significantly since 1995 and has exceeded targets.	YEAR	PLANNED	ACTUAL
	1995(B)		36%
	1996	50%	69%
	1997	60%	72%
	1998	70%	N/A
	1999	75%	
	2000(T)	80%	

STRATEGIC OBJECTIVE 1.3: Accelerated Development and Growth of Private Enterprise

APPROVED: N/A

COUNTRY/ORGANIZATION: USAID/Caucasus

RESULT NAME: IR 1.3.1 Increased foreign investment

INDICATOR: Foreign direct investment

UNIT OF MEASURE: Dollars (in millions)

SOURCE: IMF

INDICATOR DESCRIPTION: Annual inflow of foreign direct investment on a balance of payments basis

COMMENTS: The IMF has published revised figures for FDI in 1996 and 1997 in the June 12, 1998 *Recent Economic Developments*. The "actual" data here reflects the IMF revision. As 1998 data has not been officially published yet, the actual is based on preliminary information obtained from the IMF.

YEAR	PLANNED	ACTUAL
1995 (B)		\$6m
1996	\$10m	\$54m
1997	\$50m	\$189m
1998	\$60m	\$271m
1999	\$70m	
2000(T)	\$80m	

STRATEGIC OBJECTIVE 1.3: Accelerated Development and Growth of Private Enterprise**APPROVED:** N/A**COUNTRY/ORGANIZATION:** USAID/Caucasus**RESULT NAME:** IR 1.3.3 Increased access to credit by domestic enterprises**INDICATOR:** Real value of commercial loans to enterprises**UNIT OF MEASURE:** Dollars (in millions)**SOURCE:** National Bank of Georgia/IMF**INDICATOR DESCRIPTION:** Real value of credit extended to non-state enterprises by the commercial banking sector**COMMENTS:** Data for this indicator comes primarily from the National Bank of Georgia, which does not set specific annual targets. It is, accordingly, difficult to set a precise target. However, USAID/Caucasus will consider this indicator on track if the real value of commercial loans increases by at least 10%.

YEAR	PLANNED	ACTUAL
1996 (B)		\$73m
1997	N/A	N/A
1998	N/A	\$145m
1999	Greater than 10% increase	

STRATEGIC OBJECTIVE 1.3: Accelerated Development and Growth of Private Enterprise

APPROVED: N/A

COUNTRY/ORGANIZATION: USAID/Caucasus

RESULT NAME: IR 1.3.4 Increased access to export markets and development of domestic markets

INDICATOR: Value of exports

UNIT OF MEASURE: Dollars (in millions)

SOURCE: IMF

INDICATOR DESCRIPTION: Exports of goods and non-factor services

COMMENTS: Although the indicator description and planned targets were intended to measure “exports of goods and non-factor services,” previous R4s reported only the exports of goods. Accordingly, the actual for this indicator have been revised to include both goods and non factor services. The 1998 actual is an IMF projection.

The levels of exported goods alone (what was reported in the past) are as follows: 1995-\$347m, 1996 - \$440m, 1997 - \$442m, and 1998 - \$495m.

YEAR	PLANNED	ACTUAL
1995 (B)		\$486.6m
1996	\$389m	\$540.8m
1997	\$439m	\$612m
1998	\$498m	\$695.6m
1999	\$556m	
2000 (T)	\$620m	

STRATEGIC OBJECTIVE 1.3: Accelerated Development and Growth of Private Enterprise

APPROVED: N/A

COUNTRY/ORGANIZATION: USAID/Caucasus

RESULT NAME: IR 1.3.5 Improved framework for economic policies, commercial laws and regulations for economic activities

INDICATOR: Key laws adopted

UNIT OF MEASURE: Percent of laws and amendments passed

SOURCE: CEPAR/IRIS

INDICATOR DESCRIPTION: Key laws regulating commercial activities

COMMENTS: Please note that number of laws in the set is seven (7), rather than reported in previous years eight (8) as the Companies law and Entrepreneurs law is the same. The laws passed and amended in 1996 are: Bankruptcy Law, Law on Commercial Bank, Law Entrepreneurs, Law on Promotion and Guarantees of Investments, and Law on Monopolistic Activities and Competition.

In 1998 no key laws were passed due to existing controversial approaches of various GOG respective entities.

Laws planned for FY 99 include Securities Law, Accounting Law, and amendment to Entrepreneurs Law. (In addition, that Securities Law already got passed in December 1998 and Accounting Law in February, 1999).

YEAR	PLANNED	ACTUAL
1995 (B)		0
1996	0	5
1997	0	0
1998	3	0
1999	3	

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

SO Summary: A USAID-funded assessment in 1998 identified a series of weaknesses in the Georgian banking sector, including low capitalization, weak liquidity, and limited risk management capacity. Still, the banking sector has made progress in recent years with the introduction of prudential regulations to improve financial discipline and to establish a closer linkage between the regulatory oversight and monetary policy. Minimum capital requirements have been steadily rising with a consequent reduction in the number of banks. Among the 44 banks in Georgia, approximately sixty-six percent are estimated by the National Bank of Georgia (NBG) to be in satisfactory financial condition. The NBG is giving highest priority to limiting the actions of financially weak banks and strengthening institutional capacity through conversion to International Accounting Standards (IAS), strengthened regulatory oversight, and improved risk management. This activity seeks not only to restore public confidence in the banking system, but also to promote competition among sounder institutions so that net spreads (currently at 29.6% or more) decline and the volume of banking business increases.

Non-bank financial institutions still are few in number, although they are expected to expand with donor (including USAID) assistance in the coming years. There is a nascent insurance sector. The securities market currently is limited to government securities, although USAID is supporting the development of a private capital markets system. The state pension system is expensive, accounting for 17 percent of 1997 budgetary expenditure. Legislation to enable privately-managed pension funds is expected soon. While there is a limited set of credit unions in Georgia, USAID intends to establish additional credit unions outside of the capital as a vehicle for expanding credit to micro and small businesses throughout Georgia.

Key Results: Progress toward the achievement of this strategic objective is monitored through the following intermediate results: IR 4.1.1 Increased technical efficiency of financial sector transactions in commercial banks; IR 4.1.2 Increased public confidence in the banking system; IR 4.1.3 Increased availability of financial services.

Performance and Prospects: In FY 98, performance of this SO met expectations. USAID provided broad support to Georgia's financial sector, resulting in: enhanced NBG capacity for maintaining its international financial transactions system; progress in establishing an integrated accounting system and electronic inter-bank payment system for real-time settlements and payments within Georgia; completion of a comprehensive banking sector assessment and design of a bank supervision activity; establishment of a satisfactory legal framework for developing a securities trading and regulatory system; identification and selection of an entity, pursuant to a tendering process, to serve as a stock exchange following an intensive period of technical and commodity assistance; completion of 18 banking courses attended by 337 bankers; and the extension of credit to micro and small enterprises throughout Georgia.

IR 1.4.1 Increased technical efficiency of financial sector transactions in commercial banks: With technical guidance and funding from USAID's Information Resource Management (IRM) office in Washington, the Mission has helped the banking sector install an electronic payment and settlement system for international funds transfers. In addition, USAID provided training to ensure that NBG staff can become self-sufficient in terms of software support and maintenance. The impact of this training was evident in October 1998 when NBG IT staff successfully

completed the associated upgrade in the 15 banks sharing the system following the introduction of a mandatory software change to the system by IBM and the international financial transactions system (SWIFT). The bankers training program will be largely self-sufficient by 2001, contributing technical and managerial know-how to commercial bankers to improve all aspects of banking, including the efficiency with which financial transactions are conducted.

Implemented by Montran, USAID has also supported the development of an integrated accounting and electronic interbank payments system for Georgian banks. Progress in 1998 included hardware installation, on-site testing of the new system, extensive training of NBG staff, and agreement to migrate the reserve and the correspondent accounts into a single correspondent account for each commercial bank. Delays were experienced in developing the new software for this system, with final resolution expected by 2001. Once installed and functioning, the Montran system will provide the technical capacity for real-time settlements and payments in Georgia for the first time ever.

USAID has also helped address funding and technical questions associated with the installation of a new local area network (LAN) for the NBG. In addition, a team of experts provided advice on Y2K compliance for the NBG. While the NBG expects to address most of those problems, USAID assistance may be required for a replacement foreign exchange system.

IR 1.4.2 Increased public confidence in the banking system: The lack of confidence in banks stems primarily from past losses from hyperinflation, the significant number of banks that have folded since 1995, and the ability of tax authorities to intercept accounts when households or enterprises are considered in arrears on tax payments. Despite these concerns, household deposits increased as a share of total deposits from 18.5 % in 1995 to 33 % in 1997. In 1998, there was a slight 3% drop. Moreover, net loan-to-deposit spreads, while still high, decreased from 62% to 40% during that time frame, and are currently 30%. Contributing to these positive trends, USAID continued to conduct a broad array of training courses for Georgia's commercial bankers under the Caucasus Banker Training Program, covering a diverse range of topics such as credit analysis, project finance, customer service, trade finance, bank cards, internal audit, and international accounting standards. To ensure sustainability, USAID sought to increase the capacity of Georgians to provide this training.

In consultation with the IMF and NBG, USAID has been developing a bank supervision activity to upgrade the NBG's capacity for on-site and off-site analysis of commercial banks, resolution of problem banks, and use of IAS and bank regulatory reporting. This assistance will help ensure the efficient regulation of the banking sector in accordance with Georgian law, promote broad and fair access to credit, and include anti-corruption and anti-money laundering initiatives. This institutional upgrade of Georgia's central bank, carried out with IMF support, should contribute to the soundness and safety of commercial bank operations in Georgia, thus increasing the public's confidence in their banking system. Shorebank's work with existing commercial banks in extending credit to qualified SMEs, and similar programs sponsored by other donors, are designed to strengthen commercial bank responsiveness to Georgia's legitimate credit needs. In the process, all these actions will also help improve the public image of banks.

IR 1.4.3 Increased availability of financial services: USAID and its partners contributed to good progress in developing a capital markets system for Georgia in FY 98. With funding from USAID, the Barents Group helped revise and secure passage of the Law on Entrepreneurs and the Law on Securities Markets, which better define business and capital market structures and the rights and obligations of the key actors. Subsequently, Barents conducted a successful tender to select a qualified entity to become the primary stock exchange in Georgia; developed a draft decree and associated enabling acts for establishing the securities commission; carried forward the effort begun by the World Bank in consolidating shareholder records under independent registrars, with 60 consolidations completed of the 500 companies with over 100 shareholders; developed a detailed training needs assessment; and secured a privatization advisor to work with the Ministry of State Property Management in devising a strategy for accelerating the privatization of state-owned properties.

By 2001, USAID expects financial and non-financial intermediaries to be channeling credit to micro, small and medium sized businesses on an increased scale as FINCA and Shorebank models for lending to these groups are replicated throughout Georgia. Additional credit unions will be established to provide credit to micro and small enterprises, particularly outside the capital city of Tbilisi. In the capital markets area, the basic infrastructure for securities trading (stock exchange, clearing/settlement/depository systems, consolidation of shareholder records under independent registrars) will be in place and functioning; an independent securities commission providing regulatory oversight will be carrying out its legal mandate; associations of key market participants (securities firms, lawyers, investment advisors, accounting professionals, shareholders' rights groups) will be organized and advocating for their constituents; and training will have been provided to the key participants, including securities firms, investment funds, issuers, investors, and members of organizations and associations within or connected to the capital market. Together these achievements will help ensure increased availability of financial services throughout Georgia.

Possible Adjustments to Plans: SO 1.4 will have largely achieved its planned IRs by the end of FY 00. Consequently, it was excluded from the new Strategic Plan. An exception is the banking supervision activity, which is being shifted to SO 1.3 because it is expected to reduce transactions costs in enterprise development. Support for credit access through commercial banks and non-financial intermediaries also will be an important part of SME development under SO 1.3.

Other Donor Programs: USAID is coordinating its assistance activities with the NBG, the Ministry of Finance, the Securities and Stock Exchange Inspection Board, the World Bank, the IMF, and the EU.

Major Contractors and Grantees: USAID's investments in the electronic payments system are managed directly by USAID. The Barents Group manages both the bankers training and capital markets activities.

Performance Data Tables SO 1.4

STRATEGIC OBJECTIVE: 1.4 A More Competitive and Market-responsive Financial Sector			
APPROVED: N/A			
COUNTRY/ORGANIZATION: USAID/Caucasus			
INTERMEDIATE RESULT: Increased technical efficiency of financial sector transactions in commercial banks			
INDICATOR: Volume of Inter-bank payments			
UNIT OF MEASURE: \$US billion	YEAR	PLANNED	ACTUAL
SOURCE: National Bank of Georgia	1995(B)		0.859
INDICATOR DESCRIPTION: Monetary value of inter-bank payments – domestic and foreign	1996	1.4	1.5
COMMENTS: The actual figure for 1997 and a target for 1998 was not reported last year due to unreliability of the source. As we are now able to report accurate data for 1997, the 1998 figure represents a rough estimate, based on data [\$US billion - 2.0] for first eight months of the year. The indicator reflects volume of electronic payments only.	1997	2.0	4.3
	1998	N/A	3.0
	1999	TBD	
A target for 1999 will be set as soon as the actual data for 1998 is available.			

STRATEGIC OBJECTIVE: 1.4 A More Competitive and Market-responsive Financial Sector			
APPROVED: N/A			
COUNTRY/ORGANIZATION: USAID/Caucasus			
RESULT NAME: SO 1.4 A More Competitive and Market-responsive Financial Sector			
INDICATOR: Spread between deposit and borrowing rates			
UNIT OF MEASURE: Percent	YEAR	PLANNED	ACTUAL
SOURCE: National Bank of Georgia	1995 (B)		48%
INDICATOR DESCRIPTION: Avg. range of interest rates charged on 3-month loans minus the avg. range of interest rates paid on three month deposits by commercial banks	1996	N/A	32%
	1997	N/A	28%
	1998	N/A	29.6 %
	1999	26%	
COMMENTS:			

STRATEGIC OBJECTIVE 1.4: A More Competitive and Market-responsive Financial Sector			
APPROVED: N/A			
COUNTRY/ORGANIZATION: USAID/Caucasus			
INTERMEDIATE RESULT: IR 1.4.3 Increased availability of financial services			
INDICATOR: Proportion of Commercial banks offering basic set of financial services			
UNIT OF MEASURE: Percent of banks	YEAR	PLANNED	ACTUAL
SOURCE: National Bank of Georgia	1995		
INDICATOR DESCRIPTION: % of banks offering basic set of six financial services	1996(B)		8%
COMMENTS: According to USAID contractors working on various programs related to banking sector, all banks in Georgia today offer basic financial services. Banks reported here not only satisfy this requirement, but also meet the prudential requirements set by NBG, and are rated 1,2,3 by CAMEL system.	1997	N/A	36%
	1998	N/A	65%
	1999	N/A	

STRATEGIC OBJECTIVE: 1.4 A More Competitive and Market-responsive Financial Sector			
APPROVED: N/A			
COUNTRY/ORGANIZATION: USAID/Caucasus			
INTERMEDIATE RESULT: Increased public confidence in the banking system			
INDICATOR: Deposits in commercial banks – commercial and personal			
UNIT OF MEASURE: Index	YEAR	PLANNED	ACTUAL
SOURCE: National Bank of Georgia	1995		
INDICATOR DESCRIPTION: Real value of bank accounts – commercial and personal	1996 (B)	N/A	100
COMMENTS: FY 97 actual has been corrected.	1997	N/A	126
	1998	N/A	177
	1999	TBD	
96 – \$US million – 49.12			100%
97 – \$US million – 61.9			126%
98 – \$US million – 86.93			177%

Strategic Objective 1.5: A More Economically Sustainable and Environmentally Sound Energy Sector

SO Summary: Georgia faces serious energy shortages stemming from mismanagement and corruption, the high dependence on imported oil and gas, and the shortage of foreign exchange to pay for these imports. Although electricity is Georgia's major energy source, the oil subsector has geostrategic importance due to the development of oil reserves in the Caspian Basin. The natural gas subsector also is important, given its role in the provision of fuel for generating electricity. Although the country has installed capacity of 5,200 MW, utilization is only 20% of installed capacity, resulting in constant disruption and shortage of electricity supply. The Georgian energy sector is characterized by deteriorating physical plants, inefficient operation, inadequate planning, customer dissatisfaction, poor billing practices and low collection rates. Given this condition, USAID and other donors are working with the GOG to restructure the oil, gas and electric power subsectors to improve their commercial operations and transfer ownership to the private sector under the aegis of an appropriate legal and regulatory environment.

Key Results: The two intermediate results are: IR 1.5.1 Increased private sector participation in the energy sector; and IR 1.5.2 Increased economic efficiency in the energy sector.

Performance and Prospects: This SO met expectations and is well on its way to exceeding expectations in FY 99. USAID contributed to a number of significant milestones in the restructuring of Georgia's energy sector in FY 98. Following enactment of a modern electricity law in 1997, regulations and rate methodologies were established which provide a stable and transparent regulatory climate while raising rates to recover costs. This improved legal and regulatory structure contributed significantly to attracting a U.S. investor to buy a majority holding in Georgia's largest state-owned electricity distribution enterprise and to provide a capital infusion of \$83 million to rehabilitate the system. USAID also funded a pilot commercialization demonstration activity, which confirmed that customers are prepared to pay for reliable electricity service and accept service cutoff for non-payment under such circumstances. In the petroleum area, a modern petroleum law is on the verge of adoption by the GOG; estimates of potential oil reserves are in the two to three billion barrel range, considerably higher than previous estimates; and oil has started flowing through the new Baku-Supsa Early Oil Pipeline.

IR 1.5.1 Increased private sector participation in the energy sector: The Georgian National Electricity Regulation Commission (GNERC), created in 1997 following the passage of the Electricity Law, became active in 1998. It has assembled a staff of 27 professionals who have licensed the newly-created power sector enterprises and processed three tariff increases. USAID consultants, Hagler-Bailly, helped the Commission develop tariff methodologies and planning for a wholesale electricity market organization with operating rules that will establish a competitive electric power market in Georgia.

This modern legal and regulatory framework was central in making Georgia's electricity sector a good investment opportunity. A U.S. investment banking firm, under contract with the GOG to help privatize the electric sector, succeeded in privatizing the country's largest electricity distribution company, Telasi. The winner of this competitive, transparent tendering process -- the American firm AES -- will make an initial purchase payment of \$25.5 million, retire \$10

million of Telasi's debts, and provide some \$83 million for capital improvements over the next ten years to renovate the system and implement modern customer accounting, metering, billing and collection procedures. Currently, there is legislation pending to amend the Electricity Law to expand the regulatory mandate of the GNERC to encompass natural gas transport and distribution. This legislation also will regulate the gas industry according to cost-of-service principles, an essential first step if tariffs are to reach levels sufficient to attract investment.

Following a concerted two-year effort by USAID and other donors, a modern petroleum law has been drafted and is on the verge of adoption by the GOG. The draft law would (1) facilitate direct foreign investment by creating a single entity to contract with foreign investors and regulate oil and gas operations, (2) separate governmental and regulatory authority from the commercial activities of the state oil company, and (3) position the state oil company for eventual privatization. [Note: this law was passed by Parliament on 16 April 1999, largely as advocated by USAID.]

USAID consultants played a pivotal role in helping the Georgian International Oil Company negotiate a reasonable agreement with the Azerbaijan International Operating Company for the placement of a pipeline across Georgian territory. The resulting pipeline investment in Georgia was approximately \$300 million. Oil has started flowing through the Baku-Supsa Early Oil Pipeline at a rate of 115,000 barrels per day and the first tanker was loaded at the Supsa terminal in April 1999.

USAID and its consultants will continue providing needed technical assistance to the GOG, Parliament and other entities in preparing investment-friendly laws and regulations, and assisting with their implementation. Such assistance, along with training and study tours, will strengthen the capacity of regulatory bodies to carry out their respective mandates in the energy sector. This effort in large part is geared to maintaining the momentum to create an investment climate that is attractive to foreign and domestic private investment in the energy sector. Capital requirements for upgrading the sector's physical plant are estimated to be in excess of \$1 billion, which is well beyond the GOG's capacity to finance publicly.

USAID will provide assistance to develop appropriate laws, regulations and procedures to safeguard the environment. USAID will work with Georgian authorities and the oil companies to develop a phase-out plan for leaded gasoline, ensure that oil flowing through the transit pipelines follows an environmentally safe protocol, ensure that Black Sea oil exploration and development does not harm the environment, facilitate partnerships between Georgian and U.S. regulatory agencies in the energy sector, establish cost-based tariffs that ensure that energy is used efficiently, and secure stricter environmental liability laws.

IR 1.5.2 Increased economic efficiency in the energy sector: A major problem besetting the Georgian power sector is its inability to collect payments from electricity customers. To overcome this problem, reforms of metering, billing and collection procedures are necessary. Such reforms, coupled with a reliable power supply and a strict cutoff policy for non-payment, have been implemented with the assistance of Hagler-Bailly in the city of Rustavi in a test population of 6,000 customers. The results from this pilot study confirm that customers can and will pay for reliable service and that enforcement of cutoff for non-payment is both understood

and accepted by consumers. In 1998, this pilot electric distribution system was visited by potential investors in Telasi, and together with the information gathered by USAID, factored heavily into the bids submitted. Coupled with increased tariffs and improved metering and collection systems, investments will contribute to greater efficiency in the supply of electricity and also will engender energy conservation measures at the consumer-level.

Proposed revisions to the Electricity Law expand the regulatory oversight of the independent GNERC to the gas subsector, which is not covered under petroleum legislation. These changes will improve the prospects for adjusting the tariff structure upward in order to attract needed investments in the transport, processing and distribution of natural gas, which, in turn, will improve efficiency in these downstream systems. The Law on Oil and Gas supports improved efficiency in upstream oil operations by assuring that newly discovered petroleum and gas have access on a space-available basis to the lowest cost transportation facilities, establishing the right of eminent domain for transporting petroleum resources across private property, and prohibiting the wasteful burning (flaring) of natural gas in the oil fields.

USAID technical assistance will be directed at energy-related government agencies, commissions and private enterprises to promote conservation and rehabilitation of electric generation and distribution systems, and gas transmission and distribution systems. This assistance will focus on evaluating systems and identifying least-cost technologies for achieving greater efficiency in electricity and gas transmission systems; developing appropriate rate structures for encouraging investment and promoting energy conservation; and conducting information campaigns and conservation demonstrations. USAID will encourage local NGOs, such as Horizonti and the Georgian Green Movement, to develop information programs regarding end-user conservation in water and space heating. Finally, USAID will explore the possibility of reestablishing regional international cooperation in electricity transmission systems. The first phase would involve carrying out cost-benefit analyses of reintegrating the regional systems.

Possible Adjustments to Plan: Much progress has been made in creating a modern legal and regulatory framework for the energy sector, establishing regulatory institutions, privatizing generation and distribution systems, engendering efficiency, and resolving pipeline issues. This major undertaking remains incomplete. SO 1.5 will be continued in the new Strategic Plan roughly at the same resource level. Further emphasis will be added on energy conservation and fostering improved environmental management.

Other Donor Programs: The EU has undertaken comprehensive assessments of tariff structure, accounting, billing, and metering practices, while the World Bank is conducting a loan appraisal of maintenance and rehabilitation work in electricity generation, transmission, and distribution systems. USAID complemented other donor activities with a pre-loan analysis of the Inguri Hydroelectric Station. The EBRD approved a loan to a local power company to rehabilitate the Rioni hydro station and improve operations and water treatment and also is developing loan packages to repair the Inguri Hydroelectric Station, the largest hydropower station in the country, and to rehabilitate the Zugdidi geothermal field to provide heat to light industries and households in the region.

Major Contractors and Grantees: There are currently two institutional contractors: Hagler Bailly (restructuring, privatization and legal assistance), and the US Energy Association (training in all energy areas).

Performance Data Tables SO 1.5

<p>STRATEGIC OBJECTIVE 1.5: A more economically sustainable and environmentally sound energy sector APPROVED: N/A COUNTRY/ORGANIZATION: USAID/Caucasus</p>			
<p>RESULT NAME: SO 1.5 A more economically sustainable and environmentally sound energy sector</p>			
<p>INDICATOR: Sector revenues attaining full cost recovery</p>			
<p>UNIT OF MEASURE: Percent (%) of ideal revenue requirement</p>	<p>YEAR</p>	<p>PLANNED</p>	<p>ACTUAL</p>
<p>SOURCE: Hagler Bailly – Ministry of Fuel & Energy (MoFE) has not prepared a plan for full cost recovery.</p>	<p>1995(B)</p>	<p>N/A</p>	<p>N/A</p>
<p>INDICATOR DESCRIPTION: Hagler Bailley compiled this figure using data from the MoFE and Sakenergo (State Electric Dispatch & Transmission Company). Sector billed revenues as a percentage of the level adequate to recover full depreciation on revalued assets and to provide for adequate maintenance on property, plant and equipment.</p> <hr/> <p>COMMENTS: In order to sustain operations for an extended period of time, the energy sector must bill and collect revenues that include full recovery of all operating and maintenance costs, plus depreciation and an acceptable level of profit.</p>	<p>1996</p>	<p>30</p>	<p>20</p>
	<p>1997</p>	<p>40</p>	<p>25</p>
	<p>1998</p>	<p>55</p>	<p>35</p>
	<p>1999</p>	<p>65</p>	
	<p>2000 (T)</p>	<p>75</p>	

STRATEGIC OBJECTIVE 1.5: A more economically sustainable and environmentally sound energy sector			
APPROVED: N/A			
COUNTRY/ORGANIZATION: 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 (Energy intensity)			
UNIT OF MEASURE: Kilogram of energy use (oil equivalent) per unit of GDP (1987 dollars)	YEAR	PLANNED	ACTUAL
SOURCE: Hagler Bailly	1995(B)	-	0.7
INDICATOR DESCRIPTION: Energy consumption in GWh and other fuel units converted to standard unit of measure (use of bio-mass and other traditional fuels are excluded).	1996	-	0.7
COMMENTS: The “Planned” and “Actual” figures are Hagler Bailly estimates since there is no government agency that collects these figures for Georgia. Hagler Bailly based this data on information from the MoFE and Sakenergo. While in general useful macroeconomic measures of energy intensity, they provide little guidance for energy policy. With little manufacturing activity currently in Georgia, these intensity figures measure primarily household and small commercial energy use. Further, because of a lack of natural gas delivery systems in Georgia, these intensity figures reflect the widespread, yet inefficient use of electricity resistance heating systems -- the only heating systems currently available. In the future, the restoration of the natural gas distribution systems throughout the country and the increase in tariffs to full cost-recovery levels should improve the level of efficient energy use. To the extent that the industrial economy is revived, there will be a countervailing increase in industrial energy intensity. The continued absence from the market of significant amounts of residential gas and the decline in GDP growth late in 1998 due to local currency (Lari) devaluation prevented any improvement in this indicator.	1997	-	0.7
	1998	0.65	0.7
	1999	0.60	
	2000 (T)	0.55	

STRATEGIC OBJECTIVE 1.5: A more economically sustainable and environmentally sound energy sector			
APPROVED: N/A			
COUNTRY/ORGANIZATION: USAID/Caucasus			
RESULT NAME: IR1.5.1 Increased private sector participation in energy sector			
INDICATOR: Amount of electric utility enterprises ownership privately held			
UNIT OF MEASURE:	YEAR	PLANNED	ACTUAL
<ul style="list-style-type: none"> D: Average % of non-state ownership of distribution (weighted by % of sales for each distribution enterprise) G: Average % of non-state ownership of generation (weighted by % of generation for each generation enterprise) 			
SOURCE: Hagler Bailly based on information from the MoFE.	1995(B)	0% (D) 10% (G)	0% (D) 10% (G)
INDICATOR DESCRIPTION: Percent of actual ownership shares for each enterprise, not adjusted for the value of the shares	1996	0% (D) 10% (G)	0% (D) 10% (G)
COMMENTS:	1997	0% (D) 15% (G)	0% (D) 10% (G)
	1998	50% (D) 15% (G)	30% (D) 10% (G)
	1999	100% (D) 40% (G)	
	2000 (T)	100% (D) 40% (G)	
<ul style="list-style-type: none"> 19 small hydro stations were sold to private owners and 3 plants were leased to private operators in the early mass privatization process in early 1995. These represent 10% of total available capacity. The 15% target for generation in 1998 assumed a modest increase in the small/medium hydro plants to be privatized. This was not accomplished, but the 40% estimate for generation in 1999 is based upon implementation of the generating plant privatization process that began in the 1st quarter of this year. Privatization of Tbilisi's distribution system (Telasi) in December 1998 moved 30% of Georgia's electricity consumption into the private distribution sub-sector. The 1999 distribution target of 100% assumes completion of the strategic investor privatization process initiated in 1998. The large Inguri Hydro Plant, that represents at least 35% of current energy generation, is not expected to be privatized because of its location on the Georgia/Abkhazia border. 			

STRATEGIC OBJECTIVE 1.5: A more economically sustainable and environmentally sound energy sector			
APPROVED: N/A		COUNTRY/ORGANIZATION: USAID/Caucasus	
RESULT NAME: IR 1.5.1.2: An effective and progressive national regulatory commission established			
INDICATOR: Regulatory commission established capable of setting cost-based tariffs, issuing and enforcing licenses, and regulations on a unified financial reporting system.			
UNIT OF MEASURE: Date that commission becomes effective	YEAR	PLANNED	ACTUAL
<p>SOURCE: Hagler Bailly</p> <p>INDICATOR DESCRIPTION: Commission issues tariffs that rise over time to 100% of cost-recovery; licenses encourage investment by protecting investor interests; accounting reporting regulations issued</p> <p>COMMENTS: Hagler Bailly based this information on data from the MoFE, GNERC (Georgia National Electricity Regulatory Commission) and Parliament.</p> <p>Amendments to the Electricity Law to establish a Georgian Wholesale Electricity Market and to expand GNERC regulation to gas transmission and distribution were before parliament in April 1999.</p>	1995(B)	<ul style="list-style-type: none"> Electricity tariff increased to \$0.02 	<ul style="list-style-type: none"> Electricity tariff increased to \$0.02
	1996	<ul style="list-style-type: none"> Electricity tariff increased to \$0.035 for industrial & household customers 	<ul style="list-style-type: none"> Differentiated electricity tariffs not established Average industrial electricity tariff increased to \$0.035
	1997	<ul style="list-style-type: none"> Electricity law passed, establishing, inter-alia, an independent regulatory Commission Electricity tariff increase to \$0.035 average for all customer classes Issuance of temporary licenses; fee-based revenue basis for Commission 	<ul style="list-style-type: none"> Electricity Law passed; Commission established (GNERC) Electricity tariff increased to \$0.035 for all customers 20% of sector enterprises received temporary licenses and paid fees
	1998	<ul style="list-style-type: none"> ERC authorities intact 100% permanent licenses issued and fees paid by licensees Market rules principles adopted and Phase I implementation initiated Financial reporting requirements issued Electricity tariffs increase to average of \$0.043 	<ul style="list-style-type: none"> ERC authorities intact 90% of kWh sales produced and distributed by entities with temporary licenses and which have paid fees Market rules principles adopted Electricity tariffs increased to average of \$0.043 based on exchange rate at time of increase.

1999	<ul style="list-style-type: none"> • GNERC authority expanded to include natural gas regulation • Implementation of Market Rules enters Phase II • Licenses enforced and licensees report in accordance with financial reporting requirements according to IAS • Increases in electricity tariff to 75% of full cost recovery 	
2000 (T)	<ul style="list-style-type: none"> • GNERC authorities intact • Licenses enforced • Phase II of Market Rules fully implemented • Electricity tariffs increase to full cost recovery level 	

STRATEGIC OBJECTIVE 1.5: A more economically sustainable and environmentally sound energy sector			
APPROVED: NA		COUNTRY/ORGANIZATION: USAID/Caucasus	
RESULT NAME: IR 1.5.2 Increased 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	40 %	40%
COMMENTS: Hagler Bailly collected this data from the MoFE. Planned levels, based in large measure on World Bank conditionality requirements will be difficult to achieve. Until greater transparency achieved in sector through improved international accounting standards and financial reporting mechanisms (now in process), actual cash collections will be low and reported numbers suspect. Complete data for 1998 are not yet available. Barter and offset arrangements are included in reported collections, but are not always identified as such. Privatization of Telasi should increase actual cash collections in 1999.	1997	70%	40%
	1998	90%	65%
	1999	100%	-
	2000 (T)	100%	-

STRATEGIC OBJECTIVE 1.5: A more economically sustainable and environmentally sound energy sector			
APPROVED: NA			
COUNTRY/ORGANIZATION: USAID/Caucasus			
RESULT NAME: IR 1.5.2.2.2 International Accounting Standards (IAS) adopted by energy companies (Future IR 1.5.2 Legal and regulatory environment more conducive to private investment in energy sector)			
INDICATOR: Number of energy enterprises using IAS			
UNIT OF MEASURE: Number of major energy sector distribution (D), transmission (T) and generation (G) 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
<p>COMMENTS: Hagler Bailly based this information on data from the MoFE.</p> <p>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. In the 1st quarter of 1999, 68 power sector accountants Had either completed or were enrolled in basic IAS courses.</p> <p>Privatization of Telasi will result in the first major move of a power sector entity to IAS in 1999.</p> <p>Note on numbers of enterprises: Currently there are 66 distribution networks. As part of the ongoing privatization process, these will be consolidated to a minimum of three, possibly several more. Similarly, generation units will be consolidated into a smaller number of generation companies than currently exist.</p>	1997	0	0
	1998	0 of 66 (D) 0 of 1 (T) 0 of 20 (G)	0 of 66 (D) 0 of 1 (T) 0 of 20 (G)
	1999	3 of 3 (D) 1 of 1 (T) 2 of 20 (G)	
	2000 (T)	3 of 3 (D) 1 of 1 (T) 4 of 10 (G)	

SO 2.1: Increased better informed citizens' participation in political and economic decision-making

SO Summary: SO 2.1 seeks to foster the growth of civil society and grassroots democratic reforms in Georgia. Since USAID development programs began in Georgia in 1995, civil society organizations have registered remarkable growth, both in numbers and in effectiveness. There are currently over 100 NGOs active in public policy debate at the national level, and the NGO community is represented in consultative groups within the leadership ranks of the Parliament and Chancellery. Although the print media lags behind, independent television, which formerly did not exist, now numbers 34 stations. USAID and its partners support non-governmental organizations (NGOs) and community-based organizations (CBOs), the independent media, parliamentarians and staff, and political parties. USAID also provides assistance with election reform, monitoring and voter education.

Key Results: USAID-funded activities focus on three key results: IR 2.1.1 Improved availability of and access to information; IR 2.1.2 Increased public confidence in citizens' ability to effect change; and IR 2.1.3 Sustained public confidence in the political process.

Performance and Prospects: Overall, this objective met expectations. The rapid development and significance of the independent media and the non-governmental organization (NGO) sector in Georgia cannot be overestimated, especially in Tbilisi, the capital. Independent mass media and NGOs have been successful in providing information to the public and in representing constituency interests. They have helped shape public opinion and influenced key governmental decisions. For example, with USAID support, Georgian NGOs succeeded in establishing NGO coordinating committees within the Parliament and the Chancellery, an unprecedented advance to the decision-making process. Both sectors are moving toward independence and a diversity of funding sources, the first step to long-term sustainability. Over the past year, according to the ENI Bureau's NGO Sustainability Index, the rating of Georgian NGOs rose to the border the highest level of NGO development (Stage 3). USAID's partner, Horizonti, was a true success story in its own right, graduating from the direct management of the Initiative for Social Action and Renewal (ISAR) and passing an A-133 program and financial audit in less than one year of solo operations.

The independent media also improved in 1998, and some of the major media outlets in Tbilisi came to be viewed as profitable businesses. Print media, especially in the regions, however, are underdeveloped and will receive assistance under a new initiative later in 1999.

Although concerns still exist about political developments and, in particular, the impact of the upcoming parliamentary elections, significant achievements occurred in 1998. Georgia's accession to the Council of Europe was approved; local government elections were held, resulting in, for the first time since the 1995 Constitution, representative bodies at the local level; a corrupt minister of communications was fired on the basis of investigative reports provided to the Parliament by a Georgian NGO; and finally, political parties recognized the value of cooperation, as seen by the formation of a coalition by two opposition parties and the election of many opposition chairmen at different council levels, including 20 of the largest cities and towns.

IR 2.1.1 Improved availability and access to information: Support by USAID to the development of independent television stations, delivered through Internews, continued to improve the technical quality, objectivity and frequency of news programming. This assistance helped to increase the availability and access to information. The average amount of time devoted to news each week by independent television stations across the country was 420 minutes. Equally importantly, the media played a significant role in providing publicity that led to the resolution of issues concerning Georgian citizens. For example, in December 1998, the Kvira program, which is produced by Internews and reaches 52% of the population, broadcast a story on homeless children in Tbilisi. The NGO “Child and Environment” used the story to secure funding for the operation of the Street Children’s Shelter from several international and private donors. In another instance, the widow of a military officer received her pension, which had not been paid for eight months, only after her story was broadcast on “Kvira.”

Internews, in cooperation with the National Democratic Institute (NDI) and the International Republican Institute (IRI), arranged televised roundtable discussions with an independent station before local council elections in Telavi, Kareli and Batumi. These discussions attracted so much interest that each program continued three times longer than scheduled. After the program was aired in Kareli, regional authorities seized the station’s files, ostensibly for audit purposes, and threatened the station director. Internews and NGOs provided legal assistance and the regional authorities subsequently stopped the harassment.

The Internews program also prepared several stories on violations in Sakenergo, the State Electricity Transmission and Dispatch Company. The investigation prompted the Tbilisi City Council to hold hearings. By exposing these improper acts, the media generated popular indignation that focused attention on Sakenergo officials, making the process of energy distribution more transparent.

IR 2.1.2 Increased public confidence in citizens’ ability to effect change: Georgian NGOs continued to play a crucial role in demanding reforms and exposing corruption, with USAID assistance provided through ISAR’s sub-grantee Horizonti and the Eurasia Foundation. In addition, the International Society for Fair Elections and Democracy (ISFED), a sub-grantee of the National Democratic Institute (NDI), supported Citizens’ Advisory Councils (CACs) in 18 cities in Georgia. These CACs organize town hall meetings between local authorities, community-based organizations and citizens, to address such issues as land distribution/privatization, pensions, salary and social allowance payments.

During 1998, several CACs resolved issues that concerned citizens. For example, in the Saburtalo district of Tbilisi the CAC managed to stop illegal construction of buildings in the parks. In Kutaisi, the CAC helped the drivers of mini-buses to organize and bring their concerns to the attention of the municipality. As a result, town authorities reviewed and changed the limitations and fees imposed on the drivers. In the Samgori district of Tbilisi, the CAC discovered that the post office was paying pensions on the basis of favoritism. Some pensioners were not paid at all for nine months, while others were receiving payments on a monthly basis. The CAC organized a number of meetings with the local government and as a result, the pensions distribution list was posted, ensuring a relatively fairer distribution of pensions.

IR 2.1.4 Increased public confidence in political processes: A USIA opinion survey on the percentage of citizens agreeing that elections provide them some “say” (or influence) on how the government runs things fell from 53% in 1996 to 36% in 1998. Similarly, the 39% of citizens who believe that Georgia is a democratic country remained virtually unchanged three years later. It should be emphasized that in the same survey, 89% of respondents reported that the economic situation in Georgia was bad, and this difficult economic situation most likely influenced the responses. According to the survey, Georgians believe that democracy should include not only political freedom, but also social safeguards and benefits. The economic hardship encountered by many citizens confirmed the absence of such safeguards and, accordingly, reduced their confidence in political processes. In fact, many citizens directly blame democracy for the dramatic fall in living standards. Although in the longer term, the consolidation of public support for, and confidence, in democratic processes is necessary to ensure broader citizens’ participation, the ability to affect broader public attitudes is well beyond the scope of USAID’s democracy and governance assistance. To address these problems in Georgia, other SOs target different areas and sectors such as SME development, banking reform, and social stabilization through community development.

These indicators are useful in presenting the context in which the Mission operates. However, they do not directly reflect – and to a certain extent obscure – the impact of USAID’s programming in the democracy and governance sector. In the new Strategic Plan, USAID has proposed new indicators.

Possible Adjustments to Plans: USAID has submitted a new Strategic Plan for Georgia in which SO 2.1 will be merged with SO 2.3. Assistance will continue for NGOs, political party strengthening, and the media, but it will be targeted at the local and regional development of these subsectors. Parliamentary development and human rights will be addressed under SO 2.2 rule of law activities.

Other Donor Programs: In 1998 USAID initiated a series of donor meetings in the period leading up to the local council elections. Participants included the United Nations Development Program (UNDP), European Union (EU), Organization for Security and Cooperation in Europe (OSCE), the British Government, the German government, and others that fund and/or implement democracy assistance programs. This coordination mechanism was extremely successful, not only in avoiding duplicative investments, but in adding value to USAID-funded election-related programs through cooperation.

Principal Contractors, Grantees, or Agencies: USAID-sponsored activities are implemented by the National Democratic Institute, the International Republican Institute, the International Foundation for Electoral Systems, Internews, the United Nations High Commission for Human Rights, Eurasia Foundation, Initiative for Social Action and Renewal, Horizonti, the National Academy for Public Administration, and with training under the Academy for Educational Development

Performance Data Tables SO 2.1

STRATEGIC OBJECTIVE: 2.1 Increased, Better Informed Citizens' Participation in Political and Economic Decision-making			
APPROVED: N/A COUNTRY/ORGANIZATION: USAID/ Caucasus			
INTERMEDIATE RESULT: SO 2.1 Increased, Better Informed Citizens' Participation in Political and Economic Decision-making			
INDICATOR: NGO Sustainability			
UNIT OF MEASURE: NGO Sustainability Index			
SOURCE: Panel of NGO Experts			
INDICATOR DESCRIPTION: Five aspects of NGO sustainability are analyzed including the legal environment, organizational capacity, financial viability, advocacy and public image. NGOs are rated on a scale of 1-7 with 1 representing the most favorable conditions and highest level of development of NGOs. Based on those ratings, the level of NGO development falls into three stages, with Stage 3 being the most advanced.			
COMMENTS: There are three stages of NGO development. NGO development in Georgia is currently falls on the border between "Stage 2" and "Stage 3."			
	YEAR	PLANNED	ACTUAL
	1997 (B)	N/A	3.2 (stage 2)
	1998	N/A	3.0 (Bordering Stage 2 and Stage 3)
	1999	2-2.5 (Stage 3)	

STRATEGIC OBJECTIVE: 2.1 Increased, Better Informed Citizens' Participation in Political and Economic Decision-making			
APPROVED: N/A			
COUNTRY/ORGANIZATION: Georgia/USAID/Caucasus			
INTERMEDIATE RESULT: 2.1.1 Improved availability of and access to information			
INDICATOR: Average number of minutes dedicated to news by selected independent TV stations each week			
UNIT OF MEASURE: Number of minutes SOURCE: Internews reports INDICATOR DESCRIPTION: Number of minutes devoted to news program by 9 targeted independent TV stations. COMMENTS: The TV stations that were monitored changed to include towns in every region of Georgia. The stations are: 25 Arkhi (Batumi); Guria (Ozurgeti), Odishi (Zugdidi); Kutaisi (Kutaisi); Zari (Samtredia); Lomisi (Akhalsikhe); Trialeti (Kareli); MW (Bolnisi); Tanamgzauri (Telavi), correspondingly. The number of stations has increased from eight (8) to nine (9).	YEAR	PLANNED	ACTUAL
	1998 (B)		420
	1999	580	
	2000	660	

STRATEGIC OBJECTIVE: 2.1 Increased, Better Informed Citizens' Participation in Political and Economic Decision-making			
APPROVED: N/A			
COUNTRY/ORGANIZATION: USAID/Caucasus			
INTERMEDIATE RESULT: IR 2.1.4 Sustained public confidence in the political process			
INDICATOR: Citizens' perceptions that they live in a democratic society			
UNIT OF MEASURE: Percentage of citizens SOURCE: USIA Opinion Poll INDICATOR DESCRIPTION: Percent of adults surveyed who answer "yes" or "mainly yes" to the following question: "Do you think Georgia is a democratic country?" COMMENTS: Responses to this question were very much influenced by the current economic situation in Georgia. 89.2% of respondents think that the economic situation in Georgia is bad. According to the same survey, people think that democracy should provide not only political freedom, but also social safeguards and benefits to the population. The absence of such safeguards has led to a lower percentage of Georgians considering that they live in a democracy.	YEAR	PLANNED	ACTUAL
	1996 (B)		38%
	1997	N/A	N/A
	1998	43%	32.4%
	1999	35%	

STRATEGIC OBJECTIVE: 2.1 Increased, Better Informed Citizens' Participation in Political and Economic Decision-making				
APPROVED: N/A				
COUNTRY/ORGANIZATION: USAID/Caucasus				
INTERMEDIATE RESULT: 2.1.4 Increased public confidence in the political process				
INDICATOR: Citizen empowerment				
UNIT OF MEASURE: Percentage of citizens		YEAR	PLANNED	ACTUAL
SOURCE: USIA opinion polls				
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."		1993 (B)		35%
COMMENTS: The 1993 figure is from the first USIA-commissioned survey in Georgia. The 1996 figure is based on a USIA poll of 1,020 adults conducted from December 18, 1996. Results are representative of the population, except for Abkhazia and those parts of South Ossetia not controlled by the Georgian government.		1996		53%
1998 data comes from a USIA survey undertaken in the summer of 1998 of a representative sample of 1003 adult Georgians. This figure mirrors the actual participation rate in the 1998 local council election in the capital city of Tbilisi where 27% of the population lives.		1997	NA	NA
		1998		36.2%
		1999		

Strategic Objective 2.2: Legal Systems that Better Support Democratic and Market Reforms

SO Summary: SO 2.2 seeks to assist Georgian institutions and actors, both public and private, to lay the groundwork for a law-based system. Georgia is fairly far along in the development of a legal framework that supports democratic and market reforms. The Georgian Parliament supports the reform process, as demonstrated by the adoption of key laws. Furthermore, the Council of Justice, with reform-minded representatives from the executive, legislative, and judicial branches of government, has spearheaded reform of the judiciary. This has created targets of opportunity for USAID and its partners provide technical assistance, training and equipment to the Georgian Parliament, the executive branch, the judiciary, and NGOs.

Key Results: SO 2.2 is monitored through progress in the following IRs: 2.2.1 Increased Citizen Respect for Legal Systems and 2.2.2 Increased Capacity and Independence of the Judicial Branch.

Performance and Prospects: Overall, the SO has exceeded expectations. The most significant achievement has been the merit selection process for judicial candidates to help establish a competent, independent, and honest judiciary. With USAID support, Georgia conducted four qualification exams for judicial candidates in FY 98. To date 32 new judges have been appointed. Moreover, the Council of Justice is vetting additional candidates that have passed the judicial qualification exams, and the President will make appointments by May 15, 1999. USAID expects that by the end of 1999, 50 percent of the judiciary will consist of judges who passed the exam, which will be in line with the projected percentage. After 1999, the rate of appointment of new judges will start to decline.

USAID and its partners will track closely a recent amendment to the Law on Common Courts, which provides for lay judges. The amendment would undermine the good work that has been accomplished to date with the judiciary by putting unqualified judges on the bench. This issue has been discussed with Georgian legal reformers and the other donors, and the Georgians are now working to correct this amendment.

Parliament has put in place much of the legal framework for reforms, thus the legislative agenda will not be as active in the next few years. A few critical pieces of legislation still are needed and a limited window of opportunity exists for legislative action prior to the parliamentary recess in June 1999. In light of the fall 1999 parliamentary elections, the legislative agenda may not receive sufficient attention when Parliament returns in September.

The USG and GOG recently launched a Five-Point Plan in the spring of 1999, which targets critical reform needs in the areas of financial situation improvement, small and medium enterprises, land titling, privatization, and anti-corruption. The anti-corruption component of the plan fast-tracks for passage several important laws, including the Administrative Code, the Licensing Law, the Law on Enforcement of Judgements, and the Judicial Disciplinary Law. The Five-Point Plan will help ensure that Parliament addresses the above-referenced laws before it recesses for the summer.

IR 2.2.1 Increased Citizen Respect for Legal Systems: Judicial reform is widely viewed as the most successful of the reform initiatives in Georgia, helping to increase citizen respect for the legal systems. For example, when the Constitutional Court issued a decision permitting sitting judges to complete their term without taking the judicial qualification exam, there was a mass outcry among the public and in the press criticizing this decision. In recognition of the defects in the law as originally enacted, Parliament amended the law to provide for the removal of judges who had not passed the judicial qualification exam.

In addition to the above example, Parliament maintained an active legislative agenda and passed 58 laws in 1998. The decisions taken by Parliament represented good progress toward the replacement of discredited Soviet-era laws. Twelve laws deemed by USAID as necessary for Georgia's transition to a market-oriented democracy were adopted. Specifically, these included the Law on Local Self-government, the Local Election Law, the Petroleum Law, the Securities Law, Law on Declaration of Private Ownership of Non-agricultural Land in Use of Physical and Private Legal Person, Law on Advertising, Lobbying Law, Copyright Law, the Customs Code, the Customs Tax Code, the International Arbitration Act, and amendments to the Criminal Procedure Code.

USAID funded a management information system for the Parliament. The system has a comprehensive public law data base with modern search capability. In addition, a local area network (LAN) covers almost half of the computers in Parliament.

IR 2.2.2 Increased Capacity and Independence of the Judicial Branch: The percent of judicial appointments by objective merit-based criteria exceeded projected results. Prior to the first judicial qualification examination in May 1998, it was not possible to project the percent or number of sitting judges who would pass the exam in 1998. Twenty-two sitting judges and 10 attorneys passed the first exam and were appointed to the bench. Of these 32 judges, 16 are women. The newly appointed judges constitute approximately 10 percent of the judiciary. Since the appointment of these 32 judges, the Council of Justice has held 3 subsequent exams and 247 candidates have passed these exams. With each subsequent exam, the degree of technical assistance has lessened and the capacity of the Council of Justice to administer the exams has increased.

A judicial skills training course was held for the newly appointed judges in October 1998. The 10 best and brightest of these judges were identified and sent for further training in the US. The judges attended the National Judicial College and received training in adult education methods. They will serve as the nucleus of trainers at the Georgian Judicial Training Center.

Possible Adjustments to Plan: The new Strategic Plan entails both supply- and demand-side approaches. The rule of law approach to date has focused primarily on the supply-side by working with government reformers. This approach will continue at a slower pace, to meet a still existing need and to maintain influence and consolidate investments made at the national level. However, demand-side activities will increase as private sector capacity grows. Demand-side activities will include support for legal advocacy NGOs and a court monitoring program. To ensure that the public benefits directly from reform laws, the Strategic Plan also targets regions

outside of Tbilisi. By working on the demand-side, the Strategic Plan will facilitate more effective implementation of the laws.

Other Donor Programs: In addition to USAID, the primary donors supporting rule of law activities are the World Bank, the European Union (EU), Soros, GtZ, the United Nations Development Program (UNDP), and the Council of Europe. The World Bank has the lead donor role in providing assistance for court administration. The EU, Soros and the World Bank have extensive judicial training programs. Soros also plans to establish a master of laws program. UNDP provides assistance to the Ombudsman (an organization similar to a public defender), Parliament's anti-corruption committee, and the Constitutional Court's public outreach program. The Council of Europe and Soros will provide assistance for the transfer of the penal system from the Ministry of Interior to the Ministry of Justice. The EU and UNDP have a variety of gender-based legal activities.

Major Contractors and Grantees: USAID's partners are the American Bar Association's (ABA) Central and Eastern European Law Initiative (CEELI) and AMEX International, Inc. Through the ABA, USAID provides grant support to the Georgia Young Lawyers Association (GYLA), the largest and most progressive private bar association in Georgia, to increase legal professionalism. Article 42, a legal advocacy NGO, receives USAID/ABA support to operate a legal clinic that provides practical experience to law students. AMEX also works with the GYLA on publicity campaigns for new laws and continuing legal education seminars. The Eurasia Foundation awards small grants, and ROL constitutes one of its 8 mandated areas.

Performance Data Tables SO 2.2

<p>Strategic Objective 2.2: Legal systems that Better Support Democratic Processes and Market Reforms APPROVED: Yes COUNTRY/ORGANIZATION: Georgia/USAID/Caucasus</p>				
<p>RESULT NAME: SO 2.2 Legal systems that better support democratic processes and market reforms</p>				
<p>INDICATOR: Selected laws enacted</p>				
<p>UNIT OF MEASURE: Number</p> <p>SOURCE: USAID/C, ABA/CEELI, AMEX, Parliament</p> <p>INDICATOR DESCRIPTION: The selected laws have been identified as key to advancing the Georgian legal reform agenda in terms of civil and economic rights.</p> <p>COMMENTS: The Constitution, adopted in 1995, set a deadline for passage of several laws, which was met in November 1997. USAID provided support for 10 of the 69 laws passed in 1997. USAID support across various strategic objectives was instrumental in the development of 13 laws pending before Parliament in 1998: Law on Preliminary Investigation; Law on Advertising; Law on Privatization of State-owned and Non-agricultural Land; Securities Law; Law on Mass Media; Freedom of Information Act; Law on the Bar; Local Election Law, Local Government, Law on Operative-investigation Methods; Criminal Code; Copyright Law; Law on Lobbying Activity; and Petroleum Law. Half of these laws passed, as did several other important laws for a total of 11 laws. Furthermore, USAID has provided support for the following draft laws: the Administrative Code, Local Budget Law, Enforcement of Judgements, Judicial Disciplinary Law, Licensing Law, and Criminal Code.</p> <p>This indicator will be replaced next year by more appropriate indicators proposed in the new Strategic Plan.</p>				
		YEAR	PLANNED	ACTUAL
		1995(B)	N/A	26
		1996	N/A	55
		1997	N/A	69
	1998	13	11	

Strategic Objective 2.2: Legal Systems that Better Support Democratic Processes and Market Reforms

APPROVED: Yes

COUNTRY/ORGANIZATION: Georgia/USAID/Caucasus

RESULT NAME: IR 2.2.2 Increased capacity and independence of the judicial branch

INDICATOR: Percent of judicial appointments in accord with objective merit-based criteria

UNIT OF MEASURE: Percent

SOURCE: Georgian Council of Justice

INDICATOR DESCRIPTION: Proportion of judicial appointments based on the judicial qualification exam in relation to the total number of judges.

COMMENTS: This indicator description has been modified to more accurately describe the indicator and reflect meaningful progress. When the indicator was described before the first exam, USAID could not predict what proportion of sitting judges would pass the exam in 1998. At that time, the timing of judicial vacancies was uncertain since the current judges would have more than one chance to take the examination, if they were unsuccessful in passing it initially. During 1998, 32 judicial candidates were appointed to the bench after passing the exam. By May 15, 1999, the President will make additional judicial appointments drawing from the 247 candidates that have passed the last 3 exams. The 247 candidates does not include the 32 judges that have already been appointed.

YEAR	PLANNED	ACTUAL
1996(B)		0%
1998	10%	10%
1999	50%	TBD after May 15, 1999
New Strategy		

SO 2.3 More effective, responsive and accountable local government

SO Summary: The Government of Georgia (GOG) has determined that it is critical for the development of the nation as a whole, particularly in light of conditionalities for its 1999 accession to the Council of Europe, to move forward in establishing a legal framework for strengthened local government. Decentralization is also key to USAID's efforts to foster democracy and economic development in Georgia. It will place political and economic decision-making where it is most appropriate, effective and responsive to citizens' needs and priorities for services. Devolution should lessen the burden on the national government, increase citizen oversight and local government accountability, and provide expanded business opportunities that capitalize on each region's unique resources.

Key Results: USAID-funded activities focus on three intermediate results: IR 2.3.1 Increased citizen participation in local government; IR 2.3.2 Free and fair local government elections held; and establishing the legal framework and training for new officials, thus laying the groundwork for 2.3.3 Increased local government capacity to address citizens' needs. The latter was an integrated multi-agency effort, involving USAID, USIS and U.S. Treasury.

Performance and Prospects: Progress toward the achievement of this SO exceeded expectations. A year ago it was not certain that local council elections would take place, but in November 1998, following a two-year delay, they were held. The significance of these elections cannot be overstated. They took place less than one month after a military uprising, which could have been used by the government as an excuse to postpone the elections yet again. Moreover, the government funded these elections despite financial difficulties, again confirming the GOG's resolve to move forward. As cited in a December 1998 Council of Europe report, the delegation of the Congress of Local and Regional Authorities of Europe (CLRAE) saw these elections as confirmation that Georgia "has made significant progress in the way of joining the family of European nations."

IR 2.3.1 Increased citizen participation in local government: Activities under this IR are closely linked with those under SO 2.1. Citizens Advisory Committees (CACs), established by NDI and the International Society for Fair Elections and Democracy (ISFED) in 18 cities in Georgia, organized regular town hall meetings between local authorities, other community-based organizations and citizens. Political parties, assisted by IRI and NDI, began to focus on strengthening regional chapters and addressing local issues. In addition, Internews worked with independent television stations to improve news coverage in nine cities throughout Georgia. This assistance has created a foundation for expanded efforts to support citizen participation at the local level in the new Strategic Plan for Georgia.

IR 2.3.2 Free and fair local elections held: USAID provided comprehensive assistance that helped the GOG implement local government elections. Legal assistance from the International Foundation for Electoral Systems (IFES), funded by USAID, helped the Parliament and the Central Electoral Commission revise and redraft legislation to create the legal foundation for local elections. The Georgian Parliament enacted the election law in June 1998, paving the way for local elections in November.

IFES also provided assistance to the Central Election Commission to ensure the successful implementation of this legislation. Four months before the local elections, 20 participants from the Central Electoral Commission, district Electoral Commissions, local NGO observers and political party members traveled to the United States as part of a program funded under the Academy for Educational Development (AED), and organized by IFES. IFES not only provided in-country training prior to their departure, but also worked closely with participants upon their return to implement the action plans they had developed and to maximize the use of their new knowledge.

Participants in this program received training in all aspects of the electoral process ranging from planning an election to election administration and implementation. Participants also had the opportunity to observe a local election in the U.S first-hand and to attend the annual International Association of Clerks, Records, Election Officials, and Treasurers Conference, where they met and worked with top election officials from around the world. Representatives of political parties accompanied American candidates, observing their relations and direct communication with voters. Soon after his return to Georgia, one of these representatives became the organizational manager of the pre-election campaign for his party as well as a candidate in the elections. During his campaign, he went from door to door (a first in Georgia) to talk with voters, using the training he received.

IR 2.3.3 Increased local government capacity to address citizens' needs: In FY 98, all USAID/DG funds for local government initiatives were eliminated and reprogrammed for a major border guard program. Therefore, DG worked with USIS, Treasury and USAID-funded grantees to develop a comprehensive program to address urgent needs until FY 99 funding could be secured. Working with U.S. Treasury, USAID provided assistance in drafting legislation on local budgets, local audits, municipal finance, and an inter-governmental transfer formula. At USAID's request, USIS designed a Community Connections program for 40 local council members to participate in internships with U.S. counterparts, to be followed by a Eurasia Foundation grants program for local initiatives. USAID will continue to hold a training events, in collaboration with AED and Treasury.

Although USAID consultations with local council members and parliamentarians have identified reform of existing legislation and enactment of new laws concerning the local budget and finance as a top priority, adoption of such legislation requires a new national budget law. Such action is not anticipated in the near-term, so the Democracy and Governance Team has been coordinating efforts with the Economic Reconstruction Team and Treasury partners to ensure that at a minimum the government sets up a coordinating committee with all the relevant actors to ensure that the local governments do not experience devolution without authority or funds.

In the longer-term, USAID/Caucasus anticipates that support to local governments will energize the councils to become effective counterweights to the appointed authorities who have governed the majority of the country for many years with little accountability to citizens in their respective districts. The power of the purse should make a significant difference in the political and economic environment, empower local communities and provide average citizens with the means to identify and resolve their problems, while holding the government to account for its management of public resources.

As USAID/Caucasus prepares to design and implement a full-scale local government program, the potential impact of training events for the newly elected local, municipal and district-level council members is becoming apparent. For example, an initial conference, held in early 1999, provided the chairman and opposition leader of each of the 65 district councils with training, a compendium of relevant laws and reference materials, and a procedures manual covering local council functions and responsibilities, budget and tax planning, relations with the executive branch and Parliament, oversight and constituent relations. Following the conference, village level councils drafted their own charters, drawing from the materials from the conference. The adoption of these charters led to the election of a chairperson to act as mayor.

Possible Adjustments to Plan: The new USAID/Caucasus Strategic Plan for Georgia outlines its vision for support to local government development. This Strategic Plan envisages expanded support to civil society and media development at the local level, efforts to increase the capacity of local officials to plan and manage resources efficiently, and improvement of services through partnerships between local government, business and community organizations. In implementing this Strategic Plan, USAID/Caucasus will work through Georgian institutions and will provide support to municipal associations to ensure the development of Georgian institutions that support local government.

Other Donor Programs: USAID coordinates its efforts with World Bank municipal development activities and with the European Union, which plans to develop a local government project in the near future.

Major Contractors and Grantees: IFES, NDI, and IRI provided comprehensive technical assistance for the local government elections, and Eurasia Foundation awarded election-related grants. In close collaboration with these partners, Internews developed a special election program that included three call-in TV shows with political party candidates, a documentary on the elections and a national press center on election day.

In the area of local government strengthening, with USAID funding, the AED designed and conducted the first training event in a year-long series. Treasury both provided technical assistance and training on proposed local budget legislation. USIS developed the Community Connections program for newly elected local officials.

Performance Data Tables SO 2.3

<p>Strategic Objective 2.3: More Effective Local Government in Selected Municipalities APPROVED: NA COUNTRY/ORGANIZATION: USAID/Caucasus</p>			
<p>RESULT NAME: SO 2.3 More effective local government in selected municipalities</p>			
<p>INDICATOR: Local government elections held</p>			
<p>UNIT OF MEASURE: yes/no SOURCE: USAID/Caucasus INDICATOR DESCRIPTION: Elections for local government are held in Georgia, excluding Abkhazia and South Ossetia. COMMENTS:</p>	YEAR	PLANNED	ACTUAL
	1996(B)	N/A	no
	1997	yes	no
	1998(T)	yes	yes

Strategic Objective 3.1: Reduced Human Suffering in Georgia

SO Summary: Shortly after achieving independence in 1991, Georgia found itself immersed in civil and ethnic conflict. The international community reacted by pouring massive amounts of humanitarian assistance into Georgia. This timely and coordinated response kept Georgia from the brink of starvation. It also gave the forces of reform a chance to fight back the growing chaos and to reestablish control over the country. Until 1998, the economy was showing sustained growth and a dynamic parliament was proving to be an independent source of support for continued reforms. Internally displaced people (IDPs) were beginning to move back to districts of Abkhazia and South Ossetia and a peace settlement, which would allow all to return home, seemed within grasp. The rapidity with which these hopes were dashed showed how fragile this initial progress had been. In May 1998, the Abkhaz militia forced the ethnic Georgians returning to the Gali district of Abkhazia once again to flee from their homes.

The current economic crisis has intensified the suffering of those groups least able to help themselves. Job creation and real income growth have not been realized as the benefits of economic reform are only beginning to trickle down. Extreme economic stress at the household level still prevents access to minimum standards of living, and further alienates the public from the reform process. USAID's efforts to reduce human suffering focus on relief and transitional programs. Relief programs provide food, shelter, and health interventions, while transitional programs seek to enable vulnerable people to help themselves. A key consideration is to promote stability by reducing human suffering.

Key Results: Three intermediate results contribute to this SO: IR 3.1.1 More effective domestic safety net institutions; IR 3.1.2 Urgent basic human needs met for vulnerable groups through interventions; and IR 3.1.3 Vulnerable households meet their own basic needs.

Performance and Prospects: In FY 98 SO 3.1 did not meet expectations. Shortly after last year's R4 was written, hostilities erupted in the Gali district of the breakaway region of Abkhazia, forcing nearly 40,000 people to flee their homes. The response of the international community was quick and well-coordinated. The crisis, however, prevented the implementation of existing and planned programs in Abkhazia. Additionally, staff resources spent in responding to the crisis delayed the start-up of new transitional activities.

A recent World Bank assessment has determined that 57% of Georgians lived above the official poverty line at the end of 1997. There is anecdotal evidence to suggest that this represented an increase from past years, showing the effects of a generally improving economy and the success of relief programs in addressing the most pressing needs of vulnerable groups. Although data for 1998 are not yet available, there are indications that a combination of the Gali crisis and the worsening economy of Georgia prevented any gains from being made.

USAID played a leading role in the response to the Gali Crisis of May 1998. Extensive donor coordination resulted in ECHO responding to urgent food and water/sanitation needs, while USAID responded primarily to shelter and emergency commodity needs. As a result, minimally acceptable shelter was found for the nearly 40,000 new IDPs, and their immediate needs were met. Many of these people were initially housed in schools. Once new shelter was made

available, these schools were renovated and returned to their primary use, significantly reducing tensions between the displaced and the resident communities.

After the Gali crisis, two cooperative agreements with the Adventist Development and Relief Agency (ADRA) were placed on hold due to the security situation in Abkhazia. These projects were to have provided primary health care and training, as well as opportunities for income generation for vulnerable people in Abkhazia. In addition, a competitive process for a larger rehabilitation program was first modified and then halted due to the rapidly changing security and political situation in Abkhazia.

IR 3.1.1 More effective domestic safety net institutions: An initial step forward toward achieving this IR began at the end of 1998 with the start-up of the Georgian Winter Heating Assistance Project (GWHAP). During FY 98, the groundwork was bid for creating a database of vulnerable people in Tbilisi, a first step toward the establishment of a national database. An important use of this database will be eventually to assess poverty levels throughout Georgia.

IR 3.1.2 Urgent basic human needs met for vulnerable groups through interventions: USAID provided funding to several international organizations and PVOs to ensure that the basic needs of vulnerable groups were met. The International Federation of the Red Cross (IFRC) completed its IDP shelter program. Thirteen shelters were rehabilitated, benefiting 5,212 IDPs (exceeding the grant target by 512). In response to the Gali Crisis of May, 1998, the United Nations High Commission for Refugees (UNHCR) rehabilitated 47 emergency shelters, providing minimally acceptable shelter to over 5,500 people. The renovation of 589 school rooms enabled over 9,000 pupils to continue their studies. The UNHCR also distributed emergency supplies such as medicines, blankets, stoves, and plastic sheeting to approximately 20,000 people.

During this reporting period, the World Food Programme (WFP) provided supplemental rations to 93,000 IDPs in eastern and western Georgia. One significant accomplishment was that the Government of Georgia provided 1,124 MT of the wheat flour for this program in partial payback (approximately one-third of the total owed) for the USAID-supplied wheat which was diverted from its intended recipients in 1994 (the remaining two-thirds was repaid in March, 1999). In addition, the WFP Food for Work projects benefited over 64,000 members of vulnerable households.

With funding from USAID, the United Nations International Children's Fund (UNICEF) conducted a mass immunization campaign for measles. By the end of the campaign, results monitoring showed that 90-95% coverage of children aged 15 months to 5 years had been achieved (the goal was 91% coverage). Finally, the two youth houses in Sukhumi and Tbilisi operated by the United Methodist Committee on Relief (UMCOR) provided quality social services to over 2,200 youth (800 over the target).

IR 3.1.3 Vulnerable households meet their own basic needs: Activities under this IR were implemented exclusively under the Save the Children Federation (SCF) umbrella cooperative agreement. This agreement ended operations in Georgia on June 30, 1998. From 1993-1998, SCF awarded 24 subgrants to US NGOs and 18 subgrants to local NGOs, benefiting over a

million people, creating over 22,000 short- and long-term jobs, and increasing the institutional capacity of 49 institutions. The subgrantees provided services ranging from distribution of relief commodities and rehabilitation of IDP shelters, to assistance in micro-business development, civic action programs, NGO development and agricultural initiatives. The majority of beneficiaries of these initiatives were internally displaced persons, single mothers, handicapped and disabled persons, widows, the elderly and/or veterans of war. Program operations took place country-wide, including urban and rural areas, as well as mountainous isolated regions of Upper and Lower Svanetia, South Georgia, west Georgia with high concentration of IDPs, Tbilisi and east/middle Georgia.

Under this IR, credit programs started with USAID funding and run by World Vision and ACDI/VOCA, still are functioning and providing loans to small businesses. The Gali crisis delayed implementation of a planned community development initiative, now scheduled for the summer of 1999.

Possible Adjustments to Plan: The lessons of the Gali crisis and the economic downturn have been considered by USAID/Caucasus in the development of its Strategic Plan. One lesson is that the considerable potential for instability within Georgia necessitates the maintenance of a capability to respond to crises. To aid in social stability and reduce human suffering, some assistance to the most vulnerable in society likely will continue. Another lesson is although the benefits of economic reform have yet to be felt by many Georgians, vulnerable communities and individuals are willing and able to take greater responsibility if given access to minimal resources. Therefore USAID/Caucasus plans a community development initiative to mobilize communities to identify their own needs. An important component of this activity will be the integration of health into the results framework to enable health funding to contribute to the overall Mission strategy.

Other Donor Programs: The World Bank, IMF, and EBRD have been working on the macro environment in areas such as economic restructuring, the policy and institutional reform needs of the social safety net, health reform and education. The UN and EU, with a number of other bilateral donors (such as USAID, Germany, Great Britain, the Netherlands and Italy), have worked on various aspects of local community development. Coordination with other donors is particularly important in areas of conflict where USAID is prohibited from working. Within the USG, the Department of State provides commodity transport and support to international organizations. The US Department of Defense contributes excess medical equipment and other humanitarian commodities. USDA provides food to International Orthodox Christian Charities (IOCC) for direct distribution, concessional wheat sales to GOG, and agricultural commodities for monetization to some US PVOs.

Major Contractors and Grantees: UNHCR, IFRC, UNICEF, WFP, ADRA, and UMCOR.

Performance Data Tables SO 3.1

STRATEGIC OBJECTIVE: 3.1 Reduced Human Suffering APPROVED: N/A COUNTRY/ORGANIZATION: USAID/Caucasus			
INTERMEDIATE RESULT: 3.1.2 Urgent Basic Human Needs Met for Vulnerable Groups Through Interventions			
INDICATOR: Number of beneficiaries assisted during crises			
UNIT OF MEASURE: Number of beneficiaries SOURCE: Implementers' reports INDICATOR DESCRIPTION: COMMENTS: For FY 99 not striving for larger numbers, but appropriate numbers for crises.	YEAR	PLANNED	ACTUAL
	1997 (B)		IFRC 110,000 <u>SCF</u> 193,386 303,386
	1998		IFRC 5,212 WFP 159,000 <u>UNHCR</u> 5,500 167,712
	1999	IFRC 10,500 WFP 59,000 <u>GWHAP</u> 138,000 207,500	

STRATEGIC OBJECTIVE: 3.1 Reduced Human Suffering APPROVED: N/A COUNTRY/ORGANIZATION: USAID/Caucasus			
INDICATOR: Coverage of children by immunization			
UNIT OF MEASURE: Percent of children SOURCE: Ministry of Health INDICATOR DESCRIPTION: Percentage of children aged 15 months to 5 years immunized	YEAR	PLANNED	ACTUAL
	1997 (B)	90%	86,6%
	1998	91%	95%
	1999	905	

STRATEGIC OBJECTIVE: 3.1 Reduced Human Suffering			
APPROVED: N/A			
COUNTRY/ORGANIZATION: USAID/Caucasus			
INTERMEDIATE RESULT: 3.1.3 Vulnerable households meet their own basic needs			
INDICATOR: Increase in income and employment in USAID supported projects			
UNIT OF MEASURE: Number of households with increased incomes SOURCE: Implementers' reports INDICATOR DESCRIPTION: Number of households with increased incomes COMMENTS: For 1998 the figures are cumulative 1993-98. SCF CA closed out in 1998. The 1999 figures are for a year only. The FY 99 target has been calculated based on the following: IRC 10,200 IFRC 30,000 New <u>10,000</u> 50,200	YEAR	PLANNED	ACTUAL
	1997 (B)		22,740
	1998	10,000	over 26,000
	1999	50,200	

STRATEGIC OBJECTIVE: 3.1 Reduced Human Suffering in Targeted Communities			
APPROVED: N/A			
COUNTRY/ORGANIZATION: USAID/Caucasus			
INTERMEDIATE RESULT: 3.1.2 Urgent Basic Human Needs Met for Vulnerable Groups Through Interventions			
INDICATOR: Number of people above poverty line			
UNIT OF MEASURE: Percent of people SOURCE: World Bank Assessment INDICATOR DESCRIPTION: The poverty level is based on a World Bank Assessment of the minimum food basket and derived from the actual consumption patterns of the population. COMMENTS: There is a one year data lag for this indicator and data for 1997 is only just available. Next year, USAID will report data for 1998 and will consider the target met if the percent of people living above the poverty line does not fall. In the future, USAID/Caucasus will develop specific targets for those communities where USAID is active to monitor the direct impact of USAID programming.	YEAR	PLANNED	ACTUAL
	1997 (B)		57%
	1998	57%	

SO 4.1 Special Initiatives

Health Partnerships. The American International Health Alliance (AIHA) has implemented a partnership that links the Ministry of Health of the Republic of Georgia, Tbilisi State Medical University, and City Hospital No. 2 in Tbilisi with Emory University School of Medicine, Georgia State University, and Grady Memorial Hospital in Atlanta. Partnership activities focused on health policy reform, health management development, medical education reform, nursing and professional development, maternal and child health, emergency medical services training, clinical practice and diagnostic capabilities, and medical library and information services.

In May 1998, the Deputy Director of the Tbilisi based *Republican Hospital* traveled to Atlanta for one month. While in Atlanta, he attended classes at the School of Medicine to observe teaching methodologies. In addition, he observed nursing practices at Grady Hospital to better understand the role of the nurse in a US hospital setting. Throughout his stay, the Deputy Director worked with faculty and nursing staff to develop a comprehensive curriculum for the nursing program for the Tbilisi State Medical University.

The health partnership also funded a trip by the Director of the School of Nursing at Georgia State University to Tbilisi in June 1998 to finalize plans for the opening of the School of Nursing at Tbilisi State University. The Director met with the Minister of health and faculty and administration from Tbilisi State University, toured the location for the School of Nursing, and formulated a plan for additional facilities in order to meet the needs of the curriculum. The School of Nursing opened in September 1998.

AIHA is developing new initiatives to create a Women's Wellness Center, and to support components of the Center for Disease Control and Prevention activity in Georgia.

Immunization. USAID has provided funding to a UNICEF emergency health project in Georgia. This program, which began in July 1997 and ended in December 1998, supported emergency delivery systems through the supply of essential drugs, vaccines, and syringes for the re-establishment of a routine primary vaccination protocol. It also provided training and support to basic vaccine distribution services and assistance with mass public mobilization campaigns. IN FY98, the measles mass immunization campaign conducted by UNICEF in Georgia with USAID funding achieved 90-95 percent coverage of children aged 15 months to 5 years.

SO 4.2 Cross-Cutting Issues

All of the strategic objectives described above benefited from training and small grants assistance.

Training. USAID supports a regional participant training program in the Caucasus through the Academy for Educational Development (AED). Participant training programs have been carried out in Georgia, the United States and third countries. In FY1998, these programs ranged from on-the-job training for the Ministry of Property Management to training in drafting legislation for staff from parliamentary committees to training in International Accounting Standards (IAS) for enterprise accountants and bankers. Other recipients of training included NGOs and journalists. Highlights from training activities in FY1998 include:

- Funding from USAID enabled the Caucasus Women's Leadership Conference to be held in September 1998. This conference furthered the process of collaboration between women NGOs in the Caucasus region and has since stimulated regional networking among groups involved in the same issues. A Georgian participant has since established the Women's Business Development Fund, which promotes training, consultations and international networking for female entrepreneurs across the region.
- In an effort to promote resolution of the Georgian-Abkhazian conflict, USAID sent Georgian and Abkhaz youths to summer camp in the United States to encourage team building, collaborative problem solving and conflict resolution. The program was successful in beginning to address behavioral and attitudinal problems of youths victimized by war and in teaching ways of coping with the youths' experiences and ongoing difficulties.

Small Grants Program. The Eurasia Foundation has provided financial support through grants to local organizations for programs promoting economic and democratic reform in Georgia. These grants supported business education and management training, business development, economics education and research, public administration, rule of law, NGO development, media and communications, and electronic communications. A few examples from 1998 include:

- The Eurasia Foundation awarded a grant to Former Political Prisoners for Human Rights to conduct seminars on human rights. As a result, a handbook on prisoner's rights was drafted.
- The Federation of Professional Accountants and Auditors also received a grant from the Eurasia Foundation. It used this funding to open three regional branches that provide services and training to accountants. These centers also provide assistance in enterprise conversion to International Accounting Standards (IAS), complimenting efforts under the Economic Restructuring strategic objectives.

Part III. Resource Request

1. Program Priorities and Budget

Effective implementation of the Georgia program is becoming hampered by the higher and higher levels of transfers to other agencies from the total country budget. In FY 97, the percentage of transfers was 26%. In FY 98, the percentage of transfers was 30% (a 15% increase over FY 97). In FY 99 the percentage is 34% (a 31% increase over FY 97). The percentage of transfers expected in FY 00 is 44% (a 69% increase over FY 97). The increases in transfers to other agencies have come at a time when the USAID program is being asked to do even more to address the critical economic and political problems of Georgia. The drain on resources available to USAID must stop if the program is to successfully assist the Government of Georgia to deliver services and provide opportunities to its constituents.

A first-ever Strategic Plan has been developed for Georgia and will be reviewed in June, 1999. The program plans and directions discussed below reflect the content of the proposed Strategic Plan.

Economic Restructuring (including Energy Sector Restructuring) will continue to utilize the largest share of program resources. Capital Market, Tax and Fiscal, Accounting Reform, and Targeted Privatization activities are expected to reach their targets and close out during this period. At the same time, the level of resources being devoted to local development concerns such as access to credit, training, and support services for SMEs will increase. Energy sector expenditures are expected to remain constant, while environmental support activities will increase.

Social Sector Reform will utilize the next largest amount of program resources. The Mission will maintain a capacity to respond to emergencies, but will focus primarily on reaching vulnerable populations in western and southern Georgia. These areas are among the poorest in the country and neither the central nor new local governments have the resources to meet their needs.

The Democratic Transition Program will focus on Rule of Law and local governance. The latter area is new and is deemed critical to the Mission's new emphasis on local development and bringing the benefits of macro-level reform to the average citizen.

2. Operating Request and Workforce Request

Senior management conducted a comprehensive review of the Mission's Operating Expense (OE) needs for Fiscal Years 1999, 2000 and 2001 to ensure that straight-lining staff ceilings and OE funds in the out-years did not adversely impact operations. In many ways, the Mission's regional functions still are operating in a start-up, catch-up mode, with substantial numbers of new and untrained staff. To further complicate matters, there have been a number of unanticipated changes in personnel in Fiscal Year 1999. We have a ceiling of 12 USDHs for all 3 budget years and we are projecting that 11 of the positions will be filled by the end of FY 99. The OE amounts shown in the budget tables are a result of this senior level review and reflect the

funding levels necessary to support authorized workforce levels in this high-cost area of the world

In Fiscal Year 1999, USAID/Caucasus has experienced a 50% turnover (4 of 8) in the USDHs who have been at post for a year or more. At the end of FY 1999, if the assignment process works as anticipated, the Mission will replace 3 of the 4 departing staff, plus will have 4 additional new staff members for supporting the Georgia program as well as carrying out regional responsibilities. This substantial turnover has led to numerous short-term TDYs and the contracting for short-term, experienced PSCs to help bridge the gap. Contributing to our high costs is the necessity of hiring off-shore TCNs to help in establishing operating systems and assist in training the Georgian staff. These costs are expected to continue throughout the budget period, but to taper toward the end.

ICASS is a large expense in all three budget years. The review of ICASS in FY 1999 ensured that correct counts were used and a proper split between OE and program funds was achieved. With the exception of dispatching our own cars, ADP installation/support, and procurement, the mission relies on the Embassy for all other services. This process of almost complete reliance upon ICASS is rooted in the NSDD-38 approval related to the initial staffing of the Tbilisi Office. We will continue to monitor ICASS costs for reasonableness and, if they become too high, we will explore all options to reduce them including becoming the service provider.

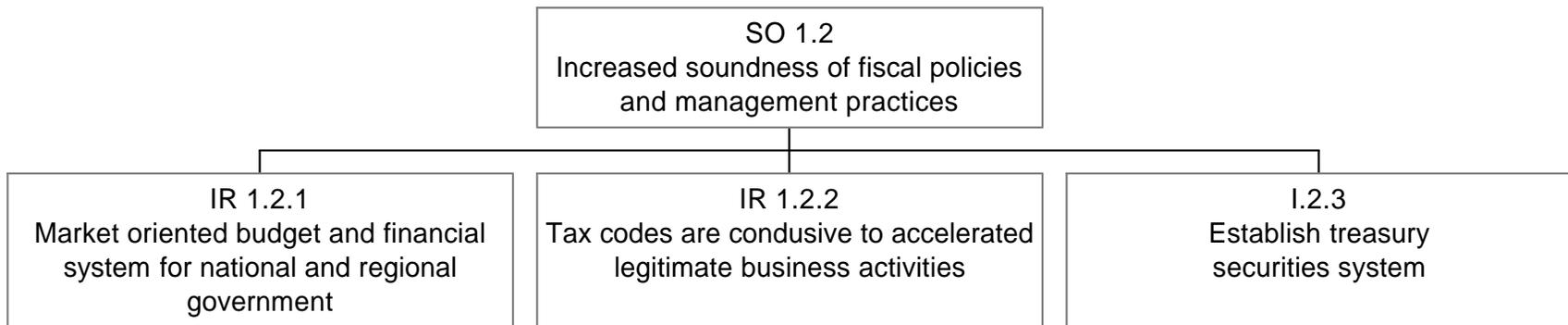
The Mission is keenly aware of the inherent vulnerabilities in implementing a program in the Caucasus region and believes that a knowledgeable, experienced USDH staff is one major element in our line of defense. Keeping the assignment process on track is vital to our achieving programmatic results. The Georgia Mission has significant regional responsibilities in providing contracting, legal, and accounting services to neighboring posts. In addition to audit and evaluation of our programs at the appropriate times, we also will recruit and train two financial analysts to help in ensuring that adequate internal control systems are in place in the partners helping to implement our program. Our current belief is that the staffing levels and OE funding levels at the target and request levels are adequate for our need to achieve operational efficiency, appropriate management controls and accountability, and high levels of program results.

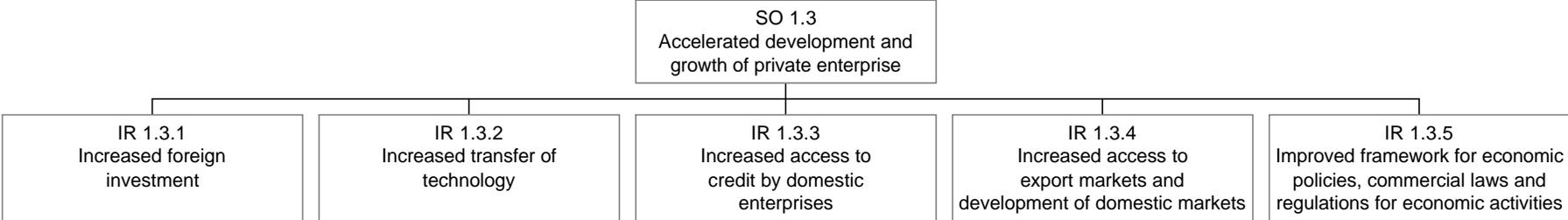
Annex 1 Environmental Compliance

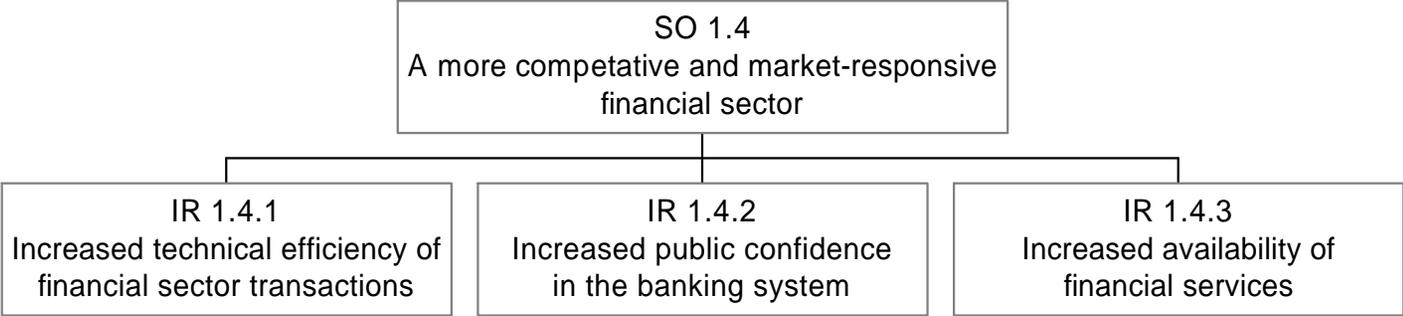
The only area where environmental compliance is an issue is the USAID/Caucasus Georgia Energy Assistance program for FY 1998-2000. This program is focused mainly on providing technical assistance to Georgian government ministries and government-owned enterprises in the oil, gas and electricity sectors. A small part of the Energy Program is an electricity meter relocation, billing and collections demonstration project in the City of Rustavi, an industrial center located 40 KM east of the capital, Tbilisi. This project includes the relocation of electricity meters, rehabilitation of electricity conduits and substations, provision of 24 hours per day of electricity, and billing and collections for electricity used in individual flats in large apartment buildings in Rustavi.

In accordance with USAID's environmental procedures, 22 C.F.R. 216, an environmental assessment has been completed for each phase of this meter relocation project to assure that implementation of the project is consistent with environmental risk-minimization requirements. The environmental compliance plan assures that the projects have contributed positively to the improvement of the local environment through displacement of polluting, supplemental fuel usage (kerosene, gasoline, wood burning) in individual apartments, and in eliminating public safety hazards which have existed previously. By providing more electricity per day, supplemental fuel usage is reduced to a minimum, thereby reducing production of highly polluting hazardous substances in the apartment buildings. This process has reduced the level of smoke and other emissions and thereby also reduces the risk of fires and toxic fuel spills. The demonstration project has had a beneficial effect on the environment of the City of Rustavi.

Current Results Frameworks



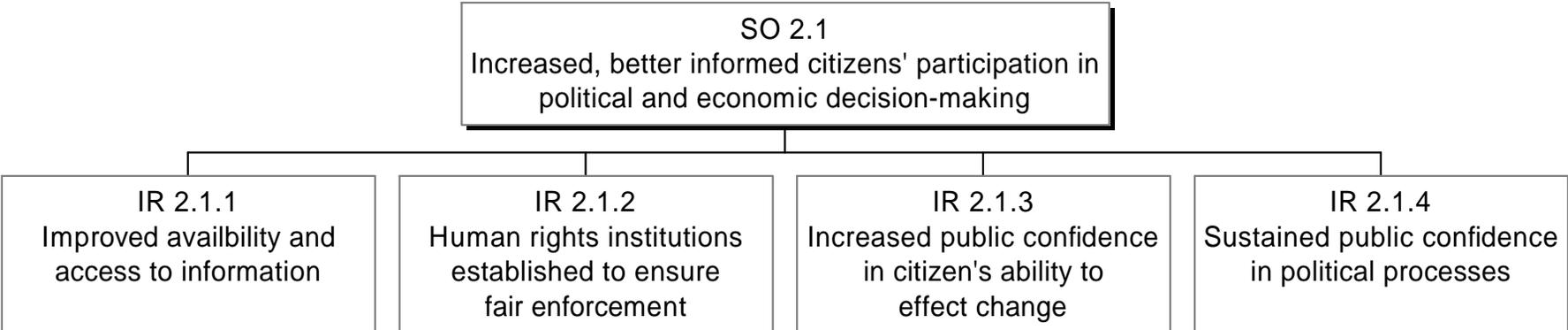


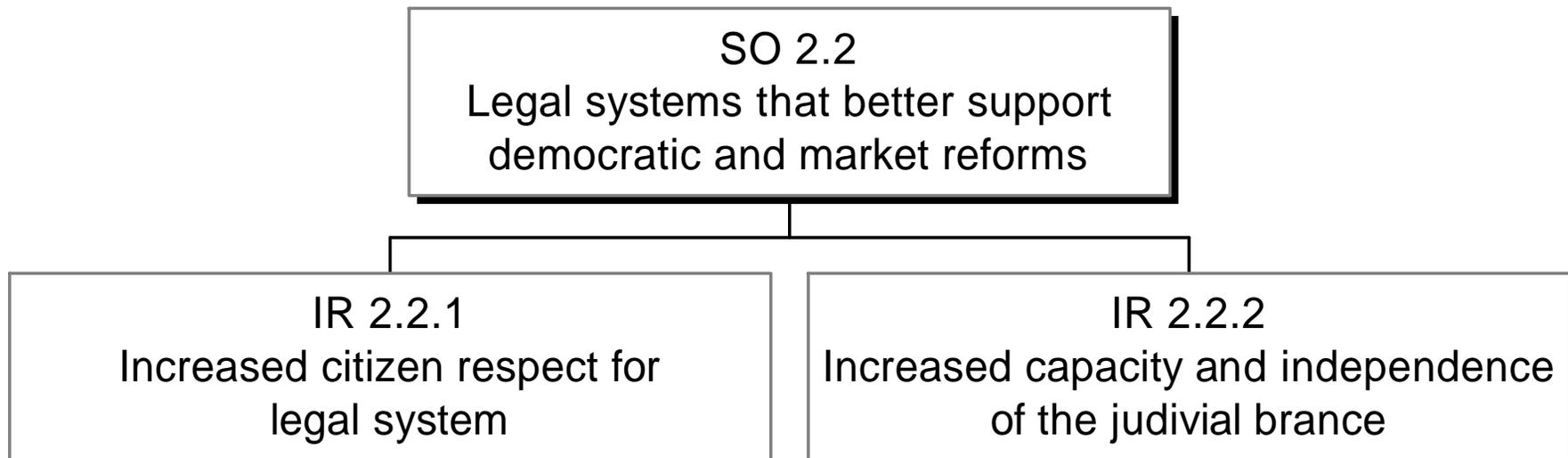


SO 1.5
A more economically sustainable and environmentally sound energy sector

IR 1.5.1
Increased private sector participation
in the energy sector

IR 1.5.2
Increased economic efficiency
in the energy sector

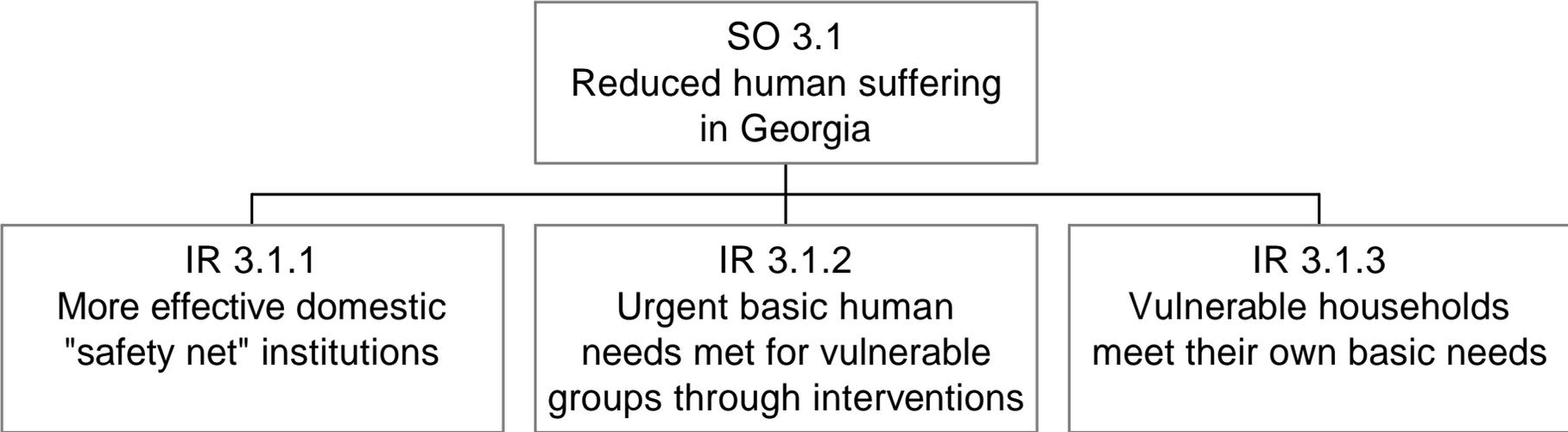




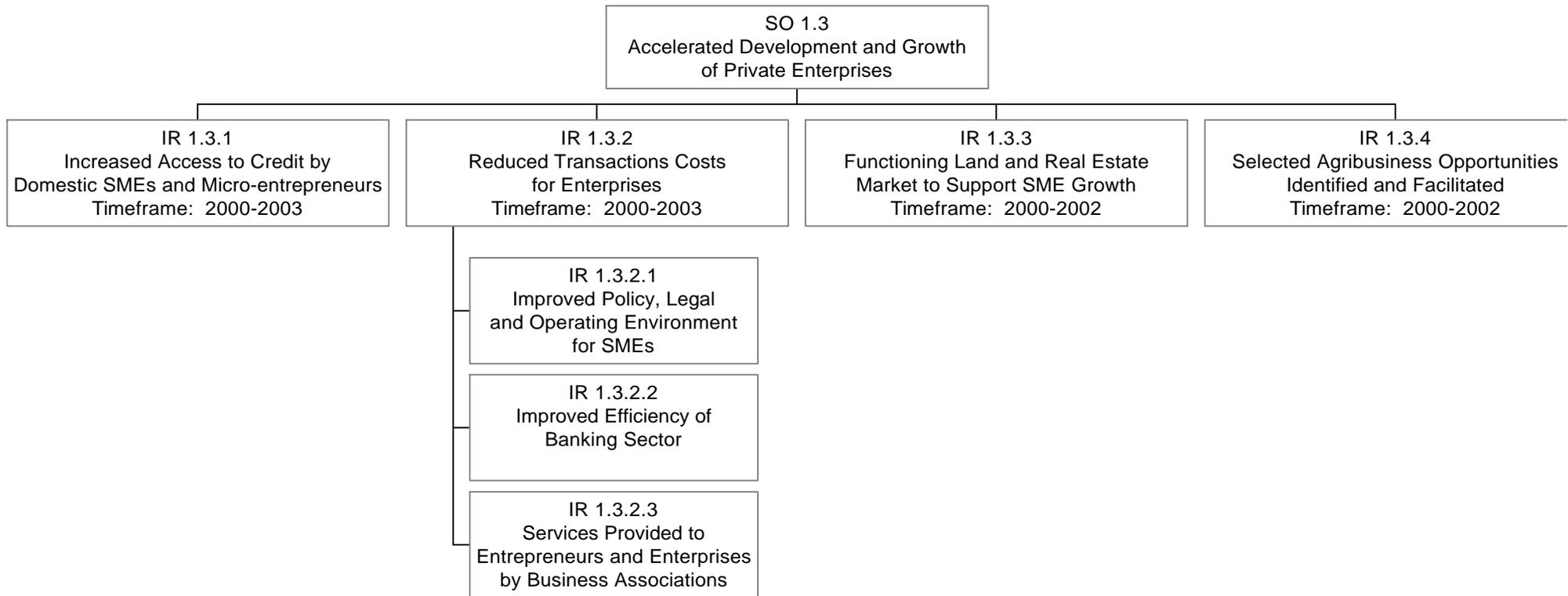
SO 2.3
More effective local government in selected municipalities

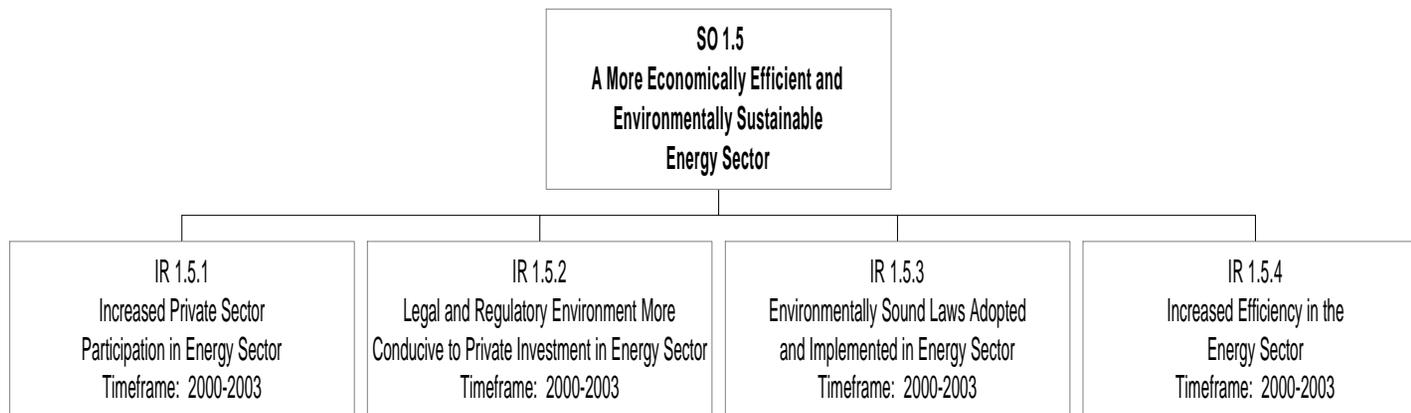
IR 2.3.1
Increased citizen participation
in local government

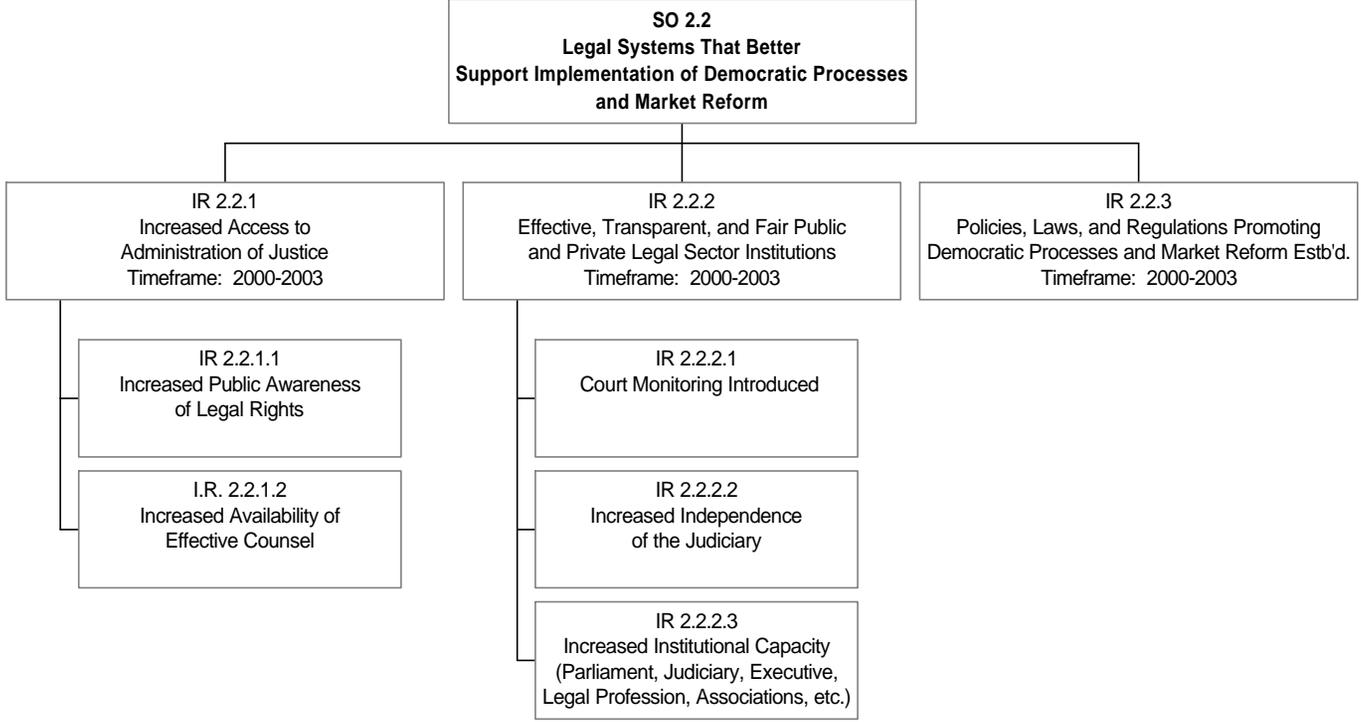
IR 2.3.2
Free and fair local
government elections held

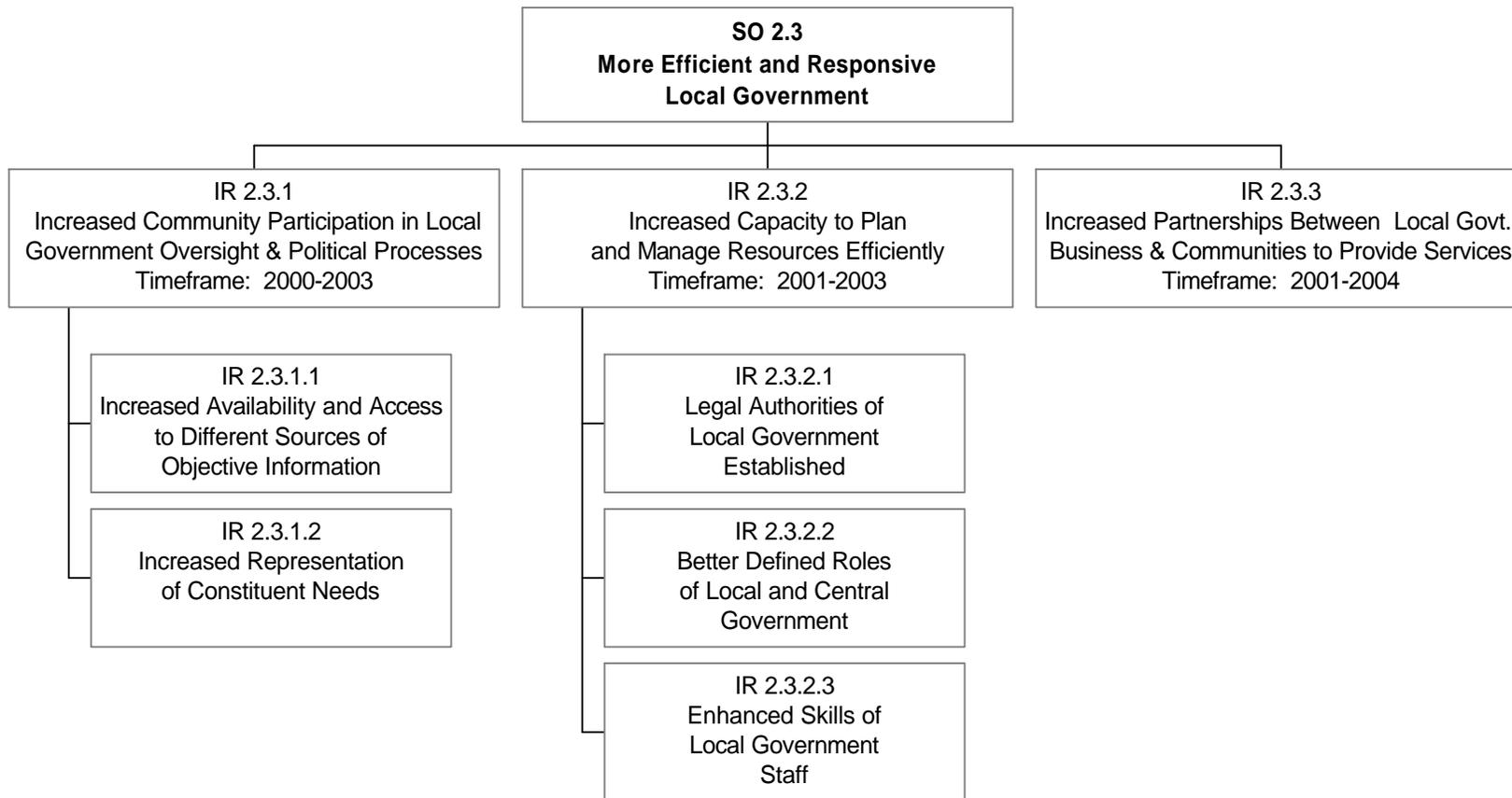


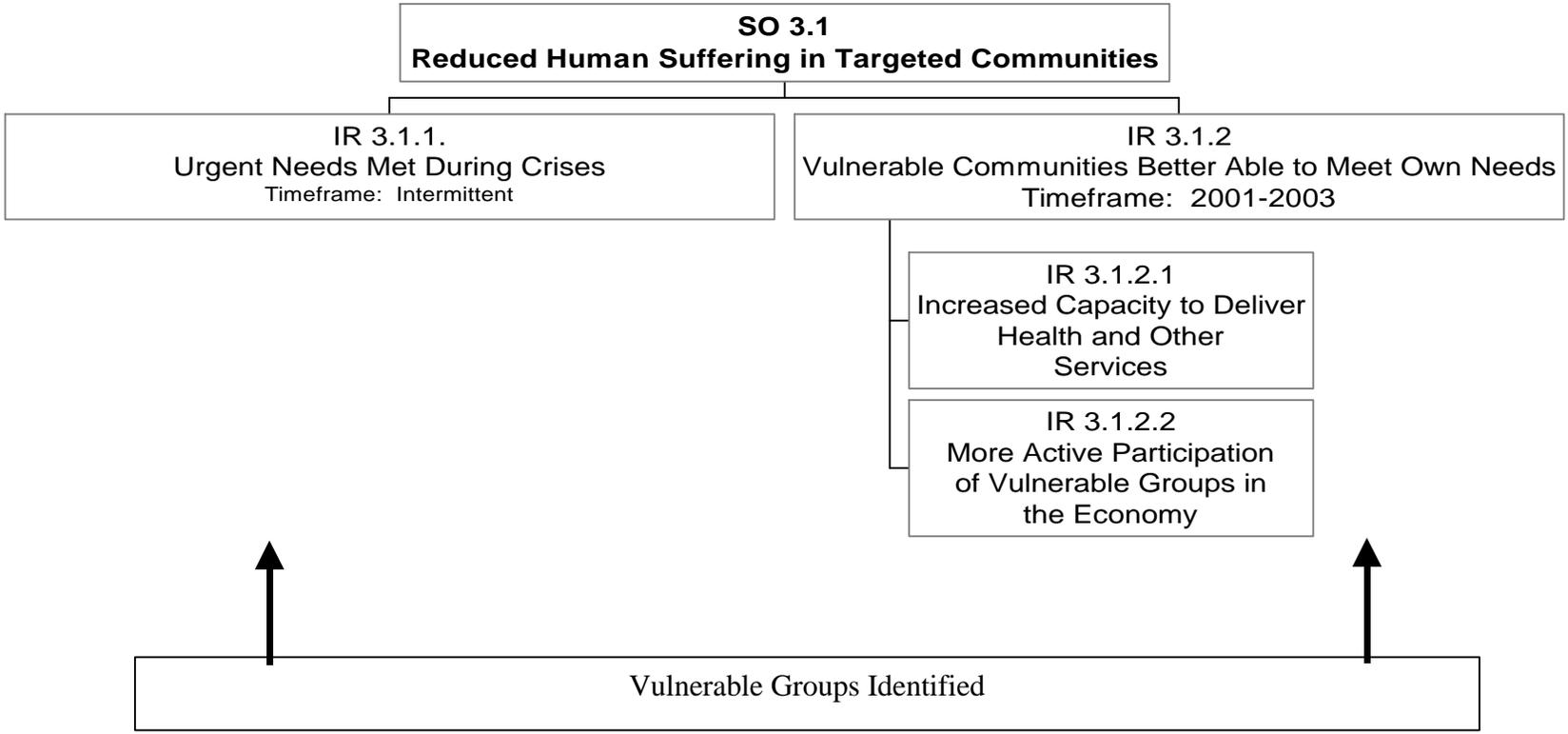
Results Frameworks Proposed in the new Strategic Plan











Annex 3 Global Climate Change Activities

USAID's assistance in the energy sector is focused on increased private sector participation and increased economic efficiency in the sector. These improvements will contribute to a more economically sustainable energy sector.

Power Restructuring and Privatization: There continues to be a higher level of government commitment to electricity reforms and private sector participation in the electricity sector than in other parts of the energy sector. Continued progress has been made on the regulatory side with the full operation and continued improvement in the performance of the Georgian National Electric Regulatory Commission (GNERC). GNERC instituted a tariff increase from 4.5 tetri per kWh (2 cents/kWh) to 6 tetri (2.7 cents/kWh) in 1998. This 33 percent increase in the rate moved the electricity tariff closer to the costs of service and should therefore reduce energy consumption and thereby reduce the burning of fossil fuels such as natural gas and mazut. The tariff increase also provided enough revenues to the electricity sector to make electricity distribution enterprises a good target for privatization. Based on this tariff increase and the fact that a complete legal and regulatory structure has been put in place in Georgia, the electricity sector has become an attractive target for privatization. In 1998, the first major energy sector privatization was completed with the sale of Telasi, the Tbilisi area municipal electricity distribution enterprise, to AES, an American-owned electricity generation and distribution company. This privatization should provide the necessary capital to rehabilitate the distribution system and thereby reduce technical losses from the current 20% to worldwide averages of 8% to 9%. These improvements also will reduce energy requirements and reduce the burning of fossil fuels. Baseline indicators as of September 30, 1998 indicate that the sector continues to recover only a portion of costs to provide service -- 35%. Collections from end-users paid to distribution companies -- 65%. Private ownership of distribution was at 0% and generation at 10%.

Energy Efficiency: In 1998, the Rustavi meter relocation, billing and collections project was initiated. The project moves the meter from inside the home to an outside lock box and rewires the meter and outlets to eliminate tampering and electricity theft. The project also separates meter reading from billing and guarantees customers 24 hours per day of electricity if they pay their bills. The customers on the project have reduced electricity consumption by more than 38% after they were placed on the project. Thereby reducing the demand for electricity and reducing the burning of fossil fuels at the Gardabani Thermal Power Generation Station. More than 6,000 customers participate in the project. The project has been a success and proved that customers will pay their bills if provided with electricity, and that they will decrease consumption when they are required to pay their electricity bill or face cut-off of service for non-payment. This project serves as a prototype for all of Georgia and is now being adopted by AES in their rehabilitation of Telasi.

FY 1999 - FY 2001 COUNTRY RESOURCE REQUEST BY SOs -- GEORGIA

PPF	Proj.#/ Comp.	SO	PROJECT/ Activity	FY99 Plan	FY 00 Plan	FY 01 Plan
		1.1	Increased transfer of state-owned assets to the private sector	\$5,636,000	\$0	\$0
		1.2	Increased soundness of fiscal policies and fiscal management	\$3,306,000	\$0	\$0
		1.3	Accelerated development and growth of private enterprises	\$7,200,000	\$15,750,000	\$17,600,000
		1.4	A more competitive and market-responsive private financial sector	\$6,850,000	\$0	\$0
		1.5	A more economically sustainable and environmentally sound sector	\$6,250,000	\$6,300,000	\$7,500,000
		2.1	Increased, better informed citizens' participation in political and economic decision making	\$4,450,000	\$0	\$0
		2.2	Legal systems that better support democratic process and market reform	\$2,400,000	\$2,950,000	\$3,000,000
		2.3	More effective, responsive and accountable local government	\$1,200,000	\$5,450,000	\$7,650,000
		3.1	Human suffering and negative consequences of crises are reduced	\$8,208,000	\$11,485,000	\$12,100,000
		4.1	Special Initiatives	\$2,800,000	\$2,000,000	\$450,000
		4.2	Cross-cutting programs	\$5,300,000	\$3,000,000	\$3,000,000
			Close Out Programs	\$0	\$7,065,000	\$1,000,000
TOTAL				\$53,600,000	\$54,000,000	\$52,300,000

STRATEGIC ASSISTANCE AREA 1: A COMPETITIVE MARKET-ORIENTED ECONOMY

SO 1.1 Increased transfer of State owned assets to private sector						
	5	1.1	Land Privatization (Titling/Registration) - Booz Allen	\$2,200,000	See SO 1.3	See SO 1.3
	5	1.1	Privatization (includes Poti Phase II)	\$1,700,000	spec. init. sec.	spec. init. sec.
	5	1.1	Accounting Reform - Sibley International	\$1,736,000	close out sec.	close out sec.
SUBTOTAL FOR SO 1.1				\$5,636,000	\$0	\$0

SO 1.2 Increased Soundness of fiscal policies and management practices						
	5	1.2	Tax and Fiscal Reform - KPMG	\$3,306,000	close out sec.	close out sec.
SUBTOTAL FOR SO 1.2				\$3,306,000	\$0	\$0

SO 1.3 Accelerated Development and growth of private enterprises						
	5	1.3	Titling and Registration (land Privatization)	See SO 1.1	\$2,500,000	\$2,500,000
	5	1.3	IJESC	\$500,000	\$0	\$0
	5	1.3	SME Development - TBD	\$1,000,000	\$3,500,000	\$3,500,000
	5	1.3	SME Credit	\$0	\$0	\$2,850,000
	5	1.3	Admin Tech Support/Field Management	\$900,000	\$800,000	\$800,000
	6	1.3	Agribusiness Partnerships - ACIDI/VCOA	\$1,550,000	\$0	\$0
	6	1.3	Agribusiness Support - TBD	\$0	\$3,000,000	\$3,000,000
	6	1.3	Admin Tech Support/Field Management	\$250,000	\$700,000	\$700,000
	9	1.3	Economic Trends (data collection) TBD	\$1,000,000	\$1,000,000	\$1,000,000
	9	1.3	Banking Supervision	See SO 1.4	\$2,000,000	\$1,000,000
	9	1.3	Admin Tech Support/Field Management	See SO 1.4	\$250,000	\$250,000
	10	1.3	EURASIA	\$2,000,000	\$2,000,000	\$2,000,000
SUBTOTAL FOR SO 1.3				\$7,200,000	\$15,750,000	\$17,600,000

SO 1.4 A more competitive and market responsive private financial sector						
	5	1.4	Capital Markets	\$3,000,000	close out sec.	close out sec.
	9	1.4	Electronic Banking Systems - IRM	\$500,000	\$0	\$0
	9	1.4	Banking Supervision	\$2,000,000	See SO 1.3	See SO 1.3
	9	1.4	Financial Sector TA - KPMG	\$500,000	\$0	\$0
	9	1.4	Admin Tech Support/Field Management	\$850,000	See SO 1.3	See SO 1.3
SUBTOTAL FOR SO 1.4				\$6,850,000	\$0	\$0

SO 1.5 A more economically sustainable and environmentally sound sector						
	2	1.5	Power Sector Reform - TBD	\$2,200,000	\$0	\$0
	2	1.5	Utility Partnerships (USEA)	\$300,000	\$0	\$0
	2	1.5	Gas System Assessment	\$900,000	\$0	\$0
	2	1.5	Oil and Gas Sector Reform - TBD	\$1,900,000	\$0	\$0
	2	1.5	Electric /Natural Gas - TBD	\$0	\$2,350,000	\$3,000,000
	2	1.5	Financial Audit - TBD	\$0	\$1,000,000	\$1,000,000
	2	1.5	Electricity Markets - TBD	\$0	\$1,000,000	\$1,000,000
	2	1.5	Oil and Gas - TBD	\$0	\$1,000,000	\$1,550,000
	2	1.5	Admin. Tech. Support	\$950,000	\$950,000	\$950,000
SUBTOTAL FOR SO 1.5				\$6,250,000	\$6,300,000	\$7,500,000

CLOSE OUT ACTIVITIES						

			Accounting reform - Sibley International	See SO 1.1	\$2,000,000	\$0
			Capital Markets	See SO 1.4	\$3,065,000	\$0
			Tax and Fiscal Reform - KPMG	See SO 1.2	\$2,000,000	\$1,000,000

SUBTOTAL FOR CLOSE OUT ACTIVITIES				\$0	\$7,065,000	\$1,000,000
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STRATEGIC ASSISTANCE AREA 2: EMPOWERMENT OF CITIZENS THROUGH DEMOCRATIC POL. PROCESSES

SO 2.1 Incr. better informed citizens' participation in political and econ.decision making						
	7	2.1	Political Process - NDI	\$700,000	see SO 2.3	see SO 2.3
	7	2.1	Electoral Systems - IFES	\$1,000,000	see SO 2.3	see SO 2.3
	7	2.1	Political Process - IRI	\$350,000	see SO 2.3	see SO 2.3
	7	2.1	Information Gathering - TBD	\$300,000	see SO 2.3	see SO 2.3
	7	2.1	NGO Development ISAR	\$650,000	see SO 2.3	see SO 2.3
	7	2.1	Independent Media - Internews	\$750,000	see SO 2.3	see SO 2.3
	7	2.1	Independent Media - Print Media Development - TBD	\$300,000	see SO 2.3	see SO 2.3
	7	2.1	Admin Tech Support/Field Management	\$400,000	see SO 2.3	see SO 2.3

SUBTOTAL FOR SO 2.1				\$4,450,000	\$0	\$0
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SO 2.2 Legal Ssystems that better support democratic process and market reform						
	7	2.2	Rule of Law - ABA/CEELI	\$700,000	\$950,000	\$500,000
	7	2.2	Rule of Law - TBD	\$1,700,000	\$2,000,000	\$2,500,000

SUBTOTAL FOR SO 2.1				\$2,400,000	\$2,950,000	\$3,000,000
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SO 2.3 More effective, responsive and accountable local government						
	7	2.3	Municipal Development - IQC TBD	\$1,200,000	\$1,550,000	\$2,600,000
	7	2.3	Political Process - NDI	see SO 2.1	\$700,000	\$1,250,000
	7	2	Electoral Systems - IFES	see SO 2.1	\$700,000	\$250,000
	7	2.3	Political Process - IRI	see SO 2.1	\$300,000	\$650,000
	7	2.3	Information Gathering - TBD	see SO 2.1	\$300,000	\$500,000
	7	2.3	NGO Development - ISAR	see SO 2.1	\$300,000	\$500,000
	7	2.3	Independent Media - Internews	see SO 2.1	\$700,000	\$800,000
	7	2.3	Independent Media - Print Media Development - TBD	see SO 2.1	\$300,000	\$500,000
	7	2.3	Admin Tech Support/Field Management	see SO 2.1	\$600,000	\$600,000

SUBTOTAL FOR SO 2.3				\$1,200,000	\$5,450,000	\$7,650,000
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STRAT. ASSIST. AREA 3: STRENGTHEN CAPACITY TO MANAGE THE HUMAN DIMENSION OF THE TRANSITION

SO 3.1 Human suffering and negative consequences of crisis are reduced						
	1	3.1	Community Development/Local NGO Programs - TBD	\$2,658,000	\$2,500,000	\$2,500,000
	1	3.1	Western Georgia development - TBD	\$1,000,000	\$1,000,000	\$1,000,000
	1	3.1	Southern Georgia - TBD	\$2,000,000	\$1,000,000	\$1,000,000
	1	3.1	UMCOR Youth Houses	\$500,000	\$500,000	\$500,000
	1	3.1	Abkhazia Activities - TBD	\$0	\$0	\$500,000
	1	3.1	Vulnerable Group Feeding	\$0	\$1,000,000	\$1,000,000
	1	3.1	IFRC - West Geo. Feeding Project	\$1,000,000	\$500,000	\$500,000
	1	3.1	WFP- Logistic Support	\$100,000	\$100,000	\$100,000
	1	3.1	Caspian Sea Environmental Partnership	\$200,000	\$200,000	\$200,000
	1	3.1	Admin Tech Support/Field Management	\$750,000	\$650,000	\$650,000
	4	3.1	Health Partnerships	see SO 4.2	\$1,585,000	\$1,150,000
	4	3.1	Infectious Disease Programs	see SO 4.2	\$1,000,000	\$500,000
	4	3.1	Other health - TBD	\$0	\$750,000	\$1,500,000
	4	3.1	Family Planning	see SO 4.2	\$500,000	\$600,000
	4	3.1	Admin Tech Support/Field Management	see SO 4.2	\$200,000	\$400,000

SUBTOTAL FOR SO 3.1				\$8,208,000	\$11,485,000	\$12,100,000
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STRATEGIC ASSISTANCE AREA 4: CROSS-CUTTING PROGRAMS AND SPECIAL INITIATIVES

	4	4.1	Health Partnerships	\$2,500,000	see SO 3.1	see SO 3.1
	4	4.1	Infectious Disease -TBD	\$1,400,000	see SO 3.1	see SO 3.1
	4	4.1	Family Planning	\$1,200,000	see SO 3.1	see SO 3.1
	4	4.1	Admin Tech Support/Field Management	\$200,000	see SO 3.1	see SO 3.1
	12	4.2	Cross-cutting activities - AED	\$2,800,000	\$2,800,000	\$2,800,000
	12	4.2	Admin Tech Support/Field Management	\$0	\$200,000	\$200,000
			Targeted Privatization Activities	See SO 1.1	\$2,000,000	\$450,000

SUBTOTAL FOR SO 4				\$8,100,000	\$5,000,000	\$3,450,000
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PERFORMANCE FUND AND TRANSFER ALLOCATIONS

			Performance Fund	\$2,000,000	\$0	\$2,000,000
			Transfer Allocations			
			USIA Partnerships	\$1,500,000	\$1,000,000	\$1,000,000
			USIA Exchanges	\$3,500,000	\$3,600,000	\$5,000,000
			Law Enforcement/Criminal Justice	\$2,400,000	\$2,400,000	
			Humanitarian Transport - State	\$2,000,000	\$2,000,000	
			Department of Justice	\$0	\$500,000	
			US Treasury IAA	\$1,000,000	\$1,000,000	
			SABIT	\$200,000		
			BISNIS&BDC	\$60,000		
			USDA Cochran Fellowships	\$100,000		
			Science Center	\$750,000		
			NSF/CRDF	\$0		
			EPA	\$250,000		
			Border Guards	\$17,000,000		
			Threat Reduction		\$19,000,000	
			Transfers/Allocations - TBD			\$19,700,000

SUBTOTAL FOR PERFORMANCE FUND AND ALLOCATIONS				\$30,760,000	\$29,500,000	\$27,700,000
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TOTAL (GEORGIA)				\$84,360,000	\$83,500,000	\$80,000,000
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PROJECT SUMMARY

			110-0001 Special Initiatives	\$8,208,000	\$7,450,000	\$7,950,000
			110-0002 Energy	\$6,250,000	\$6,300,000	\$7,500,000
			110-0004 Health Care	\$5,300,000	\$4,035,000	\$4,150,000
			110-0005 Private Sector	\$14,342,000	\$6,800,000	\$9,650,000
			110-0006 Food Systems	\$1,800,000	\$3,700,000	\$3,700,000
			110-0007 Democratic Reform	\$8,050,000	\$8,400,000	\$10,650,000
			110-0009 EconomicRestructuring	\$4,850,000	\$3,250,000	\$2,250,000
			110-0010 Eurasia Foundation	\$2,000,000	\$2,000,000	\$2,000,000
			110-0012 Exchanges and Training	\$2,800,000	\$3,000,000	\$3,000,000
			Close Out Activities	\$0	\$7,065,000	\$1,000,000
			Targeted Privatization Activities	\$0	\$2,000,000	\$450,000
			Transfers	\$28,760,000	\$29,500,000	\$25,700,000
			Performance Funds	\$2,000,000	\$0	\$2,000,000

SUBTOTAL FOR PERFORMANCE FUND AND ALLOCATIONS				\$84,360,000	\$83,500,000	\$80,000,000
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Org USAID/Caucasus - Georgia																
End of year On-Board	Workforce Tables													Total	Total	
FY 1999 Estimate	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
OE Funded: 1/																
U.S. Direct Hire	2.6	0.9		0.5				4	2	2	1	1	1		7	11
Other U.S. Citizens								0	3		2				5	5
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN								0	4	9	9	3	1	5	31	31
Subtotal	2.6	0.9	0	0.5	0	0	0	4	9	11	12	4	2	5	43	47
Program Funded 1/																
U.S. Citizens	4.5	1.2	3.2	0.1				9							0	9
FSNs/TCNs	8.8	4	3	0.2				16							0	16
Subtotal	13.3	5.2	6.2	0.3	0	0	0	25	0	0	0	0	0	0	0	25
Total Direct Workforce	15.9	6.1	6.2	0.8	0	0	0	29	9	11	12	4	2	5	43	72
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	15.9	6.1	6.2	0.8	0	0	0	29	9	11	12	4	2	5	43	72

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	2.6	0.9		0.5				4	3	2	1	1	1		8	12
Other U.S. Citizens								0	3		2				5	5
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN								0	4	9	9	3	1	5	31	31
Subtotal	2.6	0.9	0	0.5	0	0	0	4	10	11	12	4	2	5	44	48
Program Funded 1/																
U.S. Citizens	4.5	1.2	3.2	0.1				9							0	9
FSNs/TCNs	8.8	4	3	0.2				16							0	16
Subtotal	13.3	5.2	6.2	0.3	0	0	0	25	0	0	0	0	0	0	0	25
Total Direct Workforce	15.9	6.1	6.2	0.8	0	0	0	29	10	11	12	4	2	5	44	73
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	15.9	6.1	6.2	0.8	0	0	0	29	10	11	12	4	2	5	44	73

FY 2000 Request																
OE Funded: 1/																
U.S. Direct Hire	2.6	0.9		0.5				4	3	2	1	1	1		8	12
Other U.S. Citizens								0	3		2				5	5
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN								0	4	9	9	3	1	5	31	31
Subtotal	2.6	0.9	0	0.5	0	0	0	4	10	11	12	4	2	5	44	48
Program Funded 1/																
U.S. Citizens	4.5	1.2	3.2	0.1				9							0	9
FSNs/TCNs	8.8	4	3	0.2				16							0	16
Subtotal	13.3	5.2	6.2	0.3	0	0	0	25	0	0	0	0	0	0	0	25
Total Direct Workforce	15.9	6.1	6.2	0.8	0	0	0	29	10	11	12	4	2	5	44	73
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	15.9	6.1	6.2	0.8	0	0	0	29	10	11	12	4	2	5	44	73

1/ Excludes TAACS, Fellows, and IDIs

Org End of year On-Board	Workforce Tables							Total SO/SpO Staff	Org. Mgmt.	Fin. Mgmt	Admin. Mgmt	Con- tract	Legal	All Other	Total Mgmt.	Total Staff
	FY 2001 Target	SO 1	SO 2	SO 3	SO 4	SO 5	SpO1									
OE Funded: 1/																
U.S. Direct Hire	2.6	0.9		0.5				4	3	2	1	1	1		8	12
Other U.S. Citizens								0	2		2				4	4
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN								0	4	9	9	3	1	5	31	31
Subtotal	2.6	0.9	0	0.5	0	0	0	4	9	11	12	4	2	5	43	47
Program Funded 1/																
U.S. Citizens	4.5	1.2	3.2	0.1				9							0	9
FSNs/TCNs	8.8	4	3	0.2				16							0	16
Subtotal	13.3	5.2	6.2	0.3	0	0	0	25	0	0	0	0	0	0	0	25
Total Direct Workforce	15.9	6.1	6.2	0.8	0	0	0	29	9	11	12	4	2	5	43	72
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	15.9	6.1	6.2	0.8	0	0	0	29	9	11	12	4	2	5	43	72

FY 2001 Request																
OE Funded: 1/																
U.S. Direct Hire	2.6	0.9		0.5				4	3	2	1	1	1		8	12
Other U.S. Citizens								0	2		2				4	4
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN								0	4	9	9	3	1	5	31	31
Subtotal	2.6	0.9	0	0.5	0	0	0	4	9	11	12	4	2	5	43	47
Program Funded 1/																
U.S. Citizens	4.5	1.2	3.2	0.1				9							0	9
FSNs/TCNs	8.8	4	3	0.2				16							0	16
Subtotal	13.3	5.2	6.2	0.3	0	0	0	25	0	0	0	0	0	0	0	25
Total Direct Workforce	15.9	6.1	6.2	0.8	0	0	0	29	9	11	12	4	2	5	43	72
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	15.9	6.1	6.2	0.8	0	0	0	29	9	11	12	4	2	5	43	72

1/ Excludes TAACS, Fellows, and IDIs

Workforce

MISSION :

Georgia

USDH STAFFING REQUIREMENTS BY SKILL CODE

BACKSTOP (BS)	NO. OF USDH EMPLOYEES IN BACKSTOP FY 1999	NO. OF USDH EMPLOYEES IN BACKSTOP FY 2000	NO. OF USDH EMPLOYEES IN BACKSTOP FY 2001	NO. OF USDH EMPLOYEES IN BACKSTOP FY 2002
01 SMG	2	2	2	2
02 Program Officer	1	1	1	1
03 EXO	1	1	1	1
04 Controller	2	2	2	2
05/06/07 Secretary				
10 Agriculture				
11 Economics				
12 GDO	4	4	4	4
12 Democracy				
14 Rural Development				
15 Food for Peace				
21 Private Enterprise				
25 Engineering				
40 Environment				
50 Health/Pop.				
60 Education				
75 Physical Sciences				
85 Legal	1	1	1	1
92 Commodity Mgt				
93 Contract Mgt	1	1	1	1
94 PDO				
95 IDI				
Other*				
TOTAL	12	12	12	12

Please e-mail this worksheet
in either Lotus or Excel to:
Maribeth Zankowski
@hr.ppim@aidw
as well as include it with
your R4 submission.

*please list occupations covered by other if there are any

Operating Expenses

Org. Title: USAID/Caucasus - Georgia Org. No: 114 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	339.3		339.3	445.9		445.9	445.9		445.9	335.4		335.4	335.4		335.4
11.8	FN PSC Salaries	220.5		220.5	396.3		396.3	396.3		396.3	404.2		404.2	404.2		404.2
11.8	IPA/Details-In/PASAs/RSSAs Salaries			0			0		0			0		0		0
	Subtotal OC 11.8	559.8	0	559.8	842.2	0	842.2	842.2	0	842.2	739.6	0	739.6	739.6	0	739.6
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	70.8		70.8	82.6		82.6	82.6		82.6	61.5		61.5	61.5		61.5
12.1	Cost of Living Allowances	13.1		13.1	16.6		16.6	16.6		16.6	18.3		18.3	18.3		18.3
12.1	Home Service Transfer Allowances	4.2		4.2	2.8		2.8	2.8		2.8	5.8		5.8	5.8		5.8
12.1	Quarters Allowances			0			0		0			0		0		0
12.1	Other Misc. USDH Benefits	41.9		41.9	16.7		16.7	16.7		16.7	15.2		15.2	15.2		15.2
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		0
12.1	Other FNDH Benefits			0			0		0			0		0		0
12.1	US PSC Benefits	173.4		173.4	206.6		206.6	206.6		206.6	140		140	140		140
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		0
12.1	Other FN PSC Benefits	112.5		112.5	169.6		169.6	169.6		169.6	129.3		129.3	129.3		129.3
12.1	IPA/Detail-In/PASA/RSSA Benefits			0			0		0			0		0		0
	Subtotal OC 12.1	415.9	0	415.9	494.9	0	494.9	494.9	0	494.9	370.1	0	370.1	370.1	0	370.1
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		0
13.0	Other Benefits for Former Personnel - FNDH			0			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			0			0		0			0		0		0
13.0	Other Benefits for Former Personnel - FN PSCs			0			0		0			0		0		0
	Subtotal OC 13.0	0	0	0	0	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	80		80	80		80	80		80	80		80	80		80
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	80.2		80.2	28.5		28.5	28.5		28.5	45		45	45		45

Operating Expenses

Org. Title: USAID/Caucasus - Georgia Org. No: 114 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
21.0	Assignment to Washington Travel			0		0			0			0			0	
21.0	Home Leave Travel	3.9		3.9	2.8		2.8	2.8		2.8	8.5		8.5	8.5		8.5
21.0	R & R Travel	16.7		16.7	35.4		35.4	35.4		35.4	38		38	38		38
21.0	Education Travel	6		6	6		6	6		6	6		6	6		6
21.0	Evacuation Travel	5		5	5		5	5		5	5		5	5		5
21.0	Retirement Travel	2.4		2.4			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	24		24	24		24	24		24	24		24	24		24
21.0	Site Visits - Mission Personnel	80		80	80		80	80		80	80		80	80		80
21.0	Conferences/Seminars/Meetings/Retreats	30		30	30		30	30		30	30		30	30		30
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	44		44	44		44	44		44	44		44	44		44
	Subtotal OC 21.0	372.2	0	372.2	335.7	0	335.7	335.7	0	335.7	360.5	0	360.5	360.5	0	360.5
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	254.9		254.9	126.5		126.5	126.5		126.5	145		145	145		145
22.0	Home Leave Freight	2		2	1		1	1		1	15		15	15		15
22.0	Retirement Freight	16		16			0			0			0			0
22.0	Transportation/Freight for Office Furniture/Equip.	50.4		50.4	18		18	18		18	16		16	16		16
22.0	Transportation/Freight for Res. Furniture/Equip.	24.6		24.6	10		10	10		10	9		9	9		9
	Subtotal OC 22.0	347.9	0	347.9	155.5	0	155.5	155.5	0	155.5	185	0	185	185	0	185
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	436.1		436.1	577.4		577.4	577.4		577.4	584.6		584.6	584.6		584.6
23.2	Rental Payments to Others - Warehouse Space			0			0			0			0			0
23.2	Rental Payments to Others - Residences	345.8		345.8	553.8		553.8	553.8		553.8	559.3		559.3	559.3		559.3
	Subtotal OC 23.2	781.9	0	781.9	1131.2	0	1131.2	1131.2	0	1131.2	1143.9	0	1143.9	1143.9	0	1143.9
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	36		36	38		38	38		38	38.8		38.8	38.8		38.8
23.3	Residential Utilities	40.9		40.9	41		41	41		41	42.4		42.4	42.4		42.4
23.3	Telephone Costs	62		62	33		33	33		33	32.7		32.7	32.7		32.7
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	3.3		3.3	2		2	2		2	3		3	3		3
	Subtotal OC 23.3	142.2	0	142.2	114	0	114	114	0	114	116.9	0	116.9	116.9	0	116.9
24.0	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	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		

Operating Expenses

Org. Title: USAID/Caucasus - Georgia Org. No: 114 OC		Overseas Mission Budgets														
		FY 1999 Estimate			FY 2000 Target			FY 2000 Request			FY 2001 Target			FY 2001 Request		
		Dollars	TF	Total												
25.1	Studies, Analyses, & Evaluations			0			0			0			0			0
25.1	Management & Professional Support Services			0			0			0			0			0
25.1	Engineering & Technical Services			0			0			0			0			0
	Subtotal OC 25.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25.2	Other services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.2	Office Security Guards	20		20	23		23	23		23	23.5		23.5	23.5		23.5
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	1.3		1.3	1.3		1.3	1.3		1.3	1.3		1.3	1.3		1.3
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	15		15	15		15	15		15	15		15	15		15
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			0			0			0			0			0
25.2	Other Miscellaneous Services			0			0			0			0			0
25.2	Staff training contracts			0			0			0			0			0
25.2	ADP related contracts			0			0			0			0			0
	Subtotal OC 25.2	36.3	0	36.3	39.3	0	39.3	39.3	0	39.3	39.8	0	39.8	39.8	0	39.8
25.3	Purchase of goods and services from Government accounts	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.3	ICASS	498.5		498.5	503.4		503.4	503.4		503.4	508.4		508.4	508.4		508.4
25.3	All Other Services from Other Gov't. accounts			0			0			0			0			0
	Subtotal OC 25.3	498.5	0	498.5	503.4	0	503.4	503.4	0	503.4	508.4	0	508.4	508.4	0	508.4
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		12	6		6	6		6	8		8	8		8
25.4	Residential Building Maintenance	74		74	20		20	20		20	25		25	25		25
	Subtotal OC 25.4	86	0	86	26	0	26	26	0	26	33	0	33	33	0	33
25.7	Operation/maintenance of equipment & storage of goods	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.7	ADP and telephone operation and maintenance costs			0			0			0			0			0
25.7	Storage Services			0			0			0			0			0
25.7	Office Furniture/Equip. Repair and Maintenance	10		10	10		10	10		10	10		10	10		10
25.7	Vehicle Repair and Maintenance	5		5	5		5	5		5	5		5	5		5
25.7	Residential Furniture/Equip. Repair and Maintenance	6		6	5		5	5		5	5		5	5		5
	Subtotal OC 25.7	21	0	21	20	0	20	20	0	20	20	0	20	20	0	20
25.8	Subsistence & spt. of persons (by contract or Gov't.)			0			0			0			0			0
	Subtotal OC 25.8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26.0	Supplies and materials	106		106	75		75	75		75	75		75	75		75
	Subtotal OC 26.0	106	0	106	75	0	75	75	0	75	75	0	75	75	0	75
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		

