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**UNITED STATES
AGENCY FOR
INTERNATIONAL
DEVELOPMENT**

RIGA, LATVIA

RESULTS REVIEW

FY 1996

MARCH 1997

Latvia FY 99 R - 2 (March 1997)

I. Background and Country Context

A. Background

In August, 1996, when USAID/Latvia's R2 report was reviewed in ENI/W, it was anticipated that Latvia's progress through transition to a democratic market-oriented society would be sufficiently complete that further USAID bilateral assistance would not be needed after September 1997, that USAID's presence in Latvia would end at that time, and that no new funds would be provided after FY 1996. For this reason an R2 rather than an R4 report was required and in the R2, existing activities, which were all nearing their end, were grouped and reported under seven ENI strategic objectives, and targets were set which related primarily to remaining activity output.

In addition, approval of specific strategic objectives was not addressed during the review, and a management contract was not established between ENI/W and USAID/Latvia. Latvia's graduation was thought to be imminent and attention was focused on implementation and close-out.

Subsequently, ENI and the SEED Coordinator agreed that a comprehensive review of Latvia's progress through transition should be undertaken to determine whether there were critical gaps in the transition that were not being adequately addressed and if there were such gaps, whether the USAID program should be extended to close them.

That assessment, "Priorities for Future U. S. Agency for International Development Assistance to Latvia" was completed in December 1996. Excerpts from that report have been utilized below in describing the country context and overall progress towards objectives. The report served as the basis for a revised strategic plan for USAID's bilateral assistance to Latvia for 1997 - 1999 that was reviewed and approved by USAID and State in January 1997. That strategic plan, as approved, provides for the extension of USAID's presence for two years until September 1999 and for additional funding in FYs 1997 and 1998, and for the pursuit of two strategic objectives, financial sector reform, and citizen participation, and one special initiative for energy regulatory work under ENI's broader energy strategic objective.

It also provides for the termination of other bilateral activities as existing funds are drawn down, thereby terminating USAID's pursuit of five of the seven ENI objectives included in last year's R2. This R2, therefore, will be the last progress report on these five objectives.

Of the twenty bilateral activities that were active at the time

of last year's R2, five were completed in 1996, eight more will be completed by September 1997, two more will end by December 1997, two may carry over into 1998, and three are expected to continue, with new activities, as part of the approved 1997-1999 strategy. A close-out schedule for existing activities is included with this R2.

B. Country Context

Since restoring Independence, Latvia has made impressive strides towards economic and political transformation. Significant progress has been registered in trade and price liberalization, small-scale and agricultural land privatization, investment promotion and the legal framework for private enterprise activity.

Initial efforts to introduce a market economy triggered high rates of inflation and currency instability. The authorities' prompt response in addressing macroeconomic imbalances brought inflation down to under 20 percent per annum and provided Latvia with a stable and convertible currency.

But the transition process has been both painful and uneven. Output and incomes have fallen to a level of about half of what they were in 1990. Income distribution has deteriorated; life expectancy is declining and outside of the main cities, unemployment is high and rising. In 1994, it appeared that economic growth would resume, but a banking and fiscal crisis in 1995 dampened investor confidence and delayed the recovery. The authorities reacted promptly to address the banking and fiscal crisis, but the after-effects of these events will likely depress economic performance in both 1996 and 1997. Exports continue to grow strongly, but import growth has been even more rapid, leading to the emergence of current account imbalances in late 1995 and 1996. Also, the Latvian economy continues to be plagued by a number of structural problems - neither the industrial or the agricultural sector has been significantly restructured to withstand the competitive pressures of a market environment; large-scale privatization is just slated to start in earnest; the financial markets are thin and do not meet the needs of the enterprise sector; economic activity has shifted to the hidden economy (narrowing the economy's tax base and encouraging lawlessness); Government is overstaffed, its responsibilities excessively diffused amongst far too many administrative centers and is under-investing in economic infrastructure and necessary social services; and the environment for commercial investment continues to be hindered by legal and regulatory inconsistencies and weaknesses.

On the political front, Latvia has made considerable progress towards establishing firm democratic traditions. Free and fair elections have been held. An independent judiciary and press are

in place. Political parties have been established. The Government has changed and a coalition government rules, without civil or military unrest. The issue of citizenship for non-ethnic Latvians, and minority rights in general, was a problem but has been resolved in a fashion that appears generally fair and satisfactory. Still, 70 percent of the ethnic Russian population do not have citizenship and of those that have been eligible to apply, less than two percent have actually done so. In addition to the lack of progress on conveying citizenship to the Russian ethnic population, there are other, and even more serious political problems. Criminality, of various forms, is on the rise. Corruption and malfeasance within Government and within publicly-supervised institutions (e.g. the Banks) is a cause for serious concern. Respect for law and order, and respect for Government is waning¹. Government has taken steps to address these issues, but in an economy that is both in flux and in decline, it is difficult to mobilize either the resources or the enthusiasm to bolster compliance with a set of still-evolving laws and governmental institutions.

The next two to three years will be a crucial turning-point for the Latvian political and economic systems. If macroeconomic and structural barriers to growth and investment can be addressed, and if in this process Latvian enterprises can restructure to take advantage of domestic and international market opportunities, then the prospects for a sustained economic recovery are promising. If at the same time, Government enhances its commitment to a cohesive civil society, built around principles of justice and social responsibility, then the prospects for overcoming nascent threats to democratic practice are good. As positive momentum in economic growth is achieved, and as democratic traditions become more firmly established, the development agenda will shift squarely from transition to a democratic, market-oriented economy to accelerating the integration of Latvia into the European Union. By the end of this decade, Latvia should have largely completed the transition process and the development agenda will have decisively shifted to European integration.

USAID's recently approved strategy is designed to assist Latvia to complete this transition.

¹ The monthly survey of consumer confidence by the State Statistical Committee finds that less than one in five of Latvia's citizens have confidence in the Government.

II. Progress towards objectives

1. SO 1.1 Increased transfer of state-owned assets to the private sector

While the Latvian government has accorded considerable importance to creating and nurturing a private sector, the share of private sector activity in the economy remains relatively low. This is primarily a result of slow progress in privatizing large-scale commercial enterprises and the relatively large size of Government services. According to the Central Statistics Bureau (Privatization Process in Latvia 1996), the share of the private sector in "gross value added" rose from 34 percent in 1994 to 49 percent in 1995².

In agriculture, 76 percent of the farms and 85 percent of the land is privately owned. In industry, 41 percent of the enterprises remain fully state-owned, including almost all of the larger utilities and manufacturers. Only about 15 percent of the industrial enterprises are fully privately owned, with the balance owned either by municipalities, cooperatives or with mixed public-private ownership.

Privatization of small scale enterprises is almost complete. Most small-scale assets were sold by municipalities through auctions. Progress on privatization of municipal apartments has been very slow, with less than 10 percent privatized by 1996. In agriculture, 1,100 collective and cooperative farms were broken into 12,300 units and privatized in 1993.

About 350,000 claims for property restitution have been submitted, of which less than 20 percent have been granted. Difficulties in securing quick resolution of property restitution claims has hindered implementation of other forms of privatization as outside investors are reluctant to assume ownership of assets under dispute.

The number of medium- and large-scale state-owned enterprises in Latvia was about 1000 at the start of the reform effort. Since then the privatization effort has gone through several stages and different approaches. Approximately 300 such enterprises were privatized (either through leases or employee/management buyouts)

² The figure listed above is based on an estimate of the Latvian statistics agency. IMF and other international agencies have reported that the share of the private sector in national output was as high as 65 percent in 1995. Such a high figure would be impossible, given very little progress on large-scale privatization and the large role that public services play in the national economy. The rather cavalier attitude towards the generation and publication of ("hunch-inspired") public-opinion sensitive economic statistics displayed by the multilateral development agencies provides a good lesson in the need for caution in statistical reporting by USAID and other donor agencies.

including 101 enterprises employing more than 50 persons. Privatization vouchers were distributed starting in 1993, and have a face value of 2.9 billion lats. An Independent Privatization Agency and a State Property Fund were created in 1994, but it was not until early 1996 that the Agency was provided authority to privatize the remaining state-owned (mostly medium- and large-scale) enterprises. Privatization accelerated in 1995, with 251 enterprises sold, 72 of which were sold through three international tenders and, since 1996, enterprises can be privatized through international tenders, majority stake auctions or public offerings of minority stakes on the Riga stock exchange. In 1996 the Privatization Agency was authorized to start preparing 320 medium and large-scale enterprises for privatization including some very large companies (Latvijas Gaze, Ventspils Nafta and the Latvian Shipping Company). Approximately 280 enterprises were privatized in 1996. Foreign investors have also been allowed to purchase privatization certificates (which must be used to finance 50 percent of an enterprise's shares) and restrictions on foreign ownership of land (a constraint to foreign direct investment in the past) have been eased, and land associated with an enterprise can also be privatized. Popular participation in privatization will be encouraged by selling part of the enterprises for vouchers on the Riga Stock Exchange (RSE) and, thereafter, undertaking sales of residual government holdings for cash on the RSE.

U.S. assistance to the Latvian privatization process started in early 1992. At that time, individual government ministries had responsibility for privatizing firms for which they were responsible for administering. U.S. assistance began with the Ministry of Agriculture. Advisors assisted in the formulation and initiation of implementation of a privatization strategy for the grain, dairy and meat-processing sectors, as well as for bakeries. This resulted in the privatization of all state owned meat processing operations (14), dairies (15) and bakeries (13), splitting-up the state grain monopoly followed by privatization of grain sector training enterprises. Later assistance shifted to the Latvian Privatization Agency (LPA) when it was established in mid-1994 to execute the privatization of state property. The assistance provided to the LPA focussed on using government issued privatization vouchers.

Legislation enacted in 1992 provided for the issuance of privatization certificates to all residents. These vouchers were intended to be used for the privatization of land, apartments, and for the purchase of shares in state-owned enterprises being privatized. By mid-1994, the GOL still had not started developing a mechanism for conversion of these certificates into shares of privatized companies, and over time the "market" value of these shares has dropped to 0.50 lats (nominal value 28 lats).

During 1994/96, about 900 state owned enterprises were

transferred to the Latvian Privatization Agency (LPA) for disposition through the privatization process. The LPA is using various approaches (liquidation, international tenders, public auction for privatization vouchers, leasing and sales for cash) in carrying out the disposition of these government assets. By 1997, the LPA has privatized more than 530 firms.

The primary focus of U.S. assistance in achieving the strategic objective of increased transfer of state-owned assets to the private sector was to enhance the capability of the Government of Latvia (GOL) to privatize firms using government issued privatization vouchers. Advisors assisted in institutionalizing the privatization process in the Latvian Privatization Agency and the Riga Stock Exchange to effectively manage enterprise selection, advertising, financial disclosure, bidding, share issuance, and public education about privatization. Advisors assisted in establishing a public relations, mass media campaign to educate the population on the purpose of privatization certificates and to inform them on how to participate in public auctions of state-owned firms being privatized.

By the end of the project, a well functioning Latvian Public Privatization (LPPP) system had been set up and tested. Four public auctions were held in 1995 resulting in the sale of 29 firms. Although the Coopers & Lybrand TA project was completed in January, 1996, it contributed to continued privatization process. By 1997, 37 enterprises have been privatized through this system. Shares of more than 20 of them already have been quoted, but only three were actively traded in the Riga Stock Exchange (RSE). The GOL intends to offer for public privatization at least 25 enterprises in 1997.

Within the LPPP the GOL first started offerings of state owned enterprises for cash in December 1996. The C&L project increased the probability of the success of this process.

Prospects for completing the privatization of the majority of medium and large-scale enterprises over the next three years are good. Major donors including EU-PHARE, EBRD, and IBRD are providing assistance. No further direct assistance by USAID is planned. However, USAID's efforts on financial market reform and energy regulatory work will provide important support for successful privatization. Future progress on privatization will be reported as part of progress reporting in these areas.

USAID/Riga gives this S.O. a performance rating of two. That is, performance is progressing at a satisfactory rate for most IRs and/or S.O. targets, but progress towards some IRs fell slightly short of planned targets.

OBJECTIVE: 1.1 INCREASED TRANSFER OF SOE'S TO PRIVATE SECTOR			
APPROVED: COUNTRY/ORGANIZATION: USAID/LATVIA			
RESULT NAME: S.O.			
INDICATOR: FIRMS PRIVATIZED BY LPA			
UNIT OF MEASURE: CUMULATIVE NUMBER OF FIRMS PRIVATIZED BY LPA	YEAR	PLANNED	ACTUAL
	1996	550	534
SOURCE: LPA REPORT			
INDICATOR DESCRIPTION:			
COMMENTS:			

OBJECTIVE: 1.1 INCREASED TRANSFER OF SOEs TO PRIVATE SECTOR			
APPROVED: COUNTRY/ORGANIZATION: USAID/LATVIA			
RESULT NAME: 1.1.1 INCREASED GOL CAPABILITY TO PRIVATIZE FIRMS			
INDICATOR: SOEs PRIVATIZED VIA PUBLIC VOUCHERS			
UNIT OF MEASURE: CUMULATIVE NUMBER OF FIRMS	YEAR	PLANNED	ACTUAL
	1996	50	37
SOURCE: LPA REPORT			
INDICATOR DESCRIPTION:			
COMMENTS:			

2. SO 1.2 Increased soundness of fiscal policies and fiscal management practices

In 1994, Latvia's fiscal controls weakened and the government deficit exceeded fiscal targets. The Government's financial balance showed a deficit of 1.7 percent of GDP, but taking into account net lending to public enterprises, the fiscal deficit reached 4 percent of GDP. In 1995, fiscal imbalances increased with the financial deficit reaching 2.7 percent of GDP and the overall fiscal balance reaching 3.3 percent of GDP. The banking crisis of 1995 reduced the ability of enterprises to make tax payments, government enterprises had accounts frozen and, as bank liquidity contracted, demand for Treasury bills fell³.

Revenue arrears have tended to accumulate as firms are allowed to continue to pay the wage bill while deferring tax payments. Tax arrears rose from 146 million lats, or 7 percent of GDP at the end of 1994 to 252 million lats, or 10 percent of GDP at the end of 1995. Arrears to the central government general budget reached 160 million lats in September 1996 but have declined slightly thereafter. Of this, about half of the arrears are for the turnover tax and VAT. Another 48 million lats (October 1996) are arrears for profit and enterprise taxes.

Government has made some efforts to improve revenue collection. The tax system was reformed in 1995, with the most notable feature being the establishment of uniform 25 percent tax rates on corporate and personal income. At the end of 1995, a large-tax payers unit was established to enhance revenue administration. In 1996, the tax enforcement unit of the State Revenue Service headquarters was established, and in the new bankruptcy law, the authority of the tax police to enforce payments was substantially increased. Also, starting in 1996, the Government began to enforce payment plans on delayed taxes, began to freeze and seize the accounts and assets of delinquent taxpayers and started prosecution in cases of evasion. The State Revenue Service has also been granted considerable administrative autonomy, in an effort to improve incentives for timely and accurate tax enforcement.

In 1996, the Government agreed, under an IMF Standby Agreement, to limit the fiscal deficit to 40 million Lats. The target was exceeded and the deficit at the end of the year was 23 million

³ It bears noting that after the Bank crisis, the demand for Treasury Bills rose rapidly as commercial banks shifted more of their assets into relatively "low-risk" government paper, and as the Government reduced the denomination of Treasury bills (to Lats 100) to make them more accessible to households and as foreign investment in Treasury bills was allowed.

lats. This success, however, was due in part to freezing, again, government wages, an action which cannot continue if government is to retain qualified employees. Revenue collections are running in excess of targets, with first quarter revenues 16 percent higher than those collected in the first quarter of 1995. For 1997, the Government intends to balance the financial budget, with improved tax collection (particularly in customs) rather than expenditure cuts used to meet the funding gap. In addition, excise taxes will be applied to beer and the excises on gasoline and diesel fuel will be increased. A natural resources tax will be levied on environmentally harmful products, including foodstuffs and beverages that are packaged in glass or carton. After 1997, reform efforts will aim at eliminating income tax loopholes to increase domestic revenues. Fiscal balance, in general, is aided by the law that restricts central bank credits to the government to one-twelfth of revenues in any given year.

U.S. assistance for fiscal reform consists of technical assistance from the U.S. Treasury Department. The assistance is focused on improved formulation of the national budget and improved tax administration. All targets for 1996 were met. A recommended budget classification system was adopted by the Ministry of Finance and utilized to prepare the 1996 budget. A budget practices and procedures manual was developed and will be utilized to change from a functional budget system to an organization-based program management budgeting system allowing the government to assess the efficiency of different government institutions and resulting in a more transparent and stable budget process. In addition, an improved debt management system was installed with staff trained in its utilization.

In the area of improved revenue generation, with substantial preparatory work by Treasury, a collection division was established at State Revenue Service headquarters, improving performance in tax collection.

The Prime Minister, in a recently televised speech, stated that Latvia's emerging securities market was destined to grow substantially in part due to a very favorable credit rating the country has just been given by Standard and Poors.

During the remaining months of assistance by Treasury, a debt management software package is to be adapted, installed, and utilized, a sovereign credit rating process will be completed, improved revenue estimating procedures are to be implemented, tax collection enforcement procedures are to be issued, and changes in the criminal code to make tax evasion and related crimes more serious offenses will be considered.

Fiscal reform is likely to continue to move forward but be a difficult process as needed expenditures are constrained by lack of revenue. The government's ability to reduce the deficit in the

face of continuing pressures for spending on social benefits shows that the government has the will and skill to continue this reform. Economic growth would make the task easier.

USAID/Riga gives this S.O. a performance rating of two. That is, efforts are progressing at a satisfactory rate and only some planned targets were slightly missed.

OBJECTIVE: 1.2 INCREASED SOUNDNESS OF FISCAL POLICIES AND FISCAL MANAGEMENT PRACTICES APPROVED: COUNTRY/ORGANIZATION: USAID/LATVIA			
RESULT NAME: S.O.			
INDICATOR: VALUE OF T-BILLS ISSUES			
UNIT OF MEASURE: LAT (000,000) OUTSTANDING IN T-BILLS AT YEAR END SOURCE: DIRECTOR, DEPT OF DOMESTIC FINANCE RESOURCES, SMTE TREASURY OF LATVIA INDICATOR DESCRIPTION: TO SHOW NON-INFLATIONARY MEANS FOR BALANCING BUDGET COMMENTS:	YEAR	PLANNED	ACTUAL
	1996	198	181

OBJECTIVE: 1.2 INCREASED SOUNDNESS OF FISCAL POLICIES AND FISCAL MANAGEMENT PRACTICES APPROVED: COUNTRY/ORGANIZATION: USAID/LATVIA			
RESULT NAME: 1.2.1 IMPROVED FORMULATION AND MANAGEMENT OF THE NATIONAL BUDGET			
INDICATOR: BUDGET PRACTICES AND PROCEDURES			
UNIT OF MEASURE: MANUAL DEVELOPED SOURCE: RESIDENT TREASURY DEPARTMENT ADVISOR FINAL REPORT JULY 16, 1996 INDICATOR DESCRIPTION: COMMENTS: 1997 BUDGET PREPARED IN ACCORDANCE WITH MANUAL	YEAR	PLANNED	ACTUAL
	1996	DEVELOPED	DEVELOPED

OBJECTIVE: 1.2 INCREASED SOUNDNESS OF FISCAL POLICIES AND FISCAL MANAGEMENT PRACTICES
APPROVED: COUNTRY/ORGANIZATION: USAID/LATVIA

RESULT NAME: 1.2.2 IMPROVED REVENUE GENERATION

INDICATOR: COLLECTION DIVISIONS IN HEADQUARTERS OFFICE OF STATE REVENUE SERVICE FUNCTIONING

UNIT OF MEASURE: QUALITATIVE ORGANIZATION CHART OF SRS	YEAR	PLANNED	ACTUAL
	1996	ESTABLISHED	ESTABLISHED
SOURCE: STATE REVENUE SERVICE REPORT			
INDICATOR DESCRIPTION:			
COMMENTS: TRAINED MEANS TRAINERS TRAINED THROUGH TOT PROGRAM			

3. SO 1.3 Accelerated development and growth of private enterprise

Although economic growth continued to be constrained in 1996 due to spill over from the banking crisis of 1995, current GOL estimates are that modest growth of up to 2% of GDP was achieved. Behind this growth lies a continuing transformation of the economy. From 1990 to 1994 the share of agriculture fell from 22% to 9% of GDP and the share of manufacturing fell from 35% to 21% of GDP while the share of services rose from 32% to 58% of GDP. Further sign of this transformation is a substantial drop in the industrial labor force from 340,000 in 1992 to 250,000 in 1995 and a shift in the share of the labor force employed by the public sector from 62% in 1992 to 36% in mid-1996.

Growth areas have been wood product industries and railway equipment, tourism, transport and communications, banking, and wholesale and retail activity. Agro-industry has declined. Between 1990 and 1996, 57000 new private enterprises were created, mainly in the services sector.

The constraints to private sector growth include slow privatization of medium and large-scale enterprises, an undeveloped capital market as well as remaining concerns about the banking system.

Several USAID-funded activities contributed to progress under this strategic objective.

Under the Commercial Law Development Program, short term technical assistance helped to support GOL WTO accession efforts and the target of completing the third round of accession negotiations was achieved.

SUNY/Buffalo's program to develop an MBA program at the Riga School of Business continued on course as the target of 20 MBA graduates in 1996 was achieved and pre-enrollment for the program exceeded targeted projections.

The Baltic American Enterprise Fund remained on target with its lending program. HIID provided useful assistance related to pollution control and a Latvia Environmental Protection Fund was established with assistance also from EU-PHARE.

On a less successful note, although the World Environment Center successfully demonstrated how cost savings can be realized through waste minimization, the Latvia Pollution Prevention Center it created to carry on this work is encountering difficulties in marketing the concept and struggling to survive as a sustainable NGO.

OBJECTIVE: 1.3 ACCELERATED DEVELOPMENT AND GROWTH OF PRIVATE ENTERPRISES			
APPROVED: COUNTRY/ORGANIZATION: USAID/LATVIA			
RESULT NAME: S.O.			
INDICATOR: PRIVATE SECTOR CONTRIBUTION TO GDP			
UNIT OF MEASURE: % SOURCE: 1/96 REPORT FROM CENTRAL STATISTICAL BUREAU OF GOL INDICATOR DESCRIPTION: GROSS VALUE ADDED AT BASIC PRICES COMMENTS: NEW TARGETS BASED ON REVISED STATISTIC SERIES WHICH SHOWS 1995 AS 49% 1) 1996 NO YET AVAILABLE	YEAR	PLANNED	ACTUAL
	1996	55	1)

OBJECTIVE: 1.3 ACCELERATED DEVELOPMENT AND GROWTH OF PRIVATE ENTERPRISES			
APPROVED: COUNTRY/ORGANIZATION: USAID/LATVIA			
RESULT NAME: 1.3.1 POLICY AND LEGAL REGULATORY ENVIRONMENT SUPPORTS COMPETITION AND PRIVATE SECTOR GROWTH			
INDICATOR: ACCESSION TO GATT/WTO			
UNIT OF MEASURE: SEE BELOW SOURCE: CLDP/DOC ADVISOR (A.MAIN) MINISTRY OF FOREIGN AFFAIRS USTR INDICATOR DESCRIPTION: COMMENTS: A= COMPLETE THIRD ROUND OF NEGOTIATIONS	YEAR	PLANNED	ACTUAL
	1996	A	A

OBJECTIVE: 1.3 ACCELERATED DEVELOPMENT AND GROWTH OF PRIVATE ENTERPRISES			
APPROVED: COUNTRY/ORGANIZATION: USAID/LATVIA			
RESULT NAME: 1.3.3 PRIVATE BUSINESS OPERATIONS STRENGTHENED			
INDICATOR: MBA'S GRADUATED/PRE-MBA ENROLLMENT			
UNIT OF MEASURE: NUMBER OF PEOPLE	YEAR	PLANNED	ACTUAL
	1996	20/254	20/281
SOURCE:			
INDICATOR DESCRIPTION: GRADUATES OF RIGA BUSINESS SCHOOL/NUMBERS ENROLLED IN PRE MBA PROGRAM			
COMMENTS:			

OBJECTIVE: 1.3 ACCELERATED DEVELOPMENT AND GROWTH OF PRIVATE ENTERPRISES			
APPROVED: COUNTRY/ORGANIZATION: USAID/LATVIA			
RESULT NAME: 1.3.4 INCREASED SMALL BUSINESS FUNDING THROUGH IFIS			
INDICATOR: BALAEF PROVIDING LOANS			
UNIT OF MEASURE: \$MILLION ANNUALLY	YEAR	PLANNED	ACTUAL
	1996	4	3.7 1)
SOURCE: BALAEF REPORT			
INDICATOR DESCRIPTION:			
COMMENTS: 1) COMMITTED (BOARD APPROVED)			

4. SO 1.4 A more competitive and market-responsive private financial sector

This strategic objective forms a major part of USAID/Latvia's strategy for 1997-1999. The focus of the effort to achieve the objective will be on: a) increasing confidence in the banking system through enactment of a law on collateral, and the development of a register of movable property; and b) strengthening capital markets through improved financial reporting systems, a strengthened central depository and securities and exchange commission, and the development of enhanced capacity in the Riga Stock Exchange.

Subsequent to this R2, USAID/Latvia will report progress towards the achievement of this strategic objective against indicators and targets for the new strategy that were provided with the results framework early in 1997. In this R2 progress is noted against targets set earlier when program close-out in 1997 was expected.

After independence the number of commercial banks expanded rapidly, with Bank Baltija, with strong Russian backing, dominating the market.

In 1995, the BOL insisted that all banks should prepare and present audited financial statements to its Banking Supervision Department. The failure of Bank Baltija to prepare and present such accounts triggered an investigation into the bank that revealed widespread insolvency. Other middle sized banks, such as the Latvian Deposit Bank, Centra Bank and Olimpija Bank were also found to be insolvent. In total, about 40 percent of total banking assets, worth about US\$900 million were found to be compromised. These four banks had private deposits of 130 million lats, or the equivalent of 46 percent of all private deposits. In 1995, a total of 10 banks were declared insolvent.

Following rumors of Bank Baltija's difficulties, depositors (primarily enterprises) withdrew balances from the commercial banks and shifted funds to overseas banks. Capital flight increased sharply in the second quarter of 1995, forcing the authorities to increase the refinance rate and intervene heavily to defend the exchange rate. For the year, net outflows of US\$150 million (or 4 percent of GDP) from the banking system are reported to have occurred. During the first seven months of 1995, total bank deposits fell by 12 percent (58 million lats) while time deposits fell by 47 percent. The fall in total assets in the banking system made it difficult for many of the banks to meet deposit obligations and the higher reserve and provision requirements of the BOL.

Between the time the problems in Bank Baltija were identified and the Bank was placed in receivership, approximately US\$260 million

in assets had disappeared from its books. Recent reports from its receivers suggest that only a very small portion of Bank Baltija's assets will actually be recoverable, due largely to what appears to be attempts by the Bank's management to transfer these assets to foreign parties when the distress in the bank became known.

After the crisis, Government acted promptly to stabilize the situation. A new law on "Credit Institutions" was passed on October 24, 1995. This law provided legal backing for the Bank of Latvia's regulations, limited insider abuse and required that banks comply with International Accounting Standards and have and publish regular external audits. Provisions for losses have increased (to an average of 20 percent of the loans gross value by mid-1996) and the classification of doubtful loans has improved. The number of banks allowed to accept savings from the public was reduced to 12 and a major effort was made to restructure and rehabilitate the portfolio of the State Savings Bank. The frequency and scope of on-site examinations by the BOL was increased, more examiners were hired and trained and the Banking Supervision department of the BOL was reorganized. Teams of international accountants were hired to carry out periodic inspections and audits in the core banks and external auditors were appointed to liquidate the failed Banks. Government declared that it would compensate small, private depositors for their losses (under 200 Lats) in the failed banks. This compensation program, although the product of a cooperative effort between the Prime Minister's office, the Ministry of Finance, the Bank of Latvia, World Bank and Krajbanka (the National Saving Bank), was actually devised by a KPMG advisor at the Bank of Latvia who is funded by USAID/Riga under its Bank Supervision project. While compensation amounting to about 1 million Lats was paid from the Budget in 1995 (approximately four thousand depositors), Government declared in 1996 that it would no longer pay further compensation.

In the initial aftermath of the banking crisis, many of the banks switched to safer financial assets such as Government Treasury bills, deposits with banks in OECD countries and excess balances with the BOL. By mid-1996, lending to the private sector started to increase. There is also evidence that the commercial banks have tightened internal controls, installed better accounting and management information systems and reduced portfolio risks.

There has been some recovery in the commercial banking sector in 1996. Total assets in the banking system are up 16 percent in the first 7 months of the year, the capital of the banks increased by 25 percent and foreign investors have increased their stakes in the Unibank and the Land Bank. Government has reduced its refinancing rate from 24 percent in March to 11 percent in September which has helped bring interest rates down. Still, total domestic lending (credits to enterprises and

households) has fallen by 6.3 percent in the first seven months of the year (Ministry of Finance 1996).

Consolidation within the Latvian banking sector has also continued. In August 1996, the Jelgava Bank was closed, leaving about 35 banks still functioning. The BOL published a list showing that 12 commercial banks made a profit, were allowed to accept private deposits and were in full compliance with prudential requirements.

Several key targets for this objective, set last year, were met. All licensed banks were audited by the Banking Supervision Department of the Bank of Latvia. A bank examination manual was developed and revised, and three new credit unions were established. However, deposits in the banking system did not increase to the targeted level reflecting continued lack of confidence in the system. The new USAID strategy addresses this concern.

USAID assistance played a major role in improving the bank supervision capabilities of the BOL through the successful development of examination procedures, including a bank examination manual, and through staff training by KPMG advisors, FSVC volunteers, and training programs arranged through PIET.

In 1997 the major focus of attention will be on initiating the new activities through which the newly approved strategy will be implemented. The new targets that have been established in the new strategy are attainable by the program to be implemented through September 1999 and will enable this objective to be realized. Overall, to date, USAID/Riga gives this S.O. a performance rating of two, for the reasons stated above.

OBJECTIVE: 1.4 A MORE COMPETITIVE AND MARKET-RESPONSIVE PRIVATE FINANCIAL SECTOR			
APPROVED: COUNTRY/ORGANIZATION: USAID/LATVIA			
RESULT NAME: S.O.			
INDICATOR: TOTAL DEPOSITS OF ENTERPRISES AND PERSONS			
UNIT OF MEASURE: MILLIONS OF LATS	YEAR	PLANNED	ACTUAL
	1996	550	364
SOURCE: BANK OF LATVIA			
INDICATOR DESCRIPTION:			
COMMENTS:			

OBJECTIVE: 1.4 A MORE COMPETITIVE AND MARKET-RESPONSIVE PRIVATE FINANCIAL SECTOR			
APPROVED: COUNTRY/ORGANIZATION: USAID/LATVIA			
RESULT NAME: 1.4.1 IMPROVED REGULATIONS AND SUPERVISION OF COMMERCIAL BANKS			
INDICATOR: % BANKS AUDITED BY INTERNATIONAL ACCOUNTING FIRMS			
UNIT OF MEASURE: %	YEAR	PLANNED	ACTUAL
	1996	100	100
SOURCE: BARENTS ADVISOR K. WOOLFORD BOL			
INDICATOR DESCRIPTION:			
COMMENTS:			

OBJECTIVE: 1.4 A MORE COMPETITIVE AND MARKET RESPONSIVE PRIVATE FINANCIAL SECTOR			
APPROVED: COUNTRY/ORGANIZATION: USAID/LATVIA			
RESULT NAME: 1.4.2 ALTERNATIVE FINANCIAL INSTITUTIONS DEVELOPED			
INDICATOR: ENABLING LEGISLATION FOR CREDIT UNIONS			
UNIT OF MEASURE: LEGISLATION	YEAR	PLANNED	ACTUAL
	1996	A	A
SOURCE: PARLIAMENT OFFICE FOR PUBLIC INFORMATION			
INDICATOR DESCRIPTION:			
COMMENTS: THIS LAW HAS NOT YET GONE TO THE PARLIAMENT FOR 1ST READING. STILL WITH PARLIAMENT COMMISSION			
A = TO PARLIAMENT COMMISSION			

OBJECTIVE: A MORE COMPETITIVE AND MARKET RESPONSIVE PRIVATE FINANCIAL SECTOR			
APPROVED: COUNTRY/ORGANIZATION: USAID/LATVIA			
RESULT NAME: 1.4.2 ALTERNATIVE FINANCIAL INSTITUTIONS DEVELOPED			
INDICATOR: CREDIT UNIONS ESTABLISHED			
UNIT OF MEASURE: NUMBER OF LICENSED CREDIT UNIONS (CUMULATIVE)	YEAR	PLANNED	ACTUAL
	1996	4	4
SOURCE: WOCCU BOL			
INDICATOR DESCRIPTION:			
COMMENTS:			

5. SO 1.5 A more economically sustainable and environmentally sound energy sector

In the past, efforts to achieve this objective have focused on two results: assistance to the Latvian Regulatory Board for the promulgation of energy standards, policies, and legislation that support restructuring and an energy efficient commercial market, including the development of a methodology for setting energy prices and tariffs; and assistance to the two large state-owned energy companies, Latvenergo and Latvijas Gas to develop demand side management programs that will result in a more energy efficient commercial market.

While targets for these programs in 1996 were met, a review of critical gaps in Latvia's transition to a democratic market-oriented economy resulted in the realization that this SO would not be met without more focused attention on legislation and regulation that would promote investment in the energy sector by enabling the Latvian Regulatory Board to provide effective oversight of the energy sector when key companies are privatized in the next two years. Therefore, USAID/Riga gives this S.O. a performance rating of two.

In January 1997, a revised strategy was approved by ENI that will result in a continuation of assistance to the Board.

Future R2s will report progress towards the attainment of the targets set forth for this limited initiative under this broader ENI strategic objective. These targets have been provided to ENI separately from this R2 for review and approval.

Due to the number and level of the targets previously set and the fact that for the future they are being replaced with new indicators and targets, in this R2 we are reporting progress in the concise format previously developed rather than the new standardized tables.

USAID/LATVIA
PART II: PERFORMANCE ASSESSMENT
Table I - Performance Data
Baseline, Targets and Actual Results

RESULT LEVEL (SO OR IR) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS			
				YEAR	VALUE	1996		1997	
						Target	Actual	Target	Actual
SO 1.5	A more economically sustainable and environmentally sound energy sector	Improved revenue collection (%)	Definition: Consumers' debts reduced Unit: %	1995	Latvenergo \$112 million Latvijas Gaze \$110 million	Reduced by 6%	8%		
		Reduced environmental emissions	Definition: Latvenergo system's emissions (est. based on fuel to be used) Unit: thous. tons	1994 1995	24 14	22	16.83		
IR 1.5.1	Promulgation of energy standards, policies and legislation that support restructuring and an energy efficient commercial market	Regulatory Agency (Latvian Regulatory Board) management capability enhanced	Definition: Courses Unit: No	1996	Regulatory Agency only established in May '96 (no training program in place)	2	2		
		Supplemental legislation acts and regulations for the electro-energy sector	Definition: Electro-energy supply act Unit: Time	1996	Not in existence	Initiated draft	Yes		
		Methodology for setting energy prices and tariffs	Definition: Methodology Unit: Time	1996	Outdated methodology	Initiate drafting	Yes		

USAID/LATVIA
PART II: PERFORMANCE ASSESSMENT
Table I - Performance Data
Baseline, Targets and Actual Results

IR 1.5.2	More energy efficient commercial market	Demand Side Management for Letvenergo operational	Definition: DSM system Unit: Time	1995	Embark on establishing DSM program	Demonstra- tion program 11/96	Yes		
		Rigas Gaze Energy Efficiency Center developed as demonstration model for gas distribution companies	Definition: Center Unit: Time	1996	Not in existence	12/86 customer demonstratio n program established	Yes		

6. SO 2.1 Increased better informed citizens participation in political and economic decision making

Although the targets set for this objective, which primarily relate to the outputs of several providers, have been attained, and the people of Latvia enjoy relative freedom to express their ideas and form political parties, the popular participation which fueled the process which helped create modern Latvia, reached a level previously that has not proved sustainable. Popular political participation has declined as the government and bureaucracy have taken on traditional roles in a democratic society. The economic realities and hardships associated with economic transition have meant that the man in the street has had less time, money, and focused concern for those activities which traditionally underpin activist popular participation. Therefore, USAID/Riga gives this S.O. a performance rating of two.

The number of people who actively have participated in the electoral process has declined significantly since the 1989 and 1990 elections. Of course, these elections had the benefit of clear and polarized political conflict. There was also the mass political action which preceded the elections and the general atmosphere of historic political change which galvanized people into political action. Since that time however party membership, identity, and overall involvement in elections have gone down.

Another form of popular participation which has declined since the early 1990s has been the active involvement of the people with their elected representatives in order to influence political decisions. One reason for this is probably general disappointment with the functioning of the new political, and in some cases bureaucratic institutions. There is far more willingness to engage local and municipal officials (as opposed to national level officials) but overall, this type of political activity has declined and indicates a growing political lethargy which needs to be overcome.

Latvia's media played a pivotal critical role in bringing the people and country together in the early days of the transition. They have managed to maintain a high degree of popular trust and remain an important democratic institution. Where the media has been less successful has been in providing a forum for the critical debate that needs to take place and or deepen as new issues and challenges come up, in an open democratic society. This can be explained, in part, by the weak financial position that the media finds itself in, and better trained staff.

One of the most important contributors to democracy in Latvia since the awakening has been the important role that non-governmental organizations have played in the creation of civil society. Political parties, trade unions, welfare groups,

environmental organizations, professional associations, all have helped people organize to create dynamic solutions to the problems facing Latvia. These same groups give voice to the people and help them transmit their values and attitudes about the needs and potentials of society.

As in other popular participatory processes in Latvia, the vitality found in the NGO movement in the late 1980s and early 1990s has waned somewhat in the last few years. Economic conditions have caused many who gave time and money to NGOs, to reduce their level of involvement.

In view of these developments, the revised strategy for the Latvia program approved by ENI includes a major renewed emphasis on citizen participation through NGOs. The program will encompass two elements: assistance with funds already in the pipeline for the current DEMNET program through USBF to NGOs concerned with integration of the non-Latvian population into civic society, and longer term assistance to more broadly strengthen NGOs in the Baltics through a regional foundation which is being developed by USAID/Vilnius and which will continue beyond the period of a US presence.

Targets for this longer term program are being formulated in conjunction with the development of the foundation activity and future reporting will be against that.

Due to the number of targets previously set, the fact that they deal primarily with the output of various providers who arranged such things as seminars for local officials, and the fact that these indicators and targets will be replaced, progress is being reported in the concise format developed by ENI last year rather than in the lengthier new standardized format.

USAID/LATVIA
PART II: PERFORMANCE ASSESSMENT
Table I - Performance Data
Baseline, Targets and Actual Results

RESULT LEVEL (SO OR IR) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS			
				YEAR	VALUE	1996		1997	
						Target	Actual	Target	Actual
SO 2.1	Increased, better-informed citizen's participation in political and economic decision-making	Stabilization of numbers of citizens voting in local and national elections	Definition: Eligible voters Unit: %	1995	72	No elections			
IR 2.1.1	Increased capacity of political parties to represent constituents' interest	Linkage between local and national levels of political parties strengthened	Definition: Targeted leadership seminars for local activists/party leaders Unit: No	1994/1995	7	2	2		
		Constituency liaison training seminars for Parliamentarian completed	Definition: Parliamentarian Seminar Parliamentarian seminar Unit: No	1994 1995	4 4	1	1		
IR 2.1.2	More responsive civil society	NGO capacity increased to focus on public policy	Definition: NGOs focusing on public policy issues Unit: %	1995	30	Increase by 10%	33		
		Transparency of national government operations increased	Definition: Transparency and accountability seminars completed Unit: No	1995	0	2	2		

USAID/LATVIA
PART II: PERFORMANCE ASSESSMENT
Table I - Performance Data
Baseline, Targets and Actual Results

IR 2.1.3	Local governments more effective and responsive to citizens	Increased capacity of local governments to deliver services	Definition: 1) Model municipal services project 2) Workshop Latvian National Program for Groundwater Unit: Time	1996		9/96 12/96	Imple-mented Imple-mented		
		Improved management capacity	Definition: Local governments' training programs Unit: No	1995	0	2	2		

7. SO 2.2 Legal systems that better support democratic processes and market reform

Latvia, with the assistance of several donors including USAID, made progress during 1996 in several areas that will improve legal systems so they better support democratic processes and market reform.

A law establishing a Constitutional Court was adopted in June and a respected Chief Justice was appointed in December. The Court may review cases concerning the Constitution as well as Latvia's accession to international agreements, decisions of the Saeima, rulings of the Cabinet, and actions of the President and Prime Minister, and may invalidate laws and legal acts. This was important because no constitutional cases have been heard since 1994, when the mandate of the Supreme Court to review such cases was removed.

In December, the Saeima adopted a law that gave approval of the mandate of the National Human Rights Office which had been established in 1995 as part of a National Program for the Protection and Promotion of Human Rights in Latvia. The Office's mandate is to act as an independent and impartial guardian of human rights and fundamental freedoms for all individuals in Latvia, and to provide an alternative to courts for handling of complaints by individuals concerning human rights issues.

Sweden, with the Soros Foundation, has agreed to establish a new law school in Riga, which, with an improved University of Latvia Law Faculty (assisted by the EuroFaculty), holds the promise of modernizing legal training in Latvia.

And, of particular relevance to the main thrusts of USAID's assistance program, the Government of Latvia, in December 1996, through the Ministry of Justice, finally agreed to assist in funding the Judicial Training Center, which heretofore had been solely funded by USAID and other donors, and it transferred \$61,000 to its accounts.

USAID's planned assistance to achieving this objective consists primarily of technical assistance from CEELI to develop a body of laws related to secured transactions, and technical assistance to the Judicial Training Center to increase the qualifications of judges and to enhance the ability of legal professionals to advocate appropriate new laws.

Targets under USAID's program were substantially met. The Courts' Plenum decisions from 1990-1995 were collected and published, a working group on collateral law was established, 37 judicial training seminars were held, quarterly publication of a legal journal was initiated, the Latvian Judges Association was admitted to the International Judges' Association, over 490 lawyers were

trained through seminars and short-term training programs, and importantly, with the decision of the cash-strapped GOL to provide a share of the funding required by the Judicial Training Center, and the continued support of other donors, including an anticipated grant of \$100,000 from UNDP, this organization, which USAID helped co-found, appears well on the way to self-sustainability.

Despite this overall progress, complete reform and modernization of the legal systems in Latvia is a process that will take many years to complete. Therefore, while USAID examined providing continued broad support for this objective under an extended country program, we concluded that other active donors, particularly EU-PHARE with its efforts to harmonize Latvia's legal systems with those of Europe, were best positioned to assist in the continued modernization effort. Instead, USAID will continue with a limited program on secured transactions under a revised SO 1.4 as presented in our revised strategy. Future reporting of activities, therefore, will be through AMRs and each year's report of progress under SO 1.4.

Due to the number and nature of the targets set last year and the fact that we will no longer report on this SO in the future, in this R2 we are reporting progress in the concise format previously developed rather than the new standardized tables. In general, we give this S.O. a performance rating of two because, as indicated above, targets were substantially met.

USAID/LATVIA
PART II: PERFORMANCE ASSESSMENT
Table I - Performance Data
Baseline, Targets and Actual Results

RESULT LEVEL (SO OR IR) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS			
				YEAR	VALUE	1996		1997	
						Target	Actual	Target	Actual
SO 2.2	Legal Systems that better support democratic processes and market reform	Codification and dissemination of laws, rules and regulations	Definition: Online data- base of legal materials established Unit: Time	1995	First collection of the Courts' 1990-1995 Plenum Decisions	12/96 activity initiated	Yes		
		Comprehensive body of laws for secured transactions	Definition: Draft of proposed legislation presented to Parliament for enactment Unit: Time		Legislation does not exist	8/96 working group established	Yes		

USAID/LATVIA
PART II: PERFORMANCE ASSESSMENT
Table I - Performance Data
Baseline, Targets and Actual Results

IR 2.2.1	Independency of judiciary increased	Qualifications of judges increased	Definition: Judicial training center established Unit: Time	4/95	Established				
			Definition: Judicial training seminars Unit: No	1995	4	36	39		
		Freedom of expression instituted	Definition: Legal Journal published quarterly Unit: No of publications	1995	3	4	1		
			Definition: Membership of Latvian Judges association in international associations Unit: Time	1991	LJA activities renewed but organization weak at time	9/96 one at minimum	1		
		Citizens respect for judiciary enhanced	Definition: Code of Ethics enacted Unit: Time	1995	Enacted 4/95				

USAID/LATVIA
PART II: PERFORMANCE ASSESSMENT
Table I - Performance Data
Baseline, Targets and Actual Results

			Definition: Development of Code of Ethics enforcement mechanisms Unit: Time	1995	Code of Ethics adopted by Latvian Judges Association				
I.R. 2.2.2	Legal professionals ability to advocate new laws enhanced	Training in International commercial laws completed	Definition: Lawyers trained Unit: No	1995	No training programs	100	100		

III. Status of the Management Contract

At the time this R2 was prepared, a management contract between ENI/W and the operating unit had not been established. However, it is anticipated that a management contract will be established once ENI/W has reviewed the indicators and targets associated with the new strategy that has already been approved, and which has as its primary focus S.O. 1.4, that is, to develop a more competitive and market responsive private financial sector. This focus is reflected in USAID/Riga's proposed FY 1997 and FY 1998 budgets which are included in this submission.

IV. Close out plans

A close out schedule for existing programs is attached. More detailed close out plans for these programs were prepared in May 1996 and are available in USAID/Riga. It is premature to discuss close out plans for activities that will implement the new strategy other than to note that all bilateral activities will end by September 30, 1999.

Closeout Schedule for Activities

USAID/Latvia

Activity	S.O.	Completion schedule Requested/ received	Estimated completion m
<u>I. Bilateral</u>			
1. 180-0014 Privatization and Enterprise Restructuring - Coopers & Lybrand	1.1	not requested	completed in 1/96, FR received
2. 180-0021.5 Political & Social Process - National Democratic Institute (NDI)	2.1	req/not rec	completed 5/96 (no FR received)
3. 180-0021.5 Political & Social Process - International Republican Institute (IRI)	2.1	req/not rec(prepared acc.to WP)	completed 9/96 (wa for FR)
4. 180-0024.01 Restructuring of Ag & Agribusinesses - Volunteers in Overseas Cooperative Assistance (VOCA)	1.3	not requested	completed, FR rece
5. 180-0004.01 Environmental Initiatives - World Environment Center (WEC)	1.3	req/rec	8/97
6. 180-0004.01 Environmental Initiatives - Harvard Institute for International Development (HIID)	1.3	req/rec	12/96 (waiting for F
7. 180-0014 Strengthening Bank Supervision - KPMG Barents Group	1.4	req/rec (need to modify)	7/97
8. 180-0023 TA to Enterprises - World Council of Credit Unions (WOCCU)	1.4	req/rec (need to modify)	9/98
9. 180-0026.05 Competition Policy, Laws & Regs - Commercial Law Development Program (CLDP)	1.3	req/rec	12/97
10. 180-0027.01 Business Services - U.S. Department of Treasury	1.2	req/rec	7/97
11. 180-0027.02 Business Services - Financial Services Volunteers Corps (FSVC)	1.4	N/A	7/97
12. 180-0029.01 Mgt Training & Economic Education - State Univ.of Buffalo (SUNY/B)	1.3	req/rec	9/97
* 13. 180-0030.01 Regional Energy Efficiency - Bechtel	1.5	req/rec	to be continued und new strategy
14. 180-0030.01 Regional Energy Efficiency - Electrotek	1.5	req/rec	9/97

15. 180-0030.01 Regional Energy Efficiency - United States Energy Association (USEA)	1.5	req/rec	9/97
16. 180-0019.07 Democratic Governance & Public Administration - Public Administration Service (PAS)/ US Baltic Foundation (USBF)	2.1	req/rec (but the proj.has been modified)	TBD
* 17. 180-0020.02 Rule of Law - American Bar Ass.(ABA), CEELI	2.2	req/not rec	9/97 (collateral law component might b continued under thi activity)
18. 180-0037 Partnerships in Health Care - American International Health Alliance (AIHA)	S.I	req/rec	12/97
19. 180-0039.01 Improved Public Sector Env. Services - Environmental Protection Agency EPA)	2.1 and S.I	req/rec	9/97
* 20. 180-0045 Participant Training - Partners for International Education and Training (PIET)	cc	req/rec	to be continued
II. Regional			
21. 180-0032.09 Democracy Network - U.S. Baltic Foundation (USBF)	2.1	req/rec (needs revision)	9/98
22. 180-0030.04 Regional Energy Efficiency - USEA/ Electrotek	1.5	req/rec	1/99
23. 180-0010 Enterprise Development - Baltic American Enterprise Fund	1.3	N/A	N/A
III Transfers			
24. 180-0023.07 TA to Enterprises - US Peace Corps	1.3	N/A	continuing
25. 180-xxx Democracy Commission - Unites States Information Agency (USIS)	2.1	N/A	continuing
26. 180-0002 Human Resources Development (English Language) - USIS	cc	N/A	9/97
27. 180-0021 Civic Education Project for Democracy Advancement Center - USIS	2.1	N/A	6/98
28. 180-0020.03 Law & Democracy - Department of Justice (DOJ)/CEELI	N/A	N/A	continuing

* These activities will be continued under the new program.

USAID FY 1997 Budget Request by Program/Country
(\$000)

14-Mar-97
03:55 PM

Country/Program: Latvia/SEED

S.O. #	Title	Approp Acct	Bilateral/Field Spt	Est. SO Pipeline at end of FY 96	FY 1997 Request								Est. Expend. FY 97	Est. Total cost life of SO	Mortgage at end of 1997	
					FY 1997 Total Request	Basic Education for Chldrn	Other Economic Growth	Population	Child Survival	HIV/AIDS	Other Health	Environ				D/G
SO 1: 1.4. A more competitive and market-responsive private financial sector																
SEED	Bilateral			1,274	2,610	0	2,610	0	0	0	0	0	0	2,003	7,001	3,917
	Field Spt			0	0	0	0	0	0	0	0	0	0	0	0	0
	Total			1,274	2,610	0	2,610	0	0	0	0	0	0	2,003	7,001	3,917
SO 2: 1.5. Special Objective: Legislation and regulation promotes investment in the energy sector under - A more economically sustainable and environmentally sound energy sector																
SEED	Bilateral			750	820	0	820	0	0	0	0	0	0	1,023	3,436	607
	Field Spt			0	0	0	0	0	0	0	0	0	0	0	0	0
	Total			750	820	0	820	0	0	0	0	0	0	1,023	3,436	607
SO 3: 2.1. Increased better informed citizens participation in political and economic decision making																
SEED	Bilateral			1,205	58	0	0	0	0	0	0	0	58	1,224	6,284	1,807
	Field Spt			0	0	0	0	0	0	0	0	0	0	0	0	0
	Total			1,205	58	0	0	0	0	0	0	0	58	1,224	6,284	1,807
SO 4: 4.1. Special initiatives - Participant training																
SEED	Bilateral			181	512	0	512	0	0	0	0	0	0	351	1,661	378
	Field Spt			0	0	0	0	0	0	0	0	0	0	0	0	0
	Total			181	512	0	512	0	0	0	0	0	0	351	1,661	378
SSO 1 (Type in approved full title of SO here)																
	Bilateral			0	0	0	0	0	0	0	0	0	0	0	0	0
	Field Spt			0	0	0	0	0	0	0	0	0	0	0	0	0
	Total			0	0	0	0	0	0	0	0	0	0	0	0	0
SSO 2 (Type in approved full title of SO here)																
	Bilateral			0	0	0	0	0	0	0	0	0	0	0	0	0
	Field Spt			0	0	0	0	0	0	0	0	0	0	0	0	0
	Total			0	0	0	0	0	0	0	0	0	0	0	0	0
SPO 1 (Type in approved full title of SPO here)																
	Bilateral			0	0	0	0	0	0	0	0	0	0	0	0	0
	Field Spt			0	0	0	0	0	0	0	0	0	0	0	0	0
	Total			0	0	0	0	0	0	0	0	0	0	0	0	0
SPO 2 (Type in approved full title of SPO here)																
	Bilateral			0	0	0	0	0	0	0	0	0	0	0	0	0
	Field Spt			0	0	0	0	0	0	0	0	0	0	0	0	0
	Total			0	0	0	0	0	0	0	0	0	0	0	0	0
Total Bilateral					4,000	0	3,942	0	0	0	0	0	58			
Total Field Support					0	0	0	0	0	0	0	0	0			
TOTAL PROGRAM					3,410	4,000	3,942	0	0	0	0	58	4,801	18,382	6,709	

FY 97 Budget Request by Appropriation - (\$000's)	
Development Assistance	0
Development Fund for Africa	0
Economic Support Funds	0
SEED	4,000
FSA	0
PL 480 Title II	0
PL 480 Title III	0
Micro & Small Ent. Dev. Credit Program	0
Housing Investment Guarantee Program	0
Enhanced Credit Program	0
Disaster Assistance	0

**USAID FY 1998 Budget Request by Program/Country
(\$000)**

14-Mar-97
03:55 PM

Country/Program: Latvia/SEED

S.O. #	Title	Approp Acct	Bilateral/Field Spt	Est. SO Pipeline at end of FY 97	FY 1998 Request							Est Expend. FY 98	Est Total cost life of SO	Mortgage at end of 1998		
					FY 1998 Total Request	Basic Education for Chldrn	Other Economic Growth	Population	Child Survival	HIV/AIDS	Other Health				Environ	D/G
SO 1: 1.4. A more competitive and market-responsive private financial sector																
	SEED	Bilateral		1.881	2.036	0	2.036	0	0	0	0	0	2.560	7.001	1.357	
		Field Spt			0	0	0	0	0	0	0	0				
		Total		1.881	2.036	0	2.036	0	0	0	0	0	2.560	7.001	1.357	
SO 2: 1.5. Special Objective: Legislation and regulation promotes investment in the energy sector under - A more economically sustainable and environmentally sound energy sector																
	SEED	Bilateral		547	60	0	60	0	0	0	0	0	567	3.436	40	
		Field Spt			0	0	0	0	0	0	0	0				
		Total		547	60	0	60	0	0	0	0	0	567	3.436	40	
SO 3: 2.1. Increased better informed citizens participation in political and economic decision making																
	SEED	Bilateral		39	1.768	0	0	0	0	0	0	1.768	1.707	6.284	100	
		Field Spt			0	0	0	0	0	0	0	0				
		Total		39	1.768	0	0	0	0	0	0	1.768	1.707	6.284	100	
SO 4: 4.1. Special initiatives - Participant training																
	SEED	Bilateral		342	36	0	36	0	0	0	0	0	354	1.661	24	
		Field Spt			0	0	0	0	0	0	0	0				
		Total		342	36	0	36	0	0	0	0	0	354	1.661	24	
SSO 1 (Type in approved full title of SO here)																
		Bilateral			0	0	0	0	0	0	0	0				
		Field Spt			0	0	0	0	0	0	0	0				
		Total		0	0	0	0	0	0	0	0	0	0	0	0	
SSO 2 (Type in approved full title of SO here)																
		Bilateral			0	0	0	0	0	0	0	0				
		Field Spt			0	0	0	0	0	0	0	0				
		Total		0	0	0	0	0	0	0	0	0	0	0	0	
SP0 1 (Type in approved full title of SPO here)																
		Bilateral			0	0	0	0	0	0	0	0				
		Field Spt			0	0	0	0	0	0	0	0				
		Total		0	0	0	0	0	0	0	0	0	0	0	0	
SP0 2 (Type in approved full title of SPO here)																
		Bilateral			0	0	0	0	0	0	0	0				
		Field Spt			0	0	0	0	0	0	0	0				
		Total		0	0	0	0	0	0	0	0	0	0	0	0	
Total Bilateral					3.900	0	2.132	0	0	0	0	0	1.768			
Total Field Support					0	0	0	0	0	0	0	0				
TOTAL PROGRAM					2.809	3.900	0	2.132	0	0	0	0	1.768	5.188	18.382	1.521

FY 98 Budget Request by Appropriation - (\$000's)	
Development Assistance	0
Development Fund for Africa	0
Economic Support Funds	0
SEED	3,900
FSA	0
PL 480 Title II	0
PL 480 Title III	0
Micro & Small Ent. Dev. Credit Program	0
Housing Investment Guarantee Program	0
Enhanced Credit Program	0
Disaster Assistance	0

**USAID FY 1999 Budget Request by Program/Country
(\$000)**

14-Mar-97
03:55 PM

Country/Program: Latvia/SEED

S.O. #	Title	Approp Acct	Bilateral/Field Spt	Est. SO Pipeline at end of FY 98	FY 1999 Request								Est. Expnd. FY 99	Est. Total cost life of SO	Mortgage at end of 1999		
					FY 1999 Total Request	Basic Education for Childrn	Other Economic Growth	Population	Child Survival	HIV/AIDS	Other Health	Environ				D/G	
SO 1: 1.4. A more competitive and market-responsive private financial sector																	
SEED	Bilateral			1,357	0	0	0	0	0	0	0	0	0	1,357	7,001	0	
	Field Spt			0	0	0	0	0	0	0	0	0	0	0	0	0	
	Total			1,357	0	0	0	0	0	0	0	0	0	1,357	0	0	
SO 2: 1.5. Special Objective: Legislation and regulation promotes investment in the energy sector under - A more economically sustainable and environmentally sound energy sector																	
SEED	Bilateral			40	0	0	0	0	0	0	0	0	0	40	3,436	0	
	Field Spt			0	0	0	0	0	0	0	0	0	0	0	0	0	
	Total			40	0	0	0	0	0	0	0	0	0	40	0	0	
SO 3: 2.1. Increased better informed citizens participation in political and economic decision making																	
SEED	Bilateral			100	0	0	0	0	0	0	0	0	0	50	6,284	50	
	Field Spt			0	0	0	0	0	0	0	0	0	0	0	0	0	
	Total			100	0	0	0	0	0	0	0	0	0	50	0	50	
SO 4: 4.1. Special initiatives - Participant training																	
SEED	Bilateral			24	0	0	0	0	0	0	0	0	0	24	1,661	0	
	Field Spt			0	0	0	0	0	0	0	0	0	0	0	0	0	
	Total			24	0	0	0	0	0	0	0	0	0	24	0	0	
SSO 1 (Type in approved full title of SO here)																	
	Bilateral			0	0	0	0	0	0	0	0	0	0	0	0	0	
	Field Spt			0	0	0	0	0	0	0	0	0	0	0	0	0	
	Total			0	0	0	0	0	0	0	0	0	0	0	0	0	
SSO 2 (Type in approved full title of SO here)																	
	Bilateral			0	0	0	0	0	0	0	0	0	0	0	0	0	
	Field Spt			0	0	0	0	0	0	0	0	0	0	0	0	0	
	Total			0	0	0	0	0	0	0	0	0	0	0	0	0	
SP0 1 (Type in approved full title of SPO here)																	
	Bilateral			0	0	0	0	0	0	0	0	0	0	0	0	0	
	Field Spt			0	0	0	0	0	0	0	0	0	0	0	0	0	
	Total			0	0	0	0	0	0	0	0	0	0	0	0	0	
SP0 2 (Type in approved full title of SPO here)																	
	Bilateral			0	0	0	0	0	0	0	0	0	0	0	0	0	
	Field Spt			0	0	0	0	0	0	0	0	0	0	0	0	0	
	Total			0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Bilateral				0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Field Support				0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL PROGRAM				1,521	0	0	0	0	0	0	0	0	0	1,471	0	50	

FY 99 Budget Request by Appropriation - (\$000's)	
Development Assistance	0
Development Fund for Africa	0
Economic Support Funds	0
SEED	0
FSA	0
PL 480 Title II	0
PL 480 Title III	0
Micro & Small Ent. Dev. Credit Program	0
Housing Investment Guarantee Program	0
Enhanced Credit Program	0
Disaster Assistance	0

OVERSEAS MISSION BUDGET REQUEST

OE-2XXXX.wk4

Org. Title: USAID/Latvia
 Org. No: 22162
 OC

CONTWarsaw

Org. Title: USAID/Latvia
 Org. No: 22162
 OC

CONTWarsaw

Revised/Requested FY 97			Requested FY 98			Requested FY 99			Targeted FY 99		
Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
Revised/Requested FY 97			Requested FY 98			Requested FY 99			Targeted FY 99		
Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total

26

OVERSEAS MISSION BUDGET REQUEST

OE-2XXXX.wk4

Org. Title: USAID/Latvia
 Org. No: 22162
 OC CONTWarsaw

	Revised/Requested FY 97			Requested FY 98			Requested FY 99			Targeted FY 99		
	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		
11,1 Base Pay & pymt. for annual leave balances - FNDH			0,0			0,0			0,0			0,0
Subtotal OC 11.1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
11,3 Personnel comp. - other than full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11,3 Base Pay & pymt. for annual leave balances - FNDH			0,0			0,0			0,0			0,0
Subtotal OC 11.3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
11,5 Other personnel compensation	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11,5 USDH			0,0			0,0			0,0			0,0
11,5 FNDH			0,0			0,0			0,0			0,0
Subtotal OC 11.5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
11,8 Special personal services payments	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11,8 USPSC Salaries			222,3			258,5			199,8			0,0
11,8 FN PSC Salaries			25,8			34,2			30,9			0,0
11,8 IPA/Details-In/PASAs/RSSAs Salaries			0,0			0,0			0,0			0,0
Subtotal OC 11.8	0,0	0,0	248,1	0,0	0,0	292,7	0,0	0,0	230,7	0,0	0,0	0,0
12,1 Personnel benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
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		
12,1 Educational Allowances			0,0			0,0			0,0			0,0
12,1 Cost of Living Allowances			0,0			0,0			0,0			0,0
12,1 Home Service Transfer Allowances			0,0			0,0			0,0			0,0
12,1 Quarters Allowances			0,0			0,0			0,0			0,0
12,1 Other Misc. USDH Benefits			0,0			0,0			0,0			0,0
12,1 FNDH Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12,1 Payments to the FSN Separation Fund - FNDH			0,0			0,0			0,0			0,0
12,1 Other FNDH Benefits			0,0			0,0			0,0			0,0
12,1 US PSC Benefits			65,4			28,6			73,3			0,0
12,1 FN PSC Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12,1 Payments to the FSN Separation Fund - FN PSC			0,0			0,0			0,0			0,0
12,1 Other FN PSC Benefits			0,0			0,0			0,0			0,0
12,1 IPA/Detail-In/PASA/RSSA Benefits			0,0			0,0			0,0			0,0
Subtotal OC 12.1	0,0	0,0	65,4	0,0	0,0	28,6	0,0	0,0	73,3	0,0	0,0	0,0
13,0 Benefits for former personnel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
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		
13,0 Severance Payments for FNDH			0,0			0,0			0,0			0,0
13,0 Other Benefits for Former Personnel - FNDH			0,0			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		
13,0 Severance Payments for FN PSCs			0,0			0,0			0,0			0,0
13,0 Other Benefits for Former Personnel - FN PSCs			0,0			0,0			0,0			0,0
Subtotal OC 13.0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0

OVERSEAS MISSION BUDGET REQUEST

OE-2XXXX.wk4

Org. Title: **USAID/Latvia**
 Org. No: **22162**
 OC **CONT\Warsaw**

	Revised/Requested FY 97			Requested FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
21,0 Travel and transportation of persons	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21,0 Training Travel			5,0			5,0			5,0			0,0
21,0 Mandatory/Statutory Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21,0 Post Assignment Travel - to field			0,0			0,0			0,0			0,0
21,0 Assignment to Washington Travel			0,0			0,0			0,0			0,0
21,0 Home Leave Travel			0,0			0,0			0,0			0,0
21,0 R & R Travel			0,0			0,0			0,0			0,0
21,0 Education Travel			0,0			0,0			0,0			0,0
21,0 Evacuation Travel			0,0			0,0			0,0			0,0
21,0 Retirement Travel			0,0			0,0			0,0			0,0
21,0 Pre-Employment Invitational Travel			0,0			0,0			0,0			0,0
21,0 Other Mandatory/Statutory Travel			0,0			0,0			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		
21,0 Site Visits - Headquarters Personnel			0,0			0,0			0,0			0,0
21,0 Site Visits - Mission Personnel			2,8			3,0			3,0			0,0
21,0 Conferences/Seminars/Meetings/Retreats			11,5			13,5			13,5			0,0
21,0 Assessment Travel			0,0			0,0			0,0			0,0
21,0 Impact Evaluation Travel			0,0			0,0			0,0			0,0
21,0 Disaster Travel (to respond to specific disasters)			0,0			0,0			0,0			0,0
21,0 Recruitment Travel			0,0			0,0			0,0			0,0
21,0 Other Operational Travel			4,5			4,5			4,5			0,0
Subtotal OC 21.0	0,0	0,0	23,8	0,0	0,0	26,0	0,0	0,0	26,0	0,0	0,0	0,0
22,0 Transportation of things	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
22,0 Post assignment freight			0,0			0,0			0,0			0,0
22,0 Home Leave Freight			0,0			0,0			0,0			0,0
22,0 Retirement Freight			0,0			0,0			0,0			0,0
22,0 Transportation/Freight for Office Furniture/Equip.			1,0			5,0			1,0			0,0
22,0 Transportation/Freight for Res. Furniture/Equip.			20,0			0,0			0,0			0,0
Subtotal OC 22.0	0,0	0,0	21,0	0,0	0,0	5,0	0,0	0,0	1,0	0,0	0,0	0,0
23,2 Rental payments to others	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23,2 Rental Payments to Others - Office Space			21,3			30,0			23,0			0,0
23,2 Rental Payments to Others - Warehouse Space			0,0			0,0			0,0			0,0
23,2 Rental Payments to Others - Residences			25,3			50,0			38,0			0,0
Subtotal OC 23.2	0,0	0,0	46,6	0,0	0,0	80,0	0,0	0,0	61,0	0,0	0,0	0,0
23,3 Communications, utilities, and miscellaneous charges	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23,3 Office Utilities			0,0			3,0			3,5			0,0
23,3 Residential Utilities			4,5			6,5			7,0			0,0
23,3 Telephone Costs			15,0			15,0			15,0			0,0
23,3 ADP Software Leases			0,0			0,0			0,0			0,0
23,3 ADP Hardware Lease			0,0			0,0			0,0			0,0
23,3 Commercial Time Sharing			0,0			0,0			0,0			0,0
23,3 Postal Fees (Other than APO Mail)			0,0			0,0			0,0			0,0
23,3 Other Mail Service Costs			0,0			0,0			0,0			0,0
23,3 Courier Services			0,0			0,0			0,0			0,0
Subtotal OC 23.3	0,0	0,0	19,5	0,0	0,0	24,5	0,0	0,0	25,5	0,0	0,0	0,0

OVERSEAS MISSION BUDGET REQUEST

OE-2XXXX.wk4

Org. Title: USAID/Latvia
 Org. No: 22162
 OC CONT/Warsaw

	Revised/Requested FY 97			Requested FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total									
24,0 Printing and Reproduction			1,0			1,0			1,0			0,0
Subtotal OC 24.0	0,0	0,0	1,0	0,0	0,0	1,0	0,0	0,0	1,0	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		
25,1 Studies, Analyses, & Evaluations			0,0			0,0			0,0			0,0
25,1 Management & Professional Support Services			0,0			0,0			0,0			0,0
25,1 Engineering & Technical Services			0,0			0,0			0,0			0,0
Subtotal OC 25.1	0,0	0,0	0,0	0,0	0,0	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		
25,2 Office Security Guards			0,0			3,0			3,0			0,0
25,2 Residential Security Guard Services			3,0			6,0			6,0			0,0
25,2 Official Residential Expenses			0,0			0,0			0,0			0,0
25,2 Representation Allowances			0,0			0,0			0,0			0,0
25,2 Non-Federal Audits			0,0			0,0			0,0			0,0
25,2 Grievances/Investigations			0,0			0,0			0,0			0,0
25,2 Insurance and Vehicle Registration Fees			0,0			0,0			0,0			0,0
25,2 Vehicle Rental			0,0			0,0			0,0			0,0
25,2 Manpower Contracts			0,0			0,0			0,0			0,0
25,2 Records Declassification & Other Records Services			0,0			0,0			0,0			0,0
25,2 Recruiting activities			0,0			0,0			0,0			0,0
25,2 Penalty Interest Payments			0,0			0,0			0,0			0,0
25,2 Other Miscellaneous Services			14,0			9,0			9,0			0,0
25,2 Staff training contracts			0,0			0,0			0,0			0,0
25,2 ADP related contracts			0,0			0,0			0,0			0,0
Subtotal OC 25.2	0,0	0,0	17,0	0,0	0,0	18,0	0,0	0,0	18,0	0,0	0,0	0,0
25,3 Purchase of goods and services from Government accounts	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25,3 ICASS			51,8			57,0			57,0			0,0
25,3 All Other Services from Other Gov't. accounts			0,0			0,0			0,0			0,0
Subtotal OC 25.3	0,0	0,0	51,8	0,0	0,0	57,0	0,0	0,0	57,0	0,0	0,0	0,0
25,4 Operation and maintenance of facilities	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25,4 Office building Maintenance			9,0			4,0			4,0			0,0
25,4 Residential Building Maintenance			6,0			0,0			0,0			0,0
Subtotal OC 25.4	0,0	0,0	15,0	0,0	0,0	4,0	0,0	0,0	4,0	0,0	0,0	0,0
25,6 Medical Care			0,0			0,0			0,0			0,0
Subtotal OC 25.6	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
25,7 Operation/maintenance of equipment & storage of goods	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25,7 ADP and telephone operation and maintenance costs			1,0			1,0			1,0			0,0
25,7 Storage Services			0,0			0,0			0,0			0,0
25,7 Office Furniture/Equip. Repair and Maintenance			2,0			2,0			2,0			0,0
25,7 Vehicle Repair and Maintenance			2,0			2,0			2,0			0,0
25,7 Residential Furniture/Equip. Repair and Maintenance			6,0			6,0			6,0			0,0
Subtotal OC 25.7	0,0	0,0	11,0	0,0	0,0	11,0	0,0	0,0	11,0	0,0	0,0	0,0

OVERSEAS MISSION BUDGET REQUEST

OE-2XXXX.wk4

Org. Title: USAID/Latvia
 Org. No: 22162
 OC CONTWarsaw

	Revised/Requested FY 97			Requested FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
25,8 Substance and support of persons (by contract or Gov't.)			0,0			0,0			0,0			0,0
Subtotal OC 25.8	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
26,0 Supples and materials			7,0			7,0			7,0			7,0
Subtotal OC 26.0	0,0	0,0	7,0	0,0	0,0	7,0	0,0	0,0	7,0	0,0	0,0	7,0
31,0 Equipment	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
31,0 Purchase of Residential Furniture/Equip.			24,0			0,0			0,0			0,0
31,0 Purchase of Office Furniture/Equip.			18,0			3,0			0,0			0,0
31,0 Purchase of Vehicles			0,0			0,0			0,0			0,0
31,0 Purchase of Printing/Graphics Equipment			0,0			0,0			0,0			0,0
31,0 ADP Hardware purchases			24,5			2,0			0,0			0,0
31,0 ADP Software purchases			2,0			3,0			0,0			0,0
Subtotal OC 31.0	0,0	0,0	68,5	0,0	0,0	8,0	0,0	0,0	0,0	0,0	0,0	0,0
32,0 Lands and structures	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
32,0 Purchase of Land & Buildings (& construction of bldgs.)			0,0			0,0			0,0			0,0
32,0 Purchase of fixed equipment for buildings			0,0			0,0			0,0			0,0
32,0 Building Renovations/Alterations - Office			0,0			0,0			0,0			0,0
32,0 Building Renovations/Alterations - Residential			0,0			0,0			0,0			0,0
Subtotal OC 32.0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
42,0 Claims and indemnties			0,0			0,0			0,0			0,0
Subtotal OC 42.0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
TOTAL BUDGET	0,0	0,0	595,7	0,0	0,0	562,8	0,0	0,0	515,5	0,0	0,0	0,0

The following line is to be used to show your estimate of FY 98 and FY 99 Program Funded ICASS costs.
 Enter dollars in thousands - same format as above.

	FY 98 Est.	FY 99 Est.
ICASS - Program Funded	0,0	0,0

93

APPR: TD ()
DRAFT: EC ()
CLEAR: BT ()
CLEAR: JC ()
CLEAR: JH ()
CLEAR: DC ()
CLEAR: WS ()

UNCLASSIFIED

AID/ENI/PCS/PS:ECARTER:ATB
08/28/96 647-6905
AID/AA/ENI:TDINE

AID/DAA/ENI:BTURNER
STATE/EUR/EEA:JHOLMES
AID/PPC/PA:WSCHUERCH
AID/GC/ENI:MFITTIPALDI

AID/ENI/PCS:JCONLY
AID/ENI/NCA:DCOWLES
AID/ENI/PD:GSTEELE
AID/ENI/FS:MHORWEEN

ROUTINE RIGA

ADM AID

E.O. 12958: N/A

TAGS:

SUBJECT: LATVIA R2 REVIEW

REF: (A) STATE 161404; (B) RIGA 1560

1. INTRODUCTION: THE RESULTS REVIEW SERVES AS THE MECHANISM FOR USAID/W ANNUAL REVIEW OF COUNTRY PROGRAM PERFORMANCE. IT IS CONSISTENT WITH LEGISLATIVE REQUIREMENTS TO MANAGE FOR RESULTS AND FACILITATES RESULTS ORIENTED PROGRESS REPORTING. WHILE THE R2 REVIEW IS AN INTERNAL USAID PROCESS, IT WILL IDENTIFY POTENTIAL IMPACTS ON OTHER USG AGENCY PROGRAMS AND RELATED FOLLOW-UP ACTIONS.

2. SUMMARY: THE LATVIA R2 WAS REVIEWED ON AUGUST 1, 1996. PATRICIA MATHESON, DEPUTY DIRECTOR, ENI/PCS CHAIRED THE REVIEW. REPRESENTATION FROM THE OAR WAS NOT REQUIRED AND WAS NOT PROVIDED. THE REVIEW CONFIRMED THAT IMPLEMENTATION WAS PROCEEDING ACCORDING TO PLAN AND PROVIDED GUIDANCE TO THE OAR ON SEVERAL TOPICS TO BE ADDRESSED AND CRITERIA TO BE USED IN PREPARING A CLOSE-OUT PLAN. THE FOLLOWING PARAGRAPHS COMMUNICATE AGREEMENT ON TOPICS/ISSUES COVERED AT THE R2 REVIEW.

UNCLASSIFIED

44

3. CLOSE-OUT PLAN: THE OAR WITH CONTRACTOR ASSISTANCE, WILL PROVIDE A CLOSE-OUT PLAN THIS FALL, WITH USAID/STATE REVIEW PROJECTED FOR LATE-NOVEMBER. REFTELS DISCUSS VARIOUS USAID-FINANCED ACTIVITIES LIKELY TO WARRANT CONTINUATION AFTER CLOSE-OUT, WITH RELATED ANALYSIS TO BE PROVIDED IN THE CLOSE-OUT PLAN.

4. THE REVIEW AGREED ON CRITERIA FOR CONSIDERING THE RATIONALE AND DEVELOPING PLANS FOR EXTENSION OF CERTAIN ACTIVITIES BEYOND CLOSE-OUT DATE. THESE INCLUDE: EXTENSIONS SHOULD NOT BE OPEN-ENDED, I.E., ACTIVITIES EXTENDING BEYOND CLOSE-OUT SHOULD HAVE SPECIFIC OBJECTIVES TO BE ACHIEVED WITHIN SPECIFIED TIME-FRAMES; FEASIBILITY OF MANAGING THE EXTENDED ACTIVITY WITH MINIMAL OE/WORKFORCE REQUIREMENT FROM USAID; AVAILABILITY OF SUFFICIENT PIPELINE FOR THE EXTENSION, SINCE NEW FUNDS WILL NOT BE OBLIGATED FOR LATVIA AFTER THE CLOSE OF FY 1996; WHETHER REGIONAL ACTIVITIES CAN TAKE THE PLACE OF COUNTRY-FUNDED ACTIVITIES, FOR INSTANCE IN THE HEALTH PARTNERSHIP PROGRAM; AND ABILITY OF OTHER DONORS TO CONTINUE THE WORK WITHOUT CONTINUED USAID SUPPORT.

5. CONTINUATION OF TREASURY ADVISORS. AS DISCUSSED IN STATE 161404, OAR WILL NEED TO ASSESS THE PIPELINE AVAILABLE AFTER THE TWO LONG-TERM ADVISORS DEPART AND DETERMINE HOW SHORT-TERM ADVISORS WOULD BE MANAGED, PER PARA 3. IT WILL ALSO BE IMPORTANT TO IDENTIFY AREAS OF ASSISTANCE WITH CLEAR-CUT OBJECTIVES AND SPECIFIC TIME-FRAMES.

6. WOCCU. A QUESTION AROSE CONCERNING POSSIBLE EXTENSION OF THE WOCCU CREDIT UNION PROGRAM BEYOND CLOSE-OUT TO FURTHER STRENGTHEN FINANCIAL SERVICES TO SMALL AND MEDIUM SIZE ENTERPRISES. IT WAS RECOGNIZED THAT AVAILABILITY OF PIPELINE AND THE POTENTIAL FOR REPLICATING SUCCESSES TO DATE WERE NOT SUFFICIENT JUSTIFICATION FOR CONTINUING PROGRAMS BEYOND CLOSE-OUT SINCE THESE CRITERIA COULD APPLY TO MUCH OF THE PORTFOLIO. IN THAT CONTEXT THE CLOSE-OUT PLANNING TEAM IS ASKED TO EXAMINE THE MERITS OF A WOCCU EXTENSION AND AMONG OTHER THINGS, HAS WOCCU DEVELOPED A REPLICABLE MODEL THAT THE GOVERNMENT OF LATVIA SUPPORTS?

7. DEMOCRACY NETWORKS/DEMOCRACY COMMISSIONS. IT WAS RECOGNIZED THAT THE FIRST GRANTS WERE NOT MADE UNDER THIS PROGRAM UNTIL MAY 1996. PER REFTELS, THERE IS STRONG SUPPORT FOR CONTINUING THESE PROGRAMS AFTER CLOSE-OUT. THE CLOSE-OUT PLAN SHOULD BRIEFLY PROVIDE A COHESIVE NGO DEVELOPMENT STRATEGY THAT LINKS THESE PROGRAMS TO SPECIFIC POST CLOSE-OUT RESULTS.

8. PUBLIC ADMINISTRATION. A QUESTION WAS RAISED AS TO WHAT THIS PROGRAM COULD ACCOMPLISH IN ONLY ONE YEAR BEFORE CLOSE-OUT, SINCE IT HAS GOTTEN OFF TO A VERY SLOW START. THE REVIEW GROUP RECOMMENDED THAT OAR RECONSIDER CONTINUATION OF THIS PROGRAM SINCE ITS IMPACT WOULD OCCUR ONLY IN A SMALL NUMBER OF MUNICIPALITIES.

UNCLASSIFIED

45

9. SUSTAINABILITY OF USAID-ASSISTED INSTITUTIONS. IN SEVERAL STRATEGIC OBJECTIVES, THE LONG-TERM IMPACT OF U.S. ASSISTANCE WILL DEPEND IN PART ON THE SUSTAINABILITY OF USAID-SUPPORTED INSTITUTIONS. PARTICULARLY PROMINENT ARE THE JUDICIAL TRAINING CENTER, POLLUTION PREVENTION CENTER AND RIGA BUSINESS SCHOOL. IT WAS AGREED THAT THE CLOSE-OUT TEAM SHOULD LOOK AT THE SUSTAINABILITY OF THESE INSTITUTIONS AFTER CLOSE-OUT.

10. PIPELINE. IT WAS AGREED THAT PIPELINE ANALYSIS INDICATES THAT SIGNIFICANT RESOURCES ARE YET UNSPENT, BUT ACCRUAL INFORMATION IS INACCURATE. ENI/PD WILL MAKE AN EFFORT TO OBTAIN MORE ACCURATE PIPELINE INFORMATION.

11. ADDITIONAL CLEARANCES:

AID/M/B/PA:MYEARWOOD
AID/G/PDSP:GSTANDROD
AID/ENI/AME:WGRANGER
AID/ENI/EEUD:JBEVER
AID/ENI/PER:LMAILLOUX
AID/ENI/ED:RJOHNSON
AID/ENI/DG:TNICASTRO
AID/ENI/HR:CCOLEMAN

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INFO OFFICE(S): AAM BHR BTF EHR ENDG ENEI ENFS ENI ENPD
EPER MB MPI OFDA OPA PPCE PPPC

INFO LOG-00 EUR-01 UTED-00 TEDE-00 SNIS-00 NISC-00
/001R

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SOURCE: AID.004146
DRAFTED BY: USAID/ENI/ECA:RAULAKH:RA -- 01/23/97 77263
APPROVED BY: USAID/DAA/ENI:BTURNER AID 4146
STATE/EUR/EAA:JHOLMES USAID/ENI/ECA:DCO
USAID/ENI/PPC/PC:PHENDERSEN USAID/ENI/PER:RBURNS
USAID/ENI/EEUD:JBEVER USAID/ENI/PD:GSTEELE
USAID/M/B/PA:MYEARWOOD STATE/EUR/NB:TEVANS

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FM SECSTATE WASHDC
TO AMEMBASSY RIGA PRIORITY

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ADM AID JHOLMES, EUR/EEA AND BTURNER, DAA/ENI

E.O. 12958: N/A

TAGS:

SUBJECT: LATVIA - PROPOSED STRATEGIC PLAN

REF: (A) 96 RIGA 3966 (B) RIGA 1560 (C) STATE 161404
(D) RIGA 78 (E) STATE 216203 (F) RIGA 3377 (G) STATE 97943
(H) REPORT-PRIORITIES FOR FUTURE USAID ASSISTANCE TO
LATVIA-DEC '96

1. THE STRATEGY (REF A) TO UNDERTAKE A LIMITED PROGRAM TO
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UNCLASSIFIED

PAGE 02 STATE 015748 281754Z
FILL KEY ECONOMIC AND DEMOCRACY TRANSITION GAPS PRIOR TO
FINAL CLOSE-OUT IN FY 1999, WHILE CLOSING OUT THE

REMAINDER OF THE PROGRAM AS SCHEDULED, HAS BEEN APPROVED
SUBJECT TO CERTAIN MODIFICATIONS NOTED BELOW. IT IS OUR
EXPECTATION THAT GRADUATION WILL OCCUR IN 1999. YOU MAY
ADVISE THE GOL OF OUR AGREEMENT TO EXTEND THE ASSISTANCE

47

PROGRAM FOR LATVIA AND THAT WE WILL BE WORKING OUT THE DETAILS OF ASSISTANCE WITH THEM OVER THE COMING WEEKS. THE PROPOSED STRATEGY WAS REVIEWED ON JANUARY 17 IN A MEETING WITH AA/ENI, TOM DINE, AND ON JANUARY 16, 1997, IN A MEETING CHAIRED BY USAID/DAA/ENI, BARBARA TURNER, AND ATTENDED BY HOWARD HANDLER - CLO/RIGA, RON GREENBERG - AIDREP/BALTICS, REPRESENTATIVES OF EUR/ERA AND EUR/NB, AND RELEVANT USAID STAFF. CONGRATULATIONS TO ALL OF YOU FOR PRESENTING A COHERENT AND WELL THOUGHT OUT PROPOSAL. DETAILS OF DECISIONS IN EACH PROPOSED AREA OF ASSISTANCE

ARE NOTED BELOW.

2. THE STAFFING NECESSARY FOR THE PROGRAM, INCLUDING AN EXTENSION OF THE CURRENT STAFF FOR AN ADDITIONAL TWO YEARS, AND THE ADDITION OF A USPSC, WAS ALSO APPROVED. TOTAL FUNDING THAT MIGHT BE PROVIDED FOR THE PROPOSED PROGRAM HAS NOT YET BEEN DETERMINED. WE WILL MAKE OUR BEST EFFORTS WITH RESPECT TO THE \$7.9 MILLION SOUGHT AND WILL ADVISE BY SEPTTEL. IT IS IMPORTANT THAT THE PROGRAM DEMONSTRATE VISIBLE TANGIBLE RESULTS BY SEPTEMBER 1999 AS ANTICIPATED. PROCUREMENT WITH NEW FUNDING TO ASSIST IN PROPOSED AREAS CAN BEGIN ONCE DESIGN IS FINALIZED, FUNDS ARE MADE AVAILABLE, AND ENI/W HAS REVIEWED AND APPROVED THE RESULTS AND TARGETS EXPECTED TO BE ACHIEVED IN THE KEY

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 015748 281754Z
AREAS IDENTIFIED IN THE REFTTEL. NO FURTHER BROAD REVIEW OF THE STRATEGY AND RESOURCE REQUEST IS NECESSARY PRIOR TO MOVING FORWARD TO IMPLEMENT THE PROGRAM.

3. FINANCIAL MARKET REFORM

WE CONCUR WITH THE BASIC STRATEGY PROPOSED IN THIS AREA. HOWEVER, BASED ON USAID'S EXPERIENCE ELSEWHERE, THE FUNDING ESTIMATED FOR ACHIEVING THIS STRATEGIC OBJECTIVE DOES NOT APPEAR TO BE SUFFICIENT TO DO A COMPLETE JOB IN ALL OF THE AREAS PROPOSED FOR ASSISTANCE. THEREFORE, AS PART OF THE EFFORT TO DEFINE SPECIFIC ASSISTANCE NEEDS (E.G. TO PREPARE SCOPES OF WORK AND TASK ORDERS), THE PROPOSED INTERVENTIONS WILL BE COSTED AND PRIORITIZED WITH THE HIGHEST PRIORITY GIVEN TO THOSE AREAS WHERE IMPROVEMENT IS BOTH MOST IMPORTANT TO ATTRACT INVESTMENT WHICH WOULD LEAD TO ECONOMIC GROWTH AND ACHIEVABLE IN THE TIME FRAME ENVISIONED. WE WANT TO ENSURE THAT THESE ARE ADEQUATELY FUNDED. THIS PRIORITIZATION IS VERY LIKELY TO RESULT IN AN EMPHASIS ON CAPITAL MARKETS AND A POSSIBILITY THAT LITTLE ASSISTANCE WOULD BE PROVIDED FOR IMPROVED SUPERVISION FOR NON-BANK FINANCIAL INSTITUTIONS.

IF THE FURTHER EXAMINATION PLANNED INDICATES WE CANNOT ADEQUATELY FUND ASSISTANCE IN ALL PROPOSED AREAS, THE

SUPPORT OF OTHER DONORS WILL HAVE TO BE SOUGHT.

A SECONDARY CONCERN IS THE CAPACITY OF USAID STAFF TO PROVIDE OVERSIGHT IN THIS AREA. OUR EXPERIENCE HAS BEEN THAT SUBSTANTIAL BENEFITS ACCRUE FROM HAVING STAFF WITH PARTICULAR EXPERIENCE IN FINANCIAL MARKET REFORM ON SITE.

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 STATE 015748 281754Z
THEREFORE, USAID/RIGA SHOULD SEEK SOMEONE WITH SKILLS IN THIS AREA TO FILL THE PROPOSED USpsc POSITION. SUCH SKILLS AND EXPERIENCE WOULD COMPLEMENT THE RECOGNIZED CAPABILITIES OF EXISTING STAFF.

4. CITIZENS PARTICIPATION

WE CONSIDERED THIS BROAD AREA TO HAVE TWO DIFFERENT TOPICS: THE INTEGRATION OF NON-CITIZEN POPULATIONS AND BROADER SUPPORT TO STRENGTHEN NGOS.

REGARDING A PROGRAM TO ASSIST WITH THE INTEGRATION OF NON-CITIZENS, WE UNDERSTAND THE NEED TO SHOW VISIBLE SUPPORT FOR THIS IMPORTANT FOREIGN POLICY PRIORITY QUICKLY. HOWEVER, PROBLEMS IN THIS AREA ARE DIFFICULT TO RESOLVE, RESOLUTION WILL TAKE MANY YEARS, AND, PERHAPS MOST CRITICAL, USAID HAS LITTLE EXPERIENCE IN THIS AREA. THEREFORE, RATHER THAN DESIGNING A NEW PROGRAM, WE THINK AN APPROPRIATE MECHANISM TO ASSIST IN THIS AREA MAY BE TO WORK WITH NGOS, UTILIZING DEMNET AND THE DEMOCRACY COMMISSION AND THAT A SUBSTANTIAL AMOUNT OF THE FUNDS IN THE CURRENT PIPELINE FOR THESE ACTIVITIES COULD BE PROGRAMMED FOR THIS. THIS COULD PROVIDE QUICK, VISIBLE U.S. SUPPORT.

BEYOND THIS SUPPORT WE WOULD ALSO BE AGREEABLE TO USING EXISTING AND FUTURE TRAINING FUNDS FOR SHORT-TERM TRAINING AND OBSERVATION TOURS FOR NGOS AND GOVERNMENT OFFICIALS INVOLVED IN THIS SUBJECT. WE DO NOT WANT TO PROVIDE ASSISTANCE DIRECTLY TO GOV. AGENCIES OTHER THAN THIS TYPE OF TRAINING. INSTEAD, ANY OTHER INVOLVEMENT SHOULD BE WITH

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UNCLASSIFIED

PAGE 05 STATE 015748 281754Z
NGOS. (THE RATIONALE FOR THIS CAUTIOUS POSITION IS THE SAME AS THAT IN THE FOREGOING PARAGRAPH.)

WE WILL EXPLORE THESE APPROACHES FURTHER AS PART OF THE EFFORT NOTED IN PARAGRAPH (8B) BELOW.

REGARDING BROADER SUPPORT TO NGOS, WE DISCUSSED

49

EXTENSIVELY THE RATIONALE FOR THIS ASSISTANCE AND THE POSSIBLE IMPACT WE MIGHT HAVE WITH THE FUNDS PROPOSED OVER THE TIME OF TWO TO THREE YEARS. WE CONCLUDED THAT CITIZEN PARTICIPATION WAS CRITICAL TO DEMOCRATIC TRANSITION, THAT

NGOS ARE KEY VEHICLES FOR SUCH PARTICIPATION, THAT NGOS REMAINED WEAK IN LATVIA, AS ELSEWHERE IN THE BALTICS, AND THAT IT IS IMPORTANT FOR US TO DEVELOP A PROGRAM TO STRENGTHEN THEM. BUT WE DID NOT FEEL THIS COULD BE ACCOMPLISHED WITH DOLS TWO MILLION IN TWO YEARS. THEREFORE, WE ARE INTENT ON EXPLORING FURTHER, WITH THE MISSION AND WITH REGIONAL USAID REPRESENTATIVE FOR LITHUANIA, HIS IDEAS FOR STRENGTHENING NGOS THROUGH A FOUNDATION THAT WOULD HAVE A LONGER TERM ROLE IN THIS AND THAT WOULD ATTRACT OTHER DONOR FUNDS. WE ARE HOPEFUL THAT WE CAN SUPPORT SUCH A FOUNDATION AT APPROXIMATELY THE FUNDING LEVEL REQUESTED. WE NOTE HOWEVER THAT EXPERIENCE IN ESTABLISHING SUCH FOUNDATIONS HAS SHOWN THAT IT CAN BE A DIFFICULT AND TIME CONSUMING PROCESS.

IN ADDITION TO ASSISTING NGO DEVELOPMENT THROUGH A FOUNDATION WE WILL PROGRAM DOLS 100,000 FOR THE DEMOCRACY COMMISSION IN FY 98. AFTER THAT, ANY FUNDING FOR THE DEMOCRACY COMMISSION WOULD BE PART OF A REGIONAL PROGRAM.

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PAGE 06 STATE 015748 281754Z

5. ENERGY REGULATORY SUPPORT

WE AGREE WITH THE COUNTRY TEAM PROPOSAL. AS PART OF THE EFFORT TO SCOPE OUT THE SPECIFIC ASSISTANCE NEEDED, USAID STAFF WILL LOOK AGAIN AT ARREARAGES TO DETERMINE THE EXTENT TO WHICH THIS SITUATION MIGHT BE A CONSTRAINT TO PRIVATIZATION IN THE ENERGY SECTOR AND, IF SO, HOW THIS CONSTRAINT IS BEING RESOLVED.

6. TRAINING

WE AGREE THAT FUNDS REMAINING IN THE PIPELINE CAN BE USED FOR TRAINING IN BOTH CURRENT AND FUTURE ASSISTANCE AREAS. ANY NEW TRAINING FUNDS WILL ONLY BE UTILIZED TO SUPPORT THE PROPOSED AREAS OF PROGRAM FOCUS. FUNDS ARE SCARCE. WE AGREE IT IS CORRECT TO FOCUS THE NEW PROGRAM VERY TIGHTLY, AND WE CANNOT JUSTIFY THE USE OF NEW FUNDS FOR OTHER THAN THE NEW PROGRAM'S FOCUS. DEPENDING ON FUND AVAILABILITY, IT MAY BE NECESSARY TO ADJUST THE REQUEST OF DOLS 500,000.

7. STAFFING

WE AGREE WITH YOUR PROPOSAL TO EXTEND CURRENT STAFF AND ADD A USPSC. THE USPSC SHOULD HAVE AMONG HIS/HER

CAPABILITIES KNOWLEDGE OF FINANCIAL MARKETS.

8. PIPELINE AND CURRENT PROGRAMS

WE ARE CURRENTLY WORKING TO DETERMINE THE PIPELINE AND ITS BURN RATE FOR CURRENT ACTIVITIES SO THAT YOU WILL KNOW
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PAGE 07 STATE 015748 281754Z

WHEN THEY WILL END. NO ONE ACTIVITY HAS SUFFICIENT UNSPENT FUNDS OR HAS A PERFORMANCE THAT WOULD JUSTIFY EARLIER TERMINATION THAN THAT EXPECTED. WE AGREE EXISTING PROGRAMS (THAT ARE NOT PROPOSED AS PART OF THE FUTURE PROGRAM) SHOULD END WHEN FUNDING ENDS. WE HAVE INSTRUCTED OUR STAFF NOT TO ADD FUNDS FOR SUCH PROGRAMS.

9. NEXT STEPS

USAID'S EFFORTS SHOULD NOW FOCUS ON CLOSING OUT ON SCHEDULE THOSE ACTIVITIES THAT ARE NOT PART OF THE PROPOSED PROGRAM, AND FURTHER DEFINING THE ASSISTANCE NEEDS IN EACH PROPOSED AREA, INCLUDING THE PRIORITIES AND COSTS FOR FINANCIAL REFORM. THIS WORK SHOULD ALSO RESULT IN RESULTS FRAMEWORKS FOR EACH STRATEGIC OBJECTIVE WITH TARGETS THAT WILL REPRESENT PROGRESS ADEQUATE TO ACHIEVE THE OBJECTIVE AND TO END OUR ASSISTANCE IN THIS AREA. TARGETS SHOULD ALSO BE PROVIDED FOR SPECIAL INITIATIVES. ONCE THE RESULTS FRAMEWORK FOR AN OBJECTIVE OR THE TARGETS FOR A SPECIAL INITIATIVE HAVE BEEN APPROVED BY ENI/W, PROCUREMENT AND IMPLEMENTATION IN THAT AREA MAY BEGIN.

WITH THE RESULTS FRAMEWORKS AND TARGETS THAT WILL BE SUBMITTED, THE MATERIAL SUBMITTED AND APPROVED TO DATE IS CONSIDERED TO REPRESENT THE RESULTS REQUEST PORTION OF THE R4 TO BE SUBMITTED THIS YEAR. THUS, WHAT IS STILL REQUIRED TO BE SUBMITTED FOR THE "R4" IS THE RESULTS FRAMEWORKS (WHICH MAY BE SENT IN SEPARATELY SOONER), THE RESULTS REVIEW OF PROGRESS OF CURRENT ACTIVITIES AGAINST TARGETS YOU PROVIDED IN 1996, AND A CLOSE-OUT PLAN FOR WHICH WE
UNCLASSIFIED

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PAGE 08 STATE 015748 281754Z
WILL PROVIDE YOU WITH FURTHER GUIDANCE.

WE WILL PROVIDE TECHNICAL AND PROGRAM STAFF TO ASSIST USAID/RIGA IN THE FURTHER DESIGN WORK NECESSARY. THIS WORK WILL INCLUDE:

A. FINANCIAL SECTOR REFORM: WE EXPECT TO PROVIDE ONE OR

TWO TECHNICAL STAFF DURING THE FIRST TWO WEEKS IN FEBRUARY TO PRIORITIZE, COST OUT, AND DEVELOP SCOPES OF WORK AS WELL AS DEFINE RESULTS TO BE ACHIEVED AND TARGETS TO BE ATTAINED.

B. INTEGRATION OF NON-CITIZENS: WE EXPECT TO PROVIDE AN EXPERIENCED OFFICER FROM USAID'S DEMOCRACY AND GOVERNANCE OFFICE, AND DESIGN SUPPORT FROM ENI/PD, IN LATE JANUARY TO DEFINE AND DEVELOP THE NGO/TRAINING APPROACH TO ASSISTANCE.

C. ENERGY REGULATORY WORK: WE WILL PROVIDE A TECHNICAL EXPERT FROM USAID'S ENERGY STAFF IN EARLY FEBRUARY TO

DEVELOP THE SCOPE OF WORK, DEFINE RESULTS TO BE ATTAINED AND TARGETS, AND CONFIRM COSTS.

D. ASSISTING USAID WITH COORDINATION FOR DEVELOPING RESULTS FRAMEWORKS AND TARGETS: WE WILL PROVIDE AN EXPERIENCED STAFF MEMBER FROM ENI'S PROGRAM OFFICE IN LATE JANUARY.

E. COMPLETING THE CONCEPT PAPER FOR A FOUNDATION-BASED PROGRAM TO STRENGTHEN NGOS: WORK ON THIS IS ON-GOING WITH
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UNCLASSIFIED

PAGE 09 STATE 015748 281754Z
DESIGN SUPPORT FROM ENI/DG AND ENI/PD, AND WE ANTICIPATE REVIEWING A CONCEPT PAPER IN LATE FEBRUARY.

F. ENI/PD WILL PROVIDE TDY SUPPORT TO HELP SO TEAMS UNDERTAKE THEIR DESIGN TASKS IN A REENGINEERED FASHION, AND CLOSE-OUT SUPPORT AS NEEDED.

9. FINALLY, WE LOOK FORWARD TO THE RAPID INITIATION OF THE APPROVED PROGRAM AND WE OFFER CONGRATULATIONS ON A JOB WELL DONE TO ALL OF THE MEMBERS OF THE RIGA COUNTRY TEAM AND VILNIUS STAFF WHO PARTICIPATED IN THIS EFFORT.
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52

**Monitoring Country Progress
In Central and Eastern Europe
January 1997**

Latvia

Summary

Latvia has a modest record as an economic reformer and a mediocre record of economic performance. Political rights and civil liberties are at acceptable level. Social indicators, particularly poverty and life expectancy are deteriorating. The data suggest that the decision to postpone Latvia's graduation from the assistance program for 2 years was well considered. Establishing economic growth should be the priority.

I. Economic Policy Reforms

Latvia's performance in this area has been mixed. Latvia currently ranks eighth out of thirteen CEE countries in implementing economic reform. First round reforms have had the greatest success. Privatization of small companies has been more or less completed, with 83 per cent sold by the end of 1994. Liberalization of prices in Latvia was substantially finished at the end of 1992; only a few administered prices remain, including the transport and energy sectors as well as rents for residential apartments. Financial liberalization has included currency reform, the introduction of currency convertibility, and the elimination of restrictions on capital movements. Latvia has made progress in its WTO negotiations and is very close to achieving membership.

Second round reforms have not advanced as well. Large-scale privatization and the privatization of land and housing have moved forward slowly. Moreover, the effectiveness of recently adopted measures to speed up the process has yet to be seen.

Third round reforms have been hampered by the 1995 banking crisis. Following a 53% increase in 1994, deposit growth was interrupted in February 1995, as public confidence in the banking system began to fall. The main obstacle to the development of the private sector remains the limited access to funds for small and medium sized enterprises through the existing banking system. Credit to the private sector as a proportion of total bank assets has declined substantially since 1992. The slow pace of land registration and apartment privatization continue to be problematic. The private sector accounts for 60% of GDP, the sixth highest level in the CEE region. This appears to reflect in large measure the collapse of public sector output more than private sector growth.

II. Democratization

Latvia is below the first tier of CEE countries with respect to granting citizens political rights. It is on a par with Slovakia and Bulgaria. Elections have been free and fair. Laws governing political party activities and citizenship have been passed. However, with Latvia having the smallest proportion of ethnic residents among the Baltic states (only 54.2 per cent of the population is ethnic Latvian), the issue of citizenship remains sensitive.

The GOL generally respects the human and civil rights of its citizens and the large resident non-citizen community ranking among the first tier of CEE countries in this regard. Problems do remain in some areas, i.e. an inefficient judiciary does not always ensure the fair administration of justice, women are discriminated against in the workplace, and spousal and child abuse continue to be significant problems.

The pervasiveness of organized crime groups throughout the country threaten the stability of democratic reforms.

III. Economic Performance

Partly as a result of the 1995 banking crisis there has been little or no economic growth. GDP is currently at 52% of 1989 levels, putting Latvia only ahead of Lithuania among CEE countries. Inflation has declined steadily since 1992, but still registered an unhealthy 19% in 1996. The fiscal deficit is anticipated to be a very manageable 2% of GDP in 1996. Direct Foreign Investment is respectable at 5% of GDP, slightly less than Poland and a bit ahead of Bulgaria and Slovakia. More study is needed to determine what impact the grey economy and crime have on economic performance.

IV. Social Conditions

The collapse in output which resulted from the break up of the Former Soviet Union and the fact that there has been little growth thereafter, has had a significant negative effect on the population. Almost one fifth of the population falls below the poverty line and life expectancy, already lower than the CEE average, is falling.