

Lessons Learned From USAID's Close-Out Experience From Around the World

Office of Planning and Innovation
Bureau for Management
U.S. Agency for International Development



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

March 25, 1998

MEMORANDUM

TO: USAID employees working on Close-Outs
FROM: Larry K. Laird M/MPI *[Signature]*
SUBJECT: Transmitting a "Lessons-learned" kit

Attached is a "kit" of Lessons Learned from USAID's close-out experiences from around the world.

I am pleased to transmit this kit, and can provide additional copies upon request. We hope this information will prove useful. It does NOT contain all the separate pieces of official guidance included in the large volume of Close-out guidance issued to all bureaus in 1996. One lesson learned, and applied in the case of Hungary, is that the "Results Review and Close-out Plan" can be combined in a single document, saving many steps in the close-out process. You may wish to consider that alternative as close-out plans become more integrated in the Agency's R4 review process.

The Ten groups of documents included here cover many subjects, and are prepared from many different perspectives. They will not answer all your questions, I am sure, because each case is so unique. For guidance on specific issues and procedures you should consult your own bureau's close-out coordinator, and if issues arise they will contact us. We hope this collection of documents will suggest ways you can tap the many Agency resources available for assisting in close-outs.

LKL:4/22/98, closemem.doc

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FOREWORD

"Turn out the lights when you leave!" The words echo in my ears. I heard it often. I was to be the last USDH at post when USAID's Regional Development Office in the South Pacific closed. When I got on that plane to leave, RDO/SP would become a memory.

But, what about this closure? What is it, exactly? Terminating projects and agreements with governments? Terminating leases, contracts, and agreements? Releasing everyone on your staff? Selling all the furniture and equipment? Completing report after report? Redefining "development impact" in EERs? It is all of these things, and more. Much more.

Closing a mission is an enormous task. Even though RDO/SP was a relatively small mission--only five USDH in Fiji and one in Papua New Guinea, remember that RDO/SP was a *regional* mission, covering ten countries--populated by over five million people--spread out over an area larger than the U.S. The mission--including USDH, US-PSCs, FSNs, TCNs, and contractors/grantees--totalled over fifty people. How does one--in roughly six months--"turn off" a mission whose portfolio is just hitting its stride and beginning to yield tangible developmental impact (after a conscious decision to build up USAID's presence in the region less than three years earlier)? Answer: *very carefully and with a lot of finesse and hard work.*

Of primary importance was keeping our diplomatic relations on an even keel. Ours was considered a "friendly" closure (with an OE cost of \$1.2 million/year, we were considered an expensive mission to operate relative to the size of our development assistance program). And, as most of the countries in the South Pacific consider USAID to be the U.S. Government, concern was expressed--publicly and privately--that the U.S. Government was turning its back on the region. These sentiments could not be ignored. In keeping with "the Pacific Way" we met with governments face-to-face to explain the reasons behind the closure decision and to underscore how difficult a decision it was for the Administration to make. We also explained how the close-out would affect their particular country. Fortunately, in most cases, the closure decision did not radically affect ongoing assistance. It did, however, affect future planned assistance.

We also had to ensure close out was done "by the book"--programmatically and administratively. This was complicated by the fact that the office resources (office space, staff, computers, etc.) were disappearing all the while we were trying to complete the numerous required tasks. Finally, we had to manage the human resources within the mission. Keeping staff focused on the tasks at hand and not letting the negative morale affect the work schedule was an incredible challenge. To pull it off, we counted on the contribution of every member of the team. I'm happy to say that, when push came to shove, I was not let down.

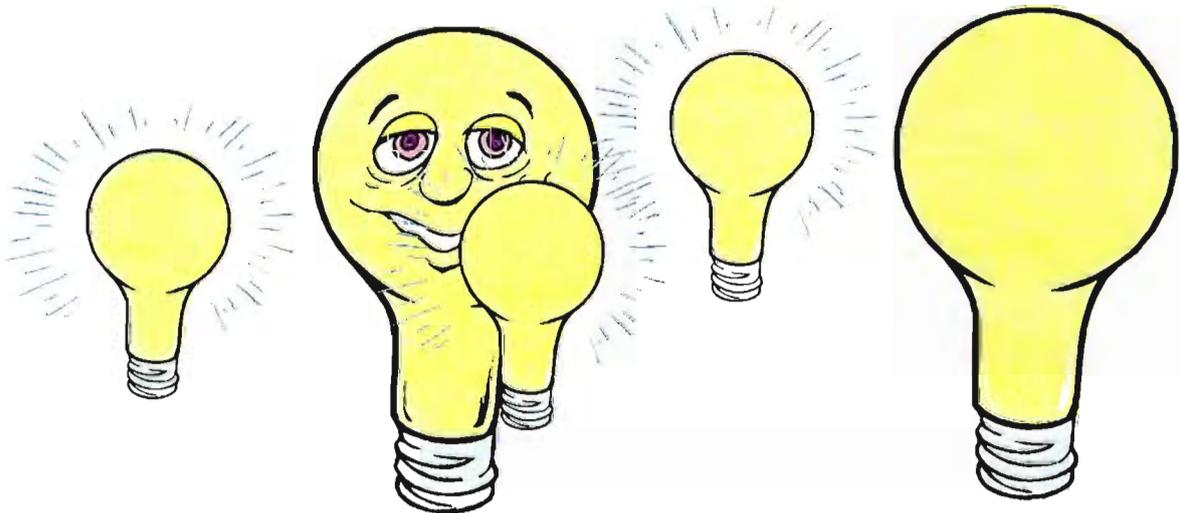
Did we succeed? Only time will tell. Nevertheless, I believe we gave it our best shot and I salute every member of the RDO/SP team who made it happen.

The close-out is now complete... if there were any lights left, they'd be out. Importantly, because of the way that we closed, we remain welcome in the region, mission or no mission. For that, I am most proud.

D.L. 9/9/94

LESSONS FROM USAID'S CLOSE-OUT EXPERIENCES AROUND THE WORLD...

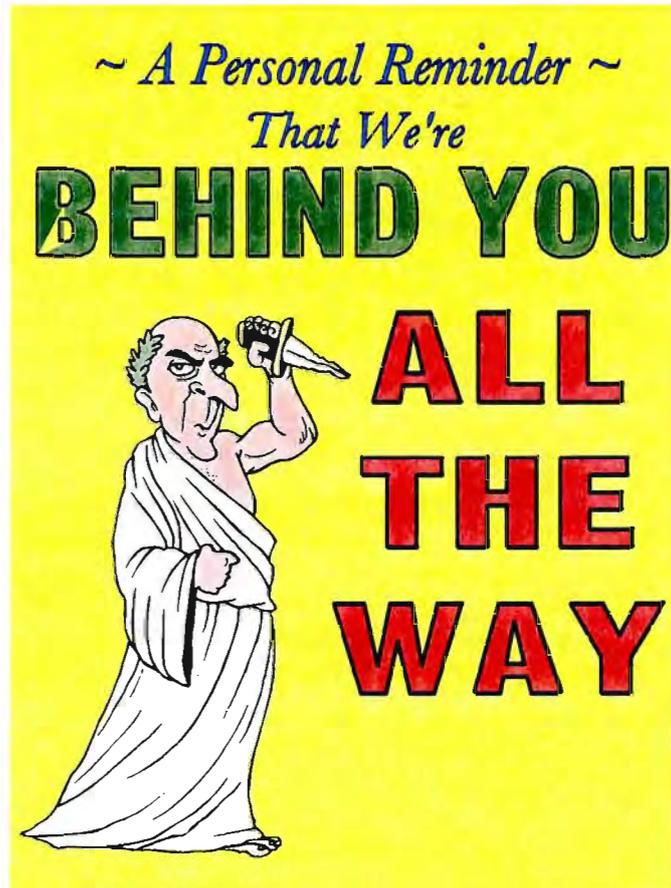
In early, 1996, THE LIGHTS WERE ON IN HUNGARY, ALL WAS WELL WITH THE WORLD



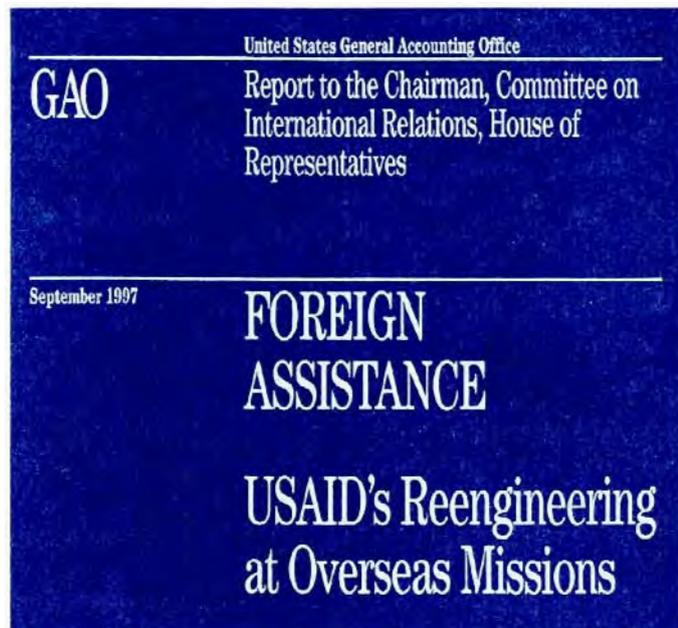
THE USAID MISSION REPORTED, "INCREASED SOUNDNESS OF FISCAL POLICY AND FISCAL MANAGEMENT PRACTICES..."

In 1996, impressive progress was made towards increased soundness of fiscal policies and fiscal management practices. Improved control over expenditures and employment resulted in significant progress towards a satisfactory consolidated central government budget balance, reducing the deficit from 6.5% of GDP in 1995 to 3.3% in 1996. This result significantly exceeded our 1996 SO target of 3.9%."

WHILE USAID/W STOOD BEHIND YOU, YOUR SUCCESS MADE YOU A CANDIDATE FOR GRADUATION!

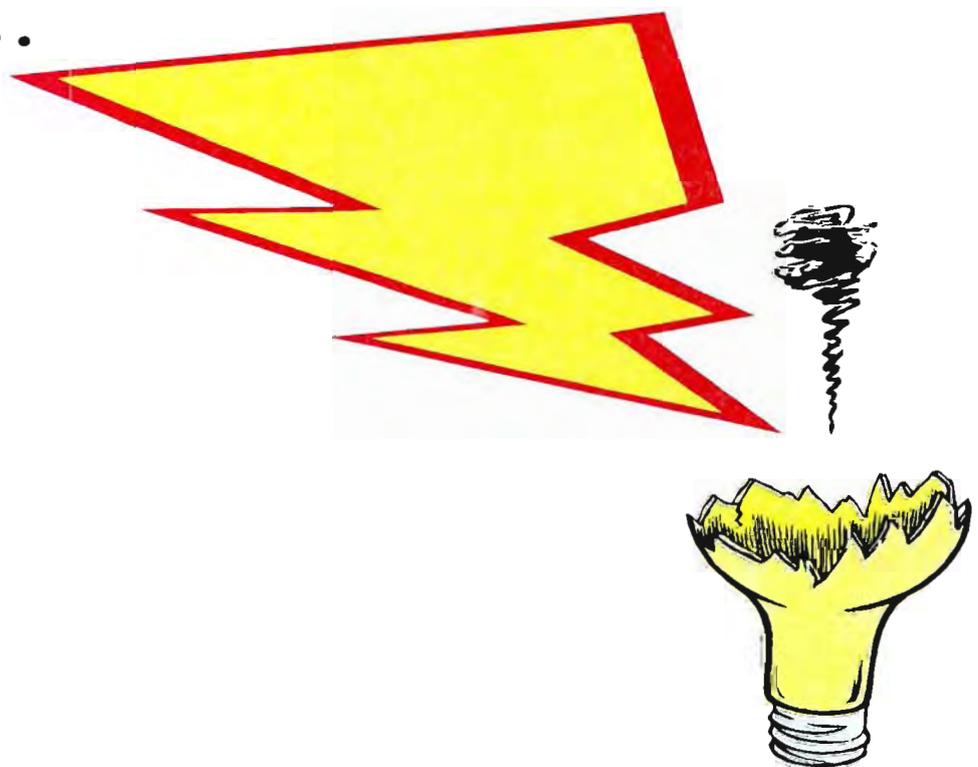


Then one day along came something called reengineering of overseas missions...



After much consideration, and anticipating continued success of the Hungary program, it was decided in late 1996 that the Hungary bilateral USAID program would end at the end of FY 1999.

Instructions came to "turn out the lights and lock the door at the end of FY99" Some expected the proverbial bolt of lightning..., but that is not the orderly process USAID expects while closing its missions.



1 THE FIRST

CLOSE-OUT PERIOD IS THAT
LEADING UP TO THE
CLOSURE
ANNOUNCEMENT.

THERE ARE THREE KEYS TO SUCCESS
DURING THE FIRST PHASE OF CLOSE-
OUT: they are:

COMMUNICATE



COMMUNICATE



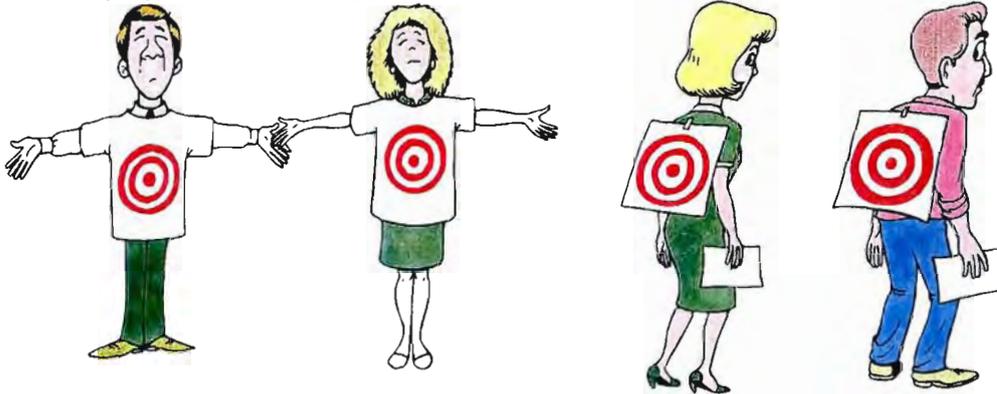
communicate...



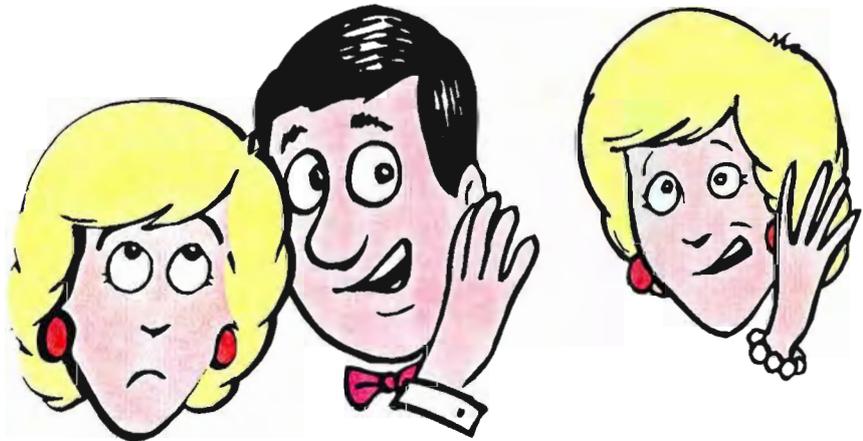
② Phase two is the period the close-out plan is being developed.

During this period employees tend to:

(1) feel they've done something wrong



or ***deny*** the facts, and to speculate about **what will really happen**, such as a **last-minute reprieve...**



These whispers are almost always wrong!

○ While preparing the close-out plan during phases one and two a number of actions will make subsequent work easier:

1. Washington and the closing mission must keep each other in the information loop from the closure announcement until the lights are turned off---quality information will increase the odds that quality decisions will be made. All parties must remember that decisions taken must be “corporate” in nature, and reflect ALL interests of USAID’s many stakeholders, including the central bureaus.

○ 2. Closing mission will have their day in court, when the close-out plan is reviewed and approved in USAID/W.

○ 3. Mission management should keep open channels of communication with all staff, even if there is nothing to say.

4. Good communication keeps the rumor mill in check and speculation to a minimum. There is a fine line between being circumspect and appearing secretive.

5. Understand the magnitude of the task, plan conservatively, and get help if needed.

6. Go the extra mile to make sure that central bureau interests are appropriately reflected in the close-out plan---new thinking in Washington suggests these bureaus will likely be the key guardians of broad USAID development interests over the long-term, regardless of the status of individual posts.

7. Non-presence country programs are a reality---this means that closing-out a country presence does not necessarily equate to “no-programs,” even though the approval bar for such programs will be high.

8. Post should make sure that **program close-out** and **operational close-out** go hand-in-hand.

9. Operational issues take the most planning time early in preparing close-out plans, but in fact program close-out will “linger” on the planning table for a longer period of time.

Program planning in the smallest posts often has worldwide consequences beyond the immediately apparent!



○ **③The third phase of close-out is the period between the time closure is announced and the close-out plan is approved.**

This has been called the “transition from “denial” to “acceptance” and should include:

○ 1. Post keeping busy completing actions that can proceed without final approval of the close-out plan.

2. End poor performing activities and reorient remaining one with program resources to achieve modest and realistic goals.

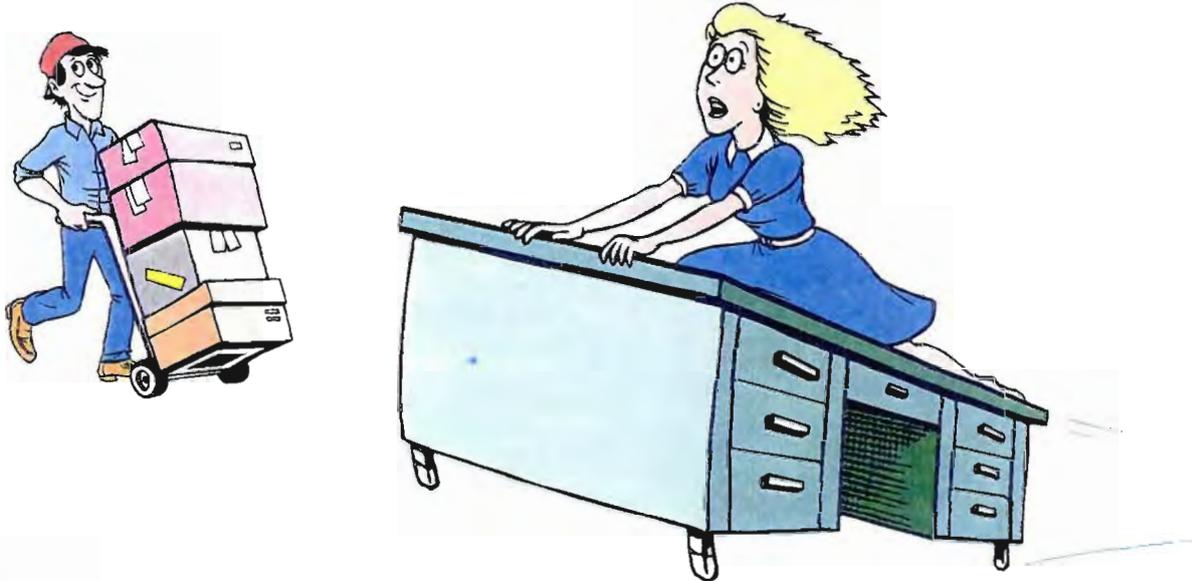
○ 3. Section 617 of the FAA, and subsequent guidance, proved useful to decide when, what & how to close.

4. Everyone should urge Washington to complete the approval of the close-out plan as rapidly as possible, because that plan should be the blueprint for the close-out itself.

5. Expect the most serious disagreements to emerge during this stage: there will be legitimate differences of opinion about particular activities.

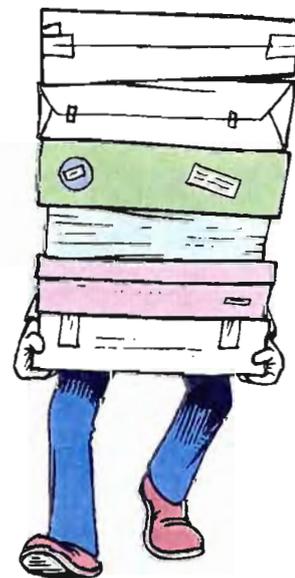


6. Expect staff and stakeholders to cling to the past during this phase, it's often difficult to break routines.



7. But this is the time to clean desks, sort files, plan property auctions.

8. And mission management & everyone involved should actively assist all employees to improve their job skills and to seek ongoing new employment.



9. We must recognize that dismantling a mission's program is counter to the "average" USAID employee's inclination to build.



10. Mission should take preventative measures to minimize the psychological impact of closing.

11. Washington & Hungary mission should be proactive vis-a'-viz the press and make sure the closing story is consistent between the senior level of USAID and the field. Anyone who addresses the press should be careful!!!



12. Missions should work with their embassies to prepare Diplomatic Notes to formally advise the host government of USAID's closure. Concurrently, develop a strategy to bridge the gap between the general Diplomatic Note and any project implementation letters that will follow. Always remember to send a final letter advising of activities that will be ongoing after the close-out date.



④ The period implementing the close-out plan

1. Once final close-out decisions are made, missions should redirect their energies to implement the close-out

“JUST DO IT”



2. WORK MORE on new assignments.

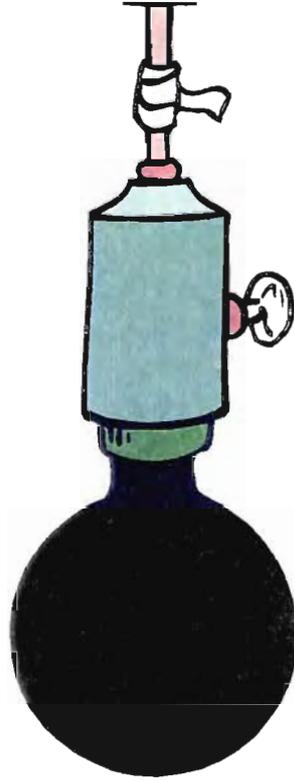
3. Missions should be prepared to be flexible, but decisive, in implementing the approved close-out plan and USAID/W should accept that close-outs are dynamic and be prepared to tolerate field interpretation, with proper legal advice, of close-out decisions.

4. Work closely with the accounting station that will take over the bill-paying function after the mission is closed. Make sure they know about all assets and liabilities.

5 Finally, missions should remember to say “farewell” in a way that is culturally appropriate.....



Then you can turn the lights out



And sell them too.....Then
**CELEBRATE a JOB WELL
DONE.**





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- OFFICE OF THE REGIONAL DIRECTOR -

Date: September 9, 1994
To: See Distribution
From: David Leong, Acting Regional Director, USAID/RDO/SP 
Subject: RDO/SP Close-Out Summary Report

Today, USAID's Regional Development Office for the South Pacific (RDO/SP) formally closes. Except as noted herein, responsibility for all remaining residual actions are transferred to USAID/Philippines. Attached is the summary report concerning all aspects of our close-out. Volume One provides the executive summary, including lessons learned. Volume Two addresses project-specific issues and identifies outstanding actions required to close out the remainder of RDO/SP's portfolio. This report should be read in conjunction with the February 7, 1994 version of RDO/SP's Close-Out Plan and the approval memorandum signed by AA/M Larry Byrne.

Attachment: USAID/RDO/SP Close-Out Summary Report, Volumes One and Two

Distribution:

Larry Byrne, AA/M (Agency Close-Out Coordinator)
Margaret Carpenter, AA/ANE
Linda Morse, DAA/ANE/ASIA
Judy Gilmore, ANE/ASIA/EA
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Mary Eliza Reilly, LPA/LEG
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Tom Stukel, Director, USAID/Philippines

FOREWORD

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Of primary importance was keeping our diplomatic relations on an even keel. Ours was considered a "friendly" closure (with an OE cost of \$1.2 million/year, we were considered an expensive mission to operate relative to the size of our development assistance program). And, as most of the countries in the South Pacific consider USAID to be the U.S. Government, concern was expressed--publicly and privately--that the U.S. Government was turning its back on the region. These sentiments could not be ignored. In keeping with "the Pacific Way" we met with governments face-to-face to explain the reasons behind the closure decision and to underscore how difficult a decision it was for the Administration to make. We also explained how the close-out would affect their particular country. Fortunately, in most cases, the closure decision did not radically affect ongoing assistance. It did, however, affect future planned assistance.

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Did we succeed? Only time will tell. Nevertheless, I believe we gave it our best shot and I salute every member of the RDO/SP team who made it happen.

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D.L. 9/9/94



USAID/RDO/SP
Close-Out Summary Report
Volume One
September 9, 1994

8. Notes for Missions Without an Executive Officer

The section in the Close-Out Checklist entitled "Notes for Missions Without an Executive Officer" was particularly useful. Although we had competent resident-hire assistance ensuring that the close-out proceeded according to schedule, it was useful to have both the checklist, and the TDY assistance of an EXO, to verify that we had not overlooked any of the numerous close-out details.

II. Lessons Learned

A significant number of lessons were learned from this close-out experience. Obviously, we are able to make the following observations with the benefit of 20/20 hindsight; nevertheless, much can be learned by examining the process of this particular close-out. There are several caveats, however. First, we must remember that RDO/SP is a regional mission covering ten countries spread out over a geographic area larger than the U.S. Second, RDO/SP's region included the jurisdiction of three separate U.S. embassies in the region (Suva for Fiji, Tuvalu, Kiribati, and Tonga; Port Moresby for Papua New Guinea, Solomon Islands, and Vanuatu; and Apia (and Wellington, New Zealand) for Western Samoa, Cook Islands, and Niue). Third, RDO/SP had a branch office located in Papua New Guinea. Together, these factors added special challenges to our close-out that other close-out missions are not likely to encounter. Finally, there was a change in mission management soon after the close-out decision was announced. When the Regional Director was forced into retirement at the end of December 1993, one of the existing RDO/SP officers was called upon to oversee the close-out (rather than send in a senior officer for a nine-month period). Thus, certain comments/observations made herein are made with the best information available or our best understanding of how events transpired.

Although the lessons learned are often interrelated, it is easier to present them in sequential order. Thus, this section is divided into five sections: the period leading up to the closure announcement; the period the close-out plan is being developed; the period between the time closure is announced and the Close-Out Plan is approved; the period implementing the Close-Out Plan, and other. The lessons learned are intended for two primary audiences: Washington, and closing missions. To whom the advice is directed is self-explanatory.

A. Period Leading Up to the Closure Announcement

Communicate, Communicate, Communicate

Washington should bring the mission into the information loop before the closure is announced—quality information will increase the odds that quality decisions will be made: Although now probably only an academic point, we would like to state for the record that the involved mission should have input into the closure decision, if for no other reason than to confirm assumptions about a given program. The field mission would have the most up-to-date knowledge about all the details of its program, and hence, would be in the best position to advise on the pros, cons, and timing of its possible closure. In our case, the decision to close within less than one fiscal year was based on the (incorrect) assumption that our program could be easily "turned off." In fact, we could, but it wasn't easy. (This was complicated by the frequent change in desk officers—five in 1993; as a consequence, the bureau had limited understanding of our program, how we obligated funds, the number of contracts, the number of bilateral project agreements, etc.) But even though we were eventually able to explain in our Close-Out Plan all the details of RDO/SP's portfolio—including how difficult it would be to close our entire program quickly without appearing punitive--by then, it was too late, and politically untenable, to reverse the close-out decision or prolong the close-out date.

Consulting with the mission beforehand would have highlighted the difficulties of withdrawing assistance precipitously, and, we believe, would have resulted in a more realistic timetable to phase down and close out our program. It also would have allowed for mechanisms to be put in place to continue a modest level of assistance to the region. (Remember that RDO/SP's closure is considered "friendly" and the Administrator has committed to continue some level of assistance to the South Pacific through alternate channels (e.g., PVOs/NGOs, regional projects, other regional missions, etc.) after the mission closes.)

Washington should allow a closing mission to have its day in court: Although making the close-out decisions unilaterally was expedient, it denied the mission its day in court. In our case, the consensus is that, even if we disagreed with the decision, it would have been easier to cope with had we the opportunity to weigh in before the decision was made; at least no one could argue that we didn't try. In the end, the unilateral close-out decision provoked anger and cynicism within the mission and made the task of bringing the mission from the "denial" to the "acceptance" stage that much more difficult.

Mission management should keep open channels of communication with all mission staff, even if there's nothing to say: Close-outs are unpleasant and likely to bring out the worst in one's staff. In order to keep the rumor mill in check and speculation to a minimum, channels of communication must be kept open. There is a fine line between being circumspect and appearing secretive, and local and contract staff are likely to react negatively to secretive behavior such as closed-door, USDH-only staff meetings: morale will plummet from a

perceived "we/they" relationship, rumors will fly, work will not get done, and the entire program will flounder. Although there are certainly reasons for having restricted meetings, having them without any explanation or follow-up generally raises eyebrows, particularly when close-out rumors are rife. We found regular (weekly or semi-weekly) "all hands" meetings extremely useful--particularly as the details of the close-out became known--in maximizing transparency and ensuring that there was a medium through which concerns could be expressed. Remember, the process of delivering the message can be just as important as the message(s) being delivered.

B. Period Close-Out Plan is Being Developed

Understand the magnitude of the task, plan conservatively, and get help if needed

When developing the Close-Out Plan, missions should take stock of the range of actions needed to close-out, evaluate the resources available to carry out all the actions, and schedule accordingly: Although every mission closure is bound to have its own characteristics, they share a number of things in common, including:

- projects and non-projects must be brought to an orderly close and/or transferred to another mission's care (this includes grant agreements with governments and regional organizations, as well as arrangements for project-funded technical assistance, participants, and commodities);
- if appropriate, project officers and senior mission management must work with government counterparts and other donors to pick up elements of USAID's closing program to maintain continuity of assistance;
- project, non-project, and programmatic files must be properly disposed of;
- arrangements must be made, and executed, for the transfer of the financial management and financial record-keeping function;
- all contractor employment, including FSN-DH (if any) must be terminated;
- all USDH staff must be reassigned;
- all real property must be "disposed" of (i.e., leased property returned to the landlord; owned property sold or otherwise disposed of);
- all personal property must be disposed of through transfer to another USAID mission, inter-agency sale, sealed-bid sale, grant-in-aid, etc.; and
- all transactions related to the close-out must be properly documented and accounted for.

Although the above is just a partial list, one can see that the programmatic elements are only a small part of the overall close-out effort: the bulk of the work is on the administrative side. Keeping this in mind, one must evaluate the administrative resources available to carry out the close-out before drawing up a final plan. Do you have a large administrative staff that can manage multiple property sales on the same day? Do you have sufficient warehousing space

to have a consolidated sale? What are the motor vehicle needs? What resources are needed to pack out the HHE and UAB for USDH staff?

Taking the range of available resources into consideration, a realistic phase-down plan should be developed, working backwards from the desired closure target date and balancing programmatic requirements with administrative limitations. Make sure to allow for some slippage, recognizing that it might not be acceptable to have a close-out slip into the next fiscal year. In RDO/SP's case, we had targeted the middle of September as our planned close-out date. Ultimately, we were able to close one week ahead of that schedule.

Missions should reorient their program towards achievement of a modest number of "useful units of assistance." Washington should recognize that program resources may be required to achieve these useful units, and work with the missions to develop a realistic figure to work from: Once the decision is made to close, a fair assumption is that the programmatic objectives set forth in a mission's strategic plan have been overtaken by events. But closure notwithstanding, it is probably not desirable to terminate a mission's program outright, as this might result in "white elephants" which, in turn, might invite further criticism by USAID's detractors. How do we decide what to keep and what to drop? How do we evaluate this?

FAA Sec. 617 (and subsequent Agency interpretation) establishes the basic principle of "useful units of assistance"--the means by which we evaluate what stays and what goes. Although FAA Sec. 617 concerns only participant training, it importantly allows for training programs in progress to be completed, even if the USG is withdrawing assistance. The principle is thus established and applied to individual elements of a closing development program.

There is an important distinction, however. Useful units apply to program elements (i.e., parts of projects), and generally not to projects in their entirety. Examples of our useful units include:

- An established AIDS unit within the South Pacific Commission capable of providing AIDS prevention services to the region;
- Commercial non-chemical quarantine treatment facilities certified for use in Tonga and Fiji;
- An operational oyster-culture research facility for the Cook Islands; and
- A plan completed for improving land use/marine management to reduce lagoon pollution for Tarawa Lagoon, Kiribati.

Depending upon a mission's funding situation (mortgage, pipeline, individual project obligations/commitments, etc.) the mission may require additional funds to achieve the identified useful units of assistance. This information should be communicated to Washington immediately so a financing plan can be developed. There are appropriated funds specifically

set aside for mission close-outs, but these funds are limited. There may be other funding sources that can be tapped as well (e.g., PD&S funds).

Washington should ensure the mission has the OE and staff resources it needs to close-out properly: Closing down a mission requires skills often not present in a mission's staffing pattern: legal advisors, contracting officers, and, for smaller missions like ours, executive officers. Washington should ensure that sufficient funds are made available to missions to bring these people in; without them the close-out won't happen or risks not be done correctly.

C. Period Between the Time Closure is Announced and the Close-Out Plan is Approved

Transition from "denial" to "acceptance"

Missions should keep busy, focusing on actions that don't need final approval of the Close-Out plan to proceed: Keeping your staffs focused is difficult, but necessary if you are to close-out on schedule. Try to direct your staff to do tasks that will be required regardless of whether the Close-Out Plan is accepted as submitted or modified (e.g., culling of project files, culling of libraries, etc.). It may not seem like much, but as people see the physical manifestations of the close-out, acceptance of their fate eventually follows. Also, because you already know you will have to release everyone, work with your FSNs to develop their resumés and their interviewing skills. These are positive actions that show that despite the closure decision, it is not a decision meant to be taken personally. Ultimately, morale will improve.

Washington should keep the time between when the closure is announced and when the Close-Out Plan is approved to a minimum: Perhaps the most difficult parts of the close-out were the waiting and the uncertainty. Were we going to be allowed to continue this or that activity? Were we going to get much needed money to complete "useful units of assistance?" Was Washington going to be "reasonable" regarding our close-out because it was considered friendly? What types of activities would be allowed "post-closure," and what could we share with the governments?

While these questions were being raised, morale plummeted and cynicism went unchecked. Adding insult to injury, we were feeling increasingly squeezed: the clock was ticking on one end while on the other, the September 1994 closure date remained fixed. Four months passed between the time our closure was announced and our Close-Out Plan was approved (five weeks longer than promised). In our estimation, this is far too long, particularly for an agency being reorganized to be more efficient and effective.

If Washington decides to close a mission, it should respect the fact that the mission will need time to execute that decision. Mission closures do not occur on their own. They are team

efforts, requiring the commitment and cooperation of all team members. Washington is a key member of the team, and given the highly centralized nature of the close-out decision-making process, the timeliness of Washington's input, guidance, and decisions are even more important.

Washington should improve its close-out information sharing with affected missions: Related to the above point, Washington should remember that information is only valuable if it is shared. This is particularly true for close-out information. In one instance, close-out missions learned the name of the Agency's close-out coordinator one month after Administrator Atwood signed the approval memo. In another, the close-out checklists (supposedly, the framework for Close-Out Plans) were provided one day before the Close-Out Plans were due in Washington. These are perhaps small matters, but we found it troubling that we were not clued into such information at an early stage.

Missions should recognize that the closure will have a tremendously negative impact on staff morale; they should be proactive and take preventive measures early: Being associated with a mission close-out is an extremely traumatic experience:

- Local and contract staff suddenly find themselves in the position where they will soon be out of work;
- Staff draw the conclusion that their mission is less important than others;
- The mere act of dismantling a mission's program is counter to the "average" USAID employee's inclination to build;
- There is an emotional bond many of us share with our staffs (not to mention our projects), which by necessity, must be broken; and
- There are feelings of guilt when the USDH staff realizes that everyone except the USDHs will soon be losing their jobs.

In order to deal with this situation, and to avert the high potential that the stress might manifest itself in self-destructive ways, we suggest that you take preventive measures early. In our case, we brought in the Regional Psychiatrist to counsel all staff (USDH, PSC, FSN/TCN, and institutional contractors) on the psychological impacts of closing. By the time we were able to schedule him to come, however,³ the close-out process was well underway (his visit was useful, nevertheless). We would suggest that his visit would have been more effective had he come right after the closure announcement. A follow-up visit could be scheduled later, if required.

Missions should make sure their FSN Compensation Plan contains adequate severance provisions: RDO/SP's close-out was, in some respects, made even more traumatic as there were no severance provisions in our FSN Compensation Plan when the mission's closure was announced. Through the excellent assistance from a TDY controller who "knew the ropes," we were able to put in place a generous severance package that would cover the USAID

employees being terminated as a result of the closure. This effectively turned the equation in management's favor: rather than having employees fear about the future when they were released, they instead could be assured of a safety net that would allow them sufficient time to get a good job after they were released from USAID. The lesson in this case would be to make sure some sort of severance package is in place under the post's FSN compensation plan to maximize management's flexibility.

Washington and missions should be proactive vis-à-vis the press and make sure the story is consistent between the senior levels of USAID and the field. If you do address the press, be careful!: Even before the official closure was announced, rumors of RDO/SP's closure circulated within the diplomatic, donor, and NGO/PVO communities, as well as the local and international press. Because the entire process was kept under wraps, we had little to share publicly. In fact, while details eventually leaked that RDO/SP was "on the list" we were under an injunction to keep things quiet. As a result, we in the field appeared, at best, that we were hiding something; and, at worst, we appeared stupid. When the closure decision was finally announced, there was so little advance warning that the desk, External Affairs, and the field all appeared to be caught off guard. (An example of how this approach did not serve the Agency's best interests is the "announcement cable." The day before closure was announced, word finally came down for the desk to prepare a cable to RDO/SP formally announcing the closure. Because it was rushed (the drafter had less than one day to write the cable as the Administrator was going to formally announce the closure the next day, yet the decision had apparently been made weeks before), the cable contained ambiguous and internally inconsistent statements; it took weeks to sort these problems.)

Once the decision was final vis-à-vis our Close-Out Plan, we held a press conference which our USIS Public Affairs Officer helped set up. It wasn't an easy nor a pleasant task, but it was important to explain the reasons behind our closure. If you decide to take this route, make sure any press release and talking points are first cleared with XA and the desk, and make sure that the Washington hierarchy knows you're holding a press conference (e.g., XA, the desk, office director, DAA, AA, etc.). During the conference, try not to stray from the approved text/talking points. We found the "USAID Speakers Kit" a valuable tool to prepare for the press conference.

After you hold the press conference, do a reporting memo, e-mail, or fax to give Washington your impressions of how it went. This will at least give your side of the story in case you're misquoted, and give Washington a heads-up in the event damage control is required.

Missions should work with their embassies to prepare Diplomatic Notes to advise host governments of USAID's closure. Concurrently, develop a strategy to bridge the gap between the general Diplomatic Note and the more detailed Project Implementation Letters that will follow: Several "angles of attack" must be taken once the close-out decisions are final. The first one we employed was when the closure was first announced. In

most of our countries, the U.S. embassies sent out Dip Notes advising the countries we worked in that the USAID mission would be closing and that more detailed information would follow once the final Close-Out Plan was approved.

Later, in anticipation of final approval of our Close-Out Plan, we prepared ten Dip Notes, each tailored to how USAID's closure would specifically affect their country. (Remember to clear the texts with the USAID and State desks in Washington). Once the Close-Out Plan was approved, we faxed the approved drafts to the cognizant U.S. embassies for their action.

In tandem with this, we also worked out a strategy as to how to move from the more general Dip Note to the more specific PIL(s). This was generally handled through informal channels, i.e., working through our project counterparts advising them of the next step(s) in the close-out process. In some instances, this involved only a letter (or a more formal PIL) advising the country of the new management arrangements (i.e., the name and address of the new project officer in USAID/Philippines). In others, where funds were obligated outside of bilateral project agreements, a PIO/T was prepared to formally change the implementing agent's contract or Cooperative Agreement, and a covering PIL was sent to explain the changes. The point is, the Dip Notes will only address the close-out in general terms. Follow-up is required to make the project close-out happen.

D. Period Implementing the Close-Out Plan

"Just Do It"

Once the final close-out decisions have been made, missions should redirect their energies to implement the close-out: Perhaps the single-most important factor concerning why our close-out is considered "successful" was that, once the final decisions were made on our Plan, we put all our energies into implementing the decisions. We made our most forceful case to continue certain activities, and although we didn't win on every point, we could take comfort in knowing that we won more than we lost.

There comes a time, however, when you have to accept that no one's interests are served by continuing to contest the decisions. With rapidly dwindling staff, a "ticking clock" to close by the end of FY 94, and the realization that no one in Washington would be any more willing to go out on the limb to salvage our program (or elements thereof), we had to face up to the fact that it was in our best interests to close things down as quickly and efficiently as possible. This was an important step for everyone concerned with the close-out. As staff accepted their fate, they once again became productive members of the team.

Missions should be prepared to be flexible, but decisive, in implementing the close-out, and Washington should accept that close-outs are dynamic and be prepared to tolerate some degree of slippage and/or interpretation of the close-out decisions by the field:

Although our close-out went pretty much according to plan, there were times when we were required to exercise judgement in interpreting USAID/W close-out guidance. For instance, we discovered after-the-fact that there were a couple of internal inconsistencies within the Close-Out Plan itself, and between the Plan and the approval memorandum (e.g., agreed-upon dates differed by one or two months). Under these circumstances, it did not appear necessary, desirable, nor efficient to refer back to the AA/M for an interpretation. Thus, when such discrepancies arose, we did what made the most sense. We in no way violated the spirit nor the letter of the close-out plan, but we also did not burden Washington with questions of interpretation that it was not as well-placed as the field to address. USAID/W should recognize that RDO/SP's close-out was relatively easy, and that more complex programs are likely to have more complex problems. Consequently, there should be a general understanding between the M, PPC, and geographic bureaus that the field will exercise judgement when discrepancies occur.

Missions should schedule for legal advisor, contracting officer, and other technical officer skills early: Once the final decisions have been made, the next step is to make sure the decisions are reflected in Project Grant Agreement Amendments, Contract Amendments, and/or Cooperative Agreement Amendments. This usually means that the skills of a Project Development Officer must be tapped (or obtained, if not available in house), in addition to other technical and legal assistance, to prepare the necessary amendments. Scheduling this assistance as early in the process as possible is helpful as the details of the decision(s) are still fresh in peoples' minds. Also, you can expect that staff resources (USDH and FSN) will diminish over time, leaving fewer to do more jobs. Best to get the mundane details out of the way while you have the resources to do so.

Missions should work with FSN and other staff losing their jobs to improve their job-searching skills: Perhaps the most traumatic part of closing a mission is the fact that, with the exception of the USDH staff, all other mission employees will be losing their jobs. What can USAID do to make this transition go smoothly? We tried a number of things. First, not long after the closure was announced, we launched a "campaign" of sorts saying that it was management's intent that when the FSNs were terminated, they would either have a new job to go to, or would have the resumé and interviewing skills to find one. We then worked with every employee desiring this assistance to revise their resúmes (important note: don't rewrite the resúmes yourself, but have the employee do it; if you do it, the employee won't "own" it). Working from information obtained from the USAID/W HR offices in resumé writing and interviewing skills, we also conducted workshops on interviewing skills. Finally, we were able to obtain a videotape on interviewing skills, which we showed to the FSN staff.

As a result of these efforts, we were fairly successful in our campaign. As RDO/SP closes, about 80% have already found onward employment. The remainder are well-armed with the skills to find a good job in Suva's competitive job market (some have already had interviews and are awaiting final decisions).

Missions should "work the press" to stress the positive aspects of USAID's program: Even though the mission is closing, there are, nevertheless, positive things that can be touted, even in a close-out. During our close-out, we, working with USIS and the Embassy to maximize "photo opportunities" for USAID-funded activities, including the opening of a US-AEP traveling information center on environmental technologies, a handcrafts exposition, and the opening of a workshop to unveil a chemical-free quarantine treatment technology. The USG got good press during all these events and, as a result, demonstrated that the USG was not closing its program precipitously.

Missions should consider getting outside help for the final stages of the close-out: Close-outs are draining, emotionally and physically. Don't be afraid to bring in someone from the outside to handle the last-minute details. We brought in a TDY EXO to oversee the final administrative close-out and are glad we did. First, this EXO did not have the emotional attachment to the staff, and, therefore, could be more objective. Second, she was able to bring her EXO skills to bear to ensure that all documentation needed to properly close out were in place. Finally, she was "fresh": her presence reinvigorated our administrative staff who were weary from months of closing out.

Missions should remember to say "farewell" in a way that is culturally appropriate: In the Pacific, personal contact is important. Thus, we attempted to schedule travel to as many countries and regional organizations as possible to bid a personal farewell to the governments in RDO/SP's region. In addition to the technical ministries we have worked with under our projects, we usually met with someone in the Foreign Affairs offices and the Prime Minister's office (at times, the Prime Minister himself). In most instances, we were able to plan our travel to coincide with project-related meetings. In all, we were able to meet with government officials in all but two countries (Niue and Solomon Islands); these two countries were dropped because of budgetary limits and the fact that we only had a limited amount of assistance to these countries.

E. Other

Employees Shouldn't be Penalized, Nor Disadvantaged, Because of the Close-Out

USDH staff should not be penalized because of their association with a close-out, and promotion panels should be instructed to make sure this does not happen: One lingering--but we believe legitimate--concern among the USDH staff was that being associated with the close-out would put us at a disadvantage with respect to EERs and promotions. With the increased emphasis on demonstrating "development impact" during a rating period, there is little one can cite in a closing mission. The fact of the matter is, successfully closing a mission might well require other skills--e.g., diplomatic skills--which might be every bit as important as demonstrating development impact. It is, therefore, incumbent upon the supervisor and the employee to ensure that the range of demonstrated skills are highlighted.

Only time will tell whether those associated with close-outs will receive equal treatment and consideration for promotions and awards. As a preventive measure, promotion panels should be instructed to take a broader interpretation of "development impact," or recognize that otherwise uncalled-upon skills may be required to level the playing field when reviewing EERs from closing missions.

Don't forget that professional development is just as important to those in closing missions: Participation in courses, workshops, conferences, etc., enhances the skills a USAID mission needs to do its jobs better. Just because a mission might be closing does not change this fact, particularly for the USDH staff. Remember that staff energies are only temporarily diverted, so closing missions should not be overlooked when courses, workshops, or conferences are held.

Don't overlook the US-PSCs: Often overlooked, often maligned, but nevertheless an integral part of any mission is the US-PSC. There should be a way to recognize extraordinary contributions made by US-PSCs during a mission's close-out. During our close-out, a great deal of attention has been paid to the plight of the FSNs and the USDH. The FSNs get their severance package. The USDH get special treatment in the reassignment process. But the US-PSCs, unfortunately, are forgotten in the process. While USDH and FSN staff can avail themselves of a number of "job placement" services, US-PSCs are not allowed to even advertise their availability to other posts. Yet, we expect them to perform as if the close-out were normal. Some exceptions should be made to account for the extraordinary circumstances of a close-out.

RDO/SP had tried to obtain a deviation from the policy preventing US-PSCs from receiving anything other than their basic pay package (which would have allowed them to participate in the post awards program). However, this request was denied. As a consequence, a potentially powerful management tool--being able to recognize (with a cash award) extraordinary contributions made in the face of adversity--was not allowed to be employed. Close-outs are extraordinary circumstances, we believe the policy of not allowing US-PSCs to participate in post awards programs should be reviewed.

Major Functional Series: Management Services
ADS Chapter 527.6; Supplementary Reference
ADS Chapter 527.6 Supplement: Supersedes HB 23, Chapter 13, Closing a USAID Mission.

**CLOSING OF MISSIONS CHECKLISTS
FOR NORMAL CLOSEOUT**

I. GUIDANCE FOR USING CHECKLISTS ON HOW TO CLOSE A USAID MISSION

The purpose of this checklist is to provide a list of actions that need to be completed when it has been determined to close a USAID Mission. The closing out of a USAID may or may not include closing out all United States (U.S.) assistance activities. The closing out of a USAID can take place as a "normal" closing, an "immediate" closing, or an "emergency" closing. This checklist applies to a normal closing only. For "immediate" closing see "Closing of Missions Checklists for Immediate Closeout." For "emergency" closing see ADS Chapter 530.

USAID/W management responsibilities for a USAID closeout may be assumed by a task force consisting of representatives of the Management Bureau and respective Regional Bureaus.

This checklist applies to Mission Administrative Procedures only. It is to be used after: the determination is made to close a USAID, the Mission Director submits recommendations for closing out assistance activities (described in II below), and a plan is completed by the Regional Bureau of the Closeout (III below).

II. MISSION STRATEGIC PLAN OR CLOSEOUT PLAN

Missions are advised to factor in closeout or transition status immediately, and to be prepared to justify any long term commitments.

Strategic Plan modifications will be prepared by the Missions and detail the programmatic aspects of closing out or reconfiguring strategic objectives. There is no hard and fast rule for modifying strategic plans. Sufficient detail is required on the status of individual strategic objective activities to make informed judgements about what the Mission proposes. Missions should also outline a staffing pattern, showing staff departures as they will occur. In addition:

- o Missions should think in terms of leaving sustainable and useful units of assistance, and ensuring managerial and cost efficiency. All this must take place within the time frame given for transition.
- o All in-country activities, regardless of sponsor (i.e., G, BHR and regional bureau) and regardless of funding source or type (e.g., training research, food) or implementing agent must be reported.

Missions should work with the sponsoring bureau on a virtual basis in planning for closing or modifying centrally funded activities. When there is disagreement in how best to proceed, the Mission should prepare its proposal, noting areas of disagreement. G and BHR will participate in all reviews of exit (transition) plans.
- o Missions are encouraged to think through how best to evaluate their programs: reflectively, over an extended period of time; or more in terms of specific strategic objectives, as a useful product for other donors and host country planners. PPC/CDIE may be of assistance.
- o Local currency must also be included in the plan. Report on the status of local currency accounts, and plans for winding them down or alternative proposals.

- o Severance pay considerations: While this should be addressed in the operations plan, Missions should research in advance local laws and custom regarding severance and the Post Compensation Plan and confer with M/HR/FSN.
- o Program and operational closeouts: Exit missions should seek to terminate program activities in advance of the exit date since there are numerous administrative details to attend to in closing a Mission.
- o Experienced closeout staff: It is helpful to retain staff with closeout experience, particularly in the EXO and CONT backstop areas. Also, the RLA should be consulted regarding legal issues associated with program or administrative matters.
- o FSN Staff: Missions are strongly encouraged to pursue all avenues in assisting FSNs in securing post-USAID employment.

III. REVIEW OF MISSION CLOSEOUT PLAN

Strategic Plan modifications or Closeout Plan will be reviewed in USAID/W. Reviews will be chaired by the cognizant regional bureau with the participation of M, PPC, GC, G, and BHR. For all exit country strategies, an Action Memorandum summarizing the plan's salient features, as modified by the review, along with any outstanding issues, will be submitted to the Coordinator for Overseas Restructuring (AA/M) for approval.

For all country strategies reflecting a transition from full to limited status, the amended management contract following the regional bureau review of the Strategic Plan will specify both programming, and staffing changes. The amended contract will be approved by the regional AA, and cleared by the Coordinator for Overseas Restructuring as well as other appropriate offices and officials.

IV. PREPARATION OF MISSION OPERATIONAL PLAN

Upon receipt of the regional Assistant Administrator's plan for closing out assistance activities, the Mission Director prepares an operational plan for closing out the USAID. The Mission Director's plan conforms with and implements the regional Assistant Administrator's plan to closeout assistance activities and includes provisions covering:

- o The retention of sufficient and suitable staff members and the delegation of authority and assignment of specific responsibility to each to carry to completion the required closeout action with respect to each assistance activity in accordance with the plan and the time schedule.
- o The estimates of personnel, space, and funds required to complete the closeout, taking into account the reduction possible by each successive stage of the plan.
- o The timetable for the phasing out, transferring, or terminating of U.S. direct-hire, participating agency, and contract personnel and replacement of assistance from other resources.
- o The action for terminating services of cooperating country and third country national employees.
- o A monthly timeframe/activity projection for the entire closeout period of major activities that must occur.

Completed Date _____

The following checklists should not be viewed as comprehensive, all inclusive

- o The action for terminating services of cooperating country and third country national employees.
Completed Date _____
- o A monthly timeframe/activity projection for the entire closeout period of major activities that must occur.
Completed Date _____

The following checklists should not be viewed as comprehensive, all inclusive how-to-guides, but are to be used in conjunction with the mission specific plan in assuring that the basic areas are covered. The closeout procedures should be adjusted as necessary to meet special activities and circumstances.

V. PERSONNEL CHECKLIST (For Policies and Procedures see Personnel Handbooks (HB))

o On receipt of final USAID/W determination that the USAID Mission is to close, the Mission Director may, unless otherwise instructed by USAID/W, inform all employees of the pending action. The following steps should be followed by a closing Mission:

- o For U.S. Direct-Hire Employees, Mission:
 - (1) Submits to USAID/W a tentative transfer schedule for each employee.
Completed Date _____
 - (2) Submits a list of all PASA employees to the Office of Procurement (M/OP) in USAID/W for referral to the parent agency for action.
Completed Date _____
 - (3) Has each employee submit a cabled COAR to USAID/W, if not already submitted as part of the normal reassignment process.
Completed Date _____
 - (4) Request from USAID/W authority to issue travel authorizations as appropriate.
Completed Date _____
- o For Cooperating Country Employees and Third Country Nationals, Mission:
 - (1) Conducts termination procedures in accordance with ADS 400 and the approved local compensation plan to include monitoring any outstanding issues for local FSN pension plans.
Completed Date _____
 - (2) Provides maximum practical assistance to employees to secure new employment as appropriate.
Completed Date _____

VI. FINANCIAL MANAGEMENT CHECKLIST (For Policy and Procedures see HB 19)

This checklist outlines some general and some specific procedures for closing a mission controller office and transferring the financial records and responsibilities to a regional center. There are no "typical" missions when it comes to close out.

The USAID/W approved Program Close Out Plan and Schedule should be a working document in the orderly close down of financial activities at the mission. It is also important to consult the termination provisions of the bilateral agreement, project/activity agreements, trust fund agreements, contracts, grants, etc. to determine any special procedures that may be necessary.

The Office of Financial Management (M/FM) in Washington will designate another mission or office to assure responsibility for residual Controller functions and will advise other missions of the close out and the name of the mission or office assuming residual financial functions. The action of designating another mission should take place at the time of approval of the Program Close Out Plan and Schedule.

AUDIT MANAGEMENT

- o Have all open audit recommendations been followed-up and reasonable attempts made to close them?

Completed Date _____

PIPELINE REVIEWS

1. Have detailed listings of all unliquidated obligations been prepared and continually updated to assist in the final close out?

Completed Date _____

2. Have activity pipeline reports, PO6B and A05, been regularly issued to help identify slow moving activities and funds to appropriate mission officials?

Completed Date _____

3. Have steps been taken to insure that the 1311 process includes participation of activity officers and communication with vendors and contractors?

Completed Date _____

4. Is the activity portfolio being reviewed periodically by mission management to identify potential deob amounts?

Completed Date _____

5. Are uncommitted earmarks and commitment reservations reviewed to insure validity and sound activity management?

Completed Date _____

6. Review list of open reservations to determine that all items are current?

Completed Date _____

CLAIMS AND LITIGATION

- o Have necessary arrangements been made for continuing communications among local counsel, the US Embassy and USAID?

PROPERTY

1. Review the real property ledger and personal NXP ledgers for completeness. Are all the receiving and disposal reports being posted on a current basis?

Completed Date _____

2. Has a current reconciliation been made with the EXO records?

Completed Date _____

When was the last physical inventory?

Completed Date _____

3. Review property disposals. Is excess OE property sold by public auction to maximize return to the USAID property replacement account? When was the last physical inventory? Has a survey board been convened to take actions as a result of the physical inventory?

Completed Date _____

4. Has the final U-754/1 been filed? Completed Date _____

REPORTING

1. Are SF 1221s on disbursement transactions being received, reconciled promptly, and reported on the U-101? Completed Date _____
2. Are procedures in place to ensure receipt and reconciliation of 1221's from all potential USDOs? Completed Date _____
3. Are copies of all recent reports maintained and readily accessible for reference? Completed Date _____
4. Is appropriate follow-up action taken on unaccepted AOCs (outgoing and incoming)? Completed Date _____
5. Are trust fund reports submitted in accordance with the trust fund agreement? Completed Date _____
6. Check FM's listing of cumulative G-2 balances. Are steps being taken to reconcile the differences identified? Completed Date _____
7. Review outstanding suspense accounts amounts. Are outstanding amounts being cleared promptly? Does missions's net/reconciling amount agree with M/FM/CARD totals? Completed Date _____
8. Review mission PFAR reports and unliquidated balances on the P06B report with the quarterly DA01 report. Are differences being reported to FM? Completed Date _____
9. Are internal generated reports prepared and distributed to mission staff for their use? Completed Date _____
10. Have final financial reports been prepared and submitted to USAID/W? Completed Date _____

TRUST FUNDS

1. Has the mission developed a budget for OE trust fund to cover all obligations to be paid from these accounts and made plans to return any excess to the host government? Completed Date _____
2. Has the mission budgeted for program trust fund requirements during the close out period? Completed Date _____
3. Has the mission corresponded with the host government about disposition of property funded with trust funds? Completed Date _____
4. Are all costs being charged to trust funds allowable under the agreement? Is mission maximizing use of trust funds? Completed Date _____

5. Are trust fund reports submitted in accordance with the trust fund agreement?
Completed Date _____

6. Have procedures been established to manage trust fund billings and collections? (Trust fund billings are not included in the U-141 Report).
Completed Date _____

OPERATING EXPENSES

1. Has the mission given the required six months notice of withdrawal from FAAS services? Has responsibility been assigned to review the FAAS workpapers and workload counts?
Completed Date _____

2. Are lease agreements being properly terminated and advance payments held to a minimum?
Completed Date _____

3. Are LQA and educational allowances provided in advance and if so, have employees submitted documentation to support the total amount provided?
Completed Date _____

4. Is there a system in place to monitor the collection of refunds that USDHs receive from insurance companies on costs incurred and initially paid by USAID for medical evacuations and have employees been requested to file timely?
Completed Date _____

5. Are salary, leave, severance, and other final payments to local employees covered under current-year budgets?
Completed Date _____

Advances

1. Have grants/coop advance holders been advised to remit interest earned on interest bearing accounts on a current basis? Has the mission issued B/Cs to grantees etc for overdue advances?
Completed Date _____

2. Have employees been informed in writing to file vouchers or otherwise clear up all advances over 30 days old?
Completed Date _____

3. Have adequate files been established to document the follow-up on overdue advances to host country recipients and contractors?
Completed Date _____

4. Are project officers being kept informed on the status of advances under their project(s)?
Completed Date _____

5. Are procedures in place to insure the timely transfer of copies of collection documents from the cashier whether it is JAO or USAID to insure proper accounting treatment of repayment of advances?
Completed Date _____

6. Has the mission reviewed or developed checkout procedure that precludes US (DHs and PSCs) employees departing post or FSNs terminating employment without clearing all outstanding advances with the controller.
Completed Date _____

7. Is the mission employing judicious and proper write off technique of advances occurs when cost of collection action will exceed anticipated proceeds? The proper method is to expense out the advance, issue the bill for collection (B/C), and than follow the B/C write off guidance.
Completed Date _____
8. During the last month of operation, has the mission assembled or reviewed and updated documentary file of all advances?
Completed Date _____

Accounts Receivable

1. Is the mission system of control adequate to provide for prompt billings and timely collections of all amounts due the USAID?
Completed Date _____
2. Are appropriate instructions and procedures issued to clearly identify the offices which have responsibility for issuing B/Cs?
Completed Date _____
3. Is a monthly report issued and distributed to management listing all of the outstanding B/Cs ?
Completed Date _____
4. Are USAID/W reports (Quarterly Status of Outstanding Billings Report) reconciled with USAID records and appropriate action taken on any differences?
Completed Date _____
5. Are there procedures to determine if billings are prompt and collections timely. Is there a system for vigorous follow-up on outstanding item?
Completed Date _____
6. Are interest and penalties assessed and collected? Are collections being credited to the proper account?
Completed Date _____
7. Are U-141 reports to FM timely and accurate?
Completed Date _____
8. Are procedures in place to bill for unofficial use of vehicles, telephones, etc.?
Completed Date _____
9. Are uncollectible accounts written-off when appropriate and in accordance with A.I.D. procedures?
Completed Date _____
10. During the last month of operation, have copies of files on accounts receivable from foreign officials and private obligators (Report U-141a) that could become difficult to collect if USAID were to resume activities at a future date been sent to M/FM/CAR?
Completed Date _____

Cashier Operations

1. Have miscellaneous cash funds held by individuals other than Cashiers or Alternate Cashiers been identified for closing?
Completed Date _____
2. Have arrangements for the closing of cashier accounts at outlying posts

as quickly as possible been made?

Completed Date _____

3. Are unannounced cash counts being conducted at least monthly and verified that the amount on hand agrees with the cashier's accountability with the USDO?

Completed Date _____

4. Review level of cashier's advance. Is it adequate? Are reimbursements requested at least weekly? Has the controller conducted a yearly analysis to determine if the current account is adequate to meet cash requirements? Is the current level excessive?

Completed Date _____

5. Are there any cash payments that exceed the limit for any one transaction? Are emergency payments limited to not to exceed \$3000 and are the transactions approved by the EXO?

Completed Date _____

Voucher Processing and Prompt Pay

1. Have local suppliers been advised to submit their invoices on a current basis?

Completed Date _____

2. Have employees been requested to submit pending travel claims for immediate settlement?

Completed Date _____

3. Have mission procurement staff been reminded to require all contractors/grantees to submit their invoices directly to the paying office?

Completed Date _____

4. Does the mission have a system that controls prompt payments and alerts the mission of potential late payments?

Completed Date _____

5. Review voucher processing procedures. Are controls adequate? Is there separation of duties to prevent fraud?

Completed Date _____

6. Is the system for obtaining administrative approval of vouchers and receiving reports adequate?

Completed Date _____

7. During the last month, have documentary files of all unpaid invoices, travel claims, contracts, etc been assembled and prepared for shipment to the new accounting station?

Completed Date _____

Loan Accounting

1. Are mission loan memorandum records current and reconciled with FM/LM reports?

Completed Date _____

2. Are there any 620Q problems? If so, does the mission have procedures in place to monitor the situation?

Completed Date _____

3. Has the controller established liaison with appropriate staff in the Embassy to monitor DOD debt?
Completed Date _____
4. Review any accruals against loan obligations to determine the appropriateness.
Completed Date _____
5. If loan repayments are being made locally, are payments being reported to FM/LM in a timely manner?
Completed Date _____
6. Have procedures for making and reporting participant accruals against loans been completed?
Completed Date _____
7. Have reporting problems identified by FM/LM been resolved?
Completed Date _____
8. Have complete, documentary files of all unpaid notices of payment due on loans been assembled for transferring to the new accounting station or loan servicing liaison officer?
Completed Date _____
9. Have borrowers been notified of the office assuming loan servicing responsibilities?
Completed Date _____

Payroll, FICA and Federal Income Taxes (FIT)

1. Review payroll procedures and systems for USPSCs. Are appropriate FICA and FIT withholding records for all U.S. citizen employees (including non-resident aliens holding "green cards") accurate? Are completed W-4's on file for each employee? Have final W-2s been issued for all USPSCs as they depart post?
Completed Date _____
2. Are quarterly 941 reports in one file and is sufficient information available in these files to answer any subsequent IRS inquiries?
Completed Date _____
3. Has the final 941 tax return notified the IRS that this is the final return and that subsequent actions are to be assumed by the designated mission?
Completed Date _____
4. Have final reports of FSN employees who are covered by Civil Service Retirement been prepared and submitted to USAID/W FM payroll office?
Completed Date _____
5. Have any final returns required been filed with local tax authorities notifying them of FSN employees who will be terminated?
Completed Date _____
6. Have payments been made to non-personnel service contractors and U.S. citizens employed under purchase orders reported by 1099's to the IRS?
Completed Date _____
7. Have 1099's been issued for allowances and benefits paid directly by the USAID (including property or facilities furnished in-kind or paid to third parties) to U.S. citizen employees of institutional contractors or

PASAs (exclude USDH or USPSCs)?

Completed Date _____

8. Have costs for final FSN salary and benefit payments been determined and scheduled to assure that checks are available on date of termination?

Completed Date _____

9. Have Forms 760-23 (projected leave) been obtained from USDH employees prior to their departure from post?

Completed Date _____

Local Currency Management

1. Are timely audits being conducted of the special accounts and end uses when required and are plans in place to continue this monitoring/oversight function?

Completed Date _____

2. Have the responsible host country agencies charged with accounting and reporting on host country-owned local currency been notified of the new location to send the reports?

Completed Date _____

3. Are special accounts established and the responsible agency reporting to the mission in accordance with the agreement(s)?

Completed Date _____

4. Have the appropriate accounting records to verify amounts deposited, withdrawals, and balance on hand been compiled and prepared for forwarding to the new accounting station?

Completed Date _____

5. Review reporting to FM via the U-205 Report. Is the report being prepared inclusive of all types of local currency activities and submitted in a timely matter?

Completed Date _____

MACS and Accounting Records

1. If the mission is served by a regional accounting center, have arrangements been made for timely receipt of MACS reports?

Completed Date _____

2. If MACS is installed on site, has the potential turnover of critical staff been taken into consideration in continuing running the system?

Completed Date _____

3. Central security concerns of MACS are data integrity, prevention of unauthorized use of funds, and data availability and integrity. Are security issues being reviewed as the phasedown continues?

Completed Date _____

4. Review continued implementation of MACS. Are source documents well maintained? Review internal controls and separation of duties as phase down proceeds.

Completed Date _____

5. Review the procedures for issuance and control of user IDs and passwords. Are users being taken off the system as they leave the mission and are passwords being changed every three months?

Completed Date _____

6. Review the disaster recovery and continuity of operations plan for the post. Is the plan up-to-date and covers what must be done, when it must be done, who must do it, how it should be done, and what is needed to do the job, as it relates to the controller's operations?

Completed Date _____

7. Has a determination been made where the off-site MACS backup tapes are kept at post and how often tapes are sent to this site?

Completed Date _____

Transfer of Functions of Records

1. Have plans been made to transfer mission Controller files and records to the new accounting station?

Completed Date _____

2. Have periodic backup tapes of MACS database been made with one stored at post and the other forwarded to the new accounting station? Has the final tape been sent to M/FM/FO in Washington?

Completed Date _____

3. Have mission controller books, files, and records been review to determine that there is sufficient detail to permit the receiving USAID mission or office to perform the residual or required financial functions?

Completed Date _____

4. Has a memorandum to the receiving mission or office (HB 23, Ch 13, Exhibit A), plus a complete listing of all books, records, and files being transferred, with a copy to USAID/W, certifying the specific actions required and including the following verification statement been prepared?

Completed Date _____

"I attest to the correctness and completeness of the books, files, and records being transferred from my responsibility to the USAID/_____ Controller's responsibility. The financial management close out procedures have been performed according to USAID Handbook 23, Section 13G, with the exception of the disclaimers and qualifications noted above."

5. Has the receiving mission assisted in the smooth transfer of financial operations to avoid, to the extent possible, a disruption of service and reviewed the complete listing of all books, records, and files against items actually received to ascertain that no items are missing in transit?

Completed Date _____

Miscellaneous

1. Has FM been requested to advise banks who have issued letters of credit that the mission is scheduled to close on a given date? Are all letters of credit against USAID letters of commitment reconciled and the bank advised of the contact point for all communications/correspondence?

Completed Date _____

2. Do cash transfer or non-project assistance agreements require a dollar special account? Are systems in place to ensure that the balance of such accounts are being disbursed and used prior to the mission closing?

Completed Date _____

3. Has the mission requested FM to discontinue all disbursements under non-project assistance agreements and cease all USAID/W disbursements under direct financing?
Completed Date _____
4. If the mission operates a guest house, are operations scheduled to close and funds accounted for as early as possible before closing?
Completed Date _____
5. Has FM been requested to provide the mission with a listing of all outstanding AOCs and to keep the mission informed monthly by FAX of all payments made on their behalf?
Completed Date _____
6. Have addresses, phone numbers, or contacts for mission employees been compiled and furnished to FM?
Completed Date _____

VII. PROCUREMENT AND SUPPLY CHECKLIST (For Policy and Procedures see ADS 300)

USAID Mission Responsibilities

1. Determine commodity requirements under close out schedule.
Completed Date _____
2. Amend or terminate mission procurement or assistance instruments in order to ensure adequate but not excess commodities and/or services until the close out date.
Completed Date _____
3. Review open and blanket purchase orders to determine need for cancellation, revised delivery schedule, or other appropriate actions.
Completed Date _____
4. Curtail all new procurement other than for minimum needs through the final close out date.
Completed Date _____
5. Check and update procurement files for:
- (1) open actions;
 - (2) claims;
 - (3) warranties and titles;
 - (4) inventory records;
 - (5) receiving and inspection reports; and
 - (6) disposition instructions of commodities, spare parts.
- Completed Date _____
6. Determine disposition of procurement and supply files.
Completed Date _____
7. Coordinate contract/grant audits with M/OP/PS/CAM.
Completed Date _____

8. Complete all contract close out requirements including technical office and Controller review prior to close out certification by responsible contract officer.
Completed Date _____
9. Consider transfer of residual actions and contract/grant administration.
Completed Date _____

VIII. PERSONAL PROPERTY CHECKLIST (For Policy and Procedures see HB 23, Chapter 4)

1. Inventory all NXP personal property titled in USAID: issued/stored; program/administrative; appropriated/trust-funded; expendable/nonexpendable; property on loan; and contractor procured property.
Completed Date _____
2. List quantity, description, and condition code (HB 23, Ch 4, 6 FAM 220, Exhibit 227.3c) of expendable and nonexpendable property separately by object class on Form 5-73, Personal Property Disposal Record, and OF, 132, Property Disposal Authorization and Survey Report using separate forms for OE, program and trust funded property. Send lists to M/AS/OMS. Separate lists are also needed for ADP (See Redistribution Checklist in item VIII below.) and IG/SEC/PS/SS.
Completed Date _____
3. List passenger and non-passenger vehicles on a separate Form 5-73.
Completed Date _____
4. Dispose of OE property in accordance with the order of priority described in detail in HB 23, Ch 4, App 4A, 6 FAM 227.3. All OE property is considered replacement property and is not to be designated excess. (If the condition of personal property is classified at or below 2, 5, 6, 8 and X, such property is to be disposed through sales and not redistributed to other missions): NOTE: Because of our continuing OE shortages, OE funded property is to be redistributed or sold. Grant-in-Aid, etc., are to be viewed as an exception warranting a strong justification.
- (1) Redistribution to other USAID missions: Forward to M/OMS circularization to other missions in the area a list of property in condition good enough to warrant the cost of packing and shipping.
 - (2) Transfer to Other U.S. Government Agencies: Transfer property to other U.S. Government agencies overseas, with reimbursement set at fair market value (U.S. or local currency).
 - (3) Commercial Sale: Conduct sale by sealed bid or auction (retail or negotiated sale only when Property Disposal Officer can justify as being in best interests of the Government), depositing proceeds to the 72-F-3845 account, OE, Program, Project, or Trust Fund property accounts.
 - (4) Transfer to Cooperating Government: Transfer to the cooperating government in the form of a project contribution or Grant-in-Aid using the format found at HB 23, Ch. 4, Personal Property Management.
 - (5) Donation: Donate to institutions and organizations eligible to receive donations as specified in HB 23, Ch 4, App 4A (2 FAM 227.3-5).

(6) Destruction or Abandonment: Utilize this method when all else fails.

Completed Date _____

5. Dispose of trust-funded property in accordance with the terms and conditions of the Trust Agreement or other documents of understanding; generally, all personal property procured with trust funds will either revert to the cooperating government, or be sold with proceeds turned over to the cooperating government.
- Completed Date _____
6. Dispose of all property in the custody of contractors which is titled in USAID in accordance with the procedures set forth for OE property above.
- Completed Date _____
7. Dispose of project-titled property in accordance with the terms and conditions of the project agreement.
- Completed Date _____

VARIOUS NXP PROPERTY REPORTS TO BE COMPLETED FOR SUBMISSION TO M/AS/OMS (For Policy and Procedures see HB 23 and appropriate ADS Chapters.)

NXP Property Reports

1. Form AID 5-73: Property Disposed of During FY {In section G, replace object class 312 by 313}
- Completed Date _____
2. Form OF-132: Report of Disposal of AID Property {Note: this is no longer required to be sent to M/AS/OMS, but since mission is closing, please send it with the AID 5-73}
- Completed Date _____
3. Capitalized Property Report: {Submit a negative report showing there is no longer capitalized property at post}
- Completed Date _____

Motor Vehicle Reports

Send the following reports to (M/AS/OMS):

1. AID 5-197: Motor Vehicle Record -*Use revision 4/92 only. Required when an OE-funded vehicle disposed/redistributed.
- Completed Date _____
2. Annual Mission Motor Vehicle Inventory: Forward memorandum to M/AS/OMS/PM with a complete description of method of disposal, whether redistribution to another USAID mission; or transfer to another USG agency; or sale, and if sold, amount of proceeds less any commissions or sales expenses; if sold for scrap, specify the amount received; if abandonment is applicable, provide full explanation as to why. {Note: include copy of last year's Mission Motor Vehicle Inventory System printout (a copy may be obtained from OMS upon request) and show individual disposal dates. Memo should contain statement that the form(s) AID 5-197 (4/92) were forwarded to OMS.
- Completed Date _____
3. Form SF-82: Agency Report of Motor Vehicle Data: Should be completed up to date of disposal of last vehicle (include with memo described above).
- Completed Date _____

- 4. COBRA Report: Operating Costs for OE Vehicles should include all costs up to disposal date for each vehicle.

Completed Date _____

MOTOR VEHICLE RECORD FOLDER:

The sending mission should ensure that the complete Motor Vehicle Record File is forwarded to the receiving mission to which the vehicle was redistributed.

Completed Date _____

USAID MISSION DIRECTOR RESIDENCE

- 1. Representational Items: As early as possible, provide detailed list of all representational items (glassware, flatware, hollowware, china) including pattern, condition, quantity, as well as availability date to OMS/PM.

Completed Date _____

- 2. Inventory: Memorandum to M/AS/OMS/OPM required stating disposition of all property sold or redistributed, including all property disposal documentation copies. Memo must include certification that Director's inventory has been zeroed.

Completed Date _____

- 3. Report of Annual Cost of Operating Residence: Forward standard report format to M/AS/OMS/PM covering expenses through termination date of residential lease, or date of departure of Director, if property is owned, whichever occurs first.

Completed Date _____

IX. DISPOSAL/REDISTRIBUTION OF ADP EQUIPMENT (For Policy and Procedures see HB 23, Chapter 4.)

Due to the increasing number of mission closings and downsizings and the time-sensitive value of ADP equipment, the following checklist is being provided to expedite redistribution of ADP Equipment/Software/Supplies to where it is most critically needed.

The Agency goal, and one of the primary reasons for the development of detailed mission operational and program closeout plans, is to ensure efficient and timely disposal of all property (real and personal, including ADP NXP and ADP EXP) by the closing date of each mission. To meet this goal, priority must be given to preparation of an NXP inventory of items available for redistribution, sale or transfer. This is especially important for ADP NXP as this will effect receiving missions' ability to handle additional workload and requires advance planning, particularly for the VSAT and RS6000.

Please note that the designation for NXP is not "excess property" (though it may be excess to a particular mission's need), but rather "replacement property." Replacement property means such property is routinely replaced upon conclusion of the property life cycle. Proceeds from the sale of replacement property are returned to USAID and are used for property acquisition in the following fiscal year.

In accordance with HB 23, Chapter 4, M/AS/OMS is responsible for redistribution of all Agency property including ADP equipment. However, due to the highly technical nature of the CORE/VSAT and related

equipment/software, OMS works closely with IRM to determine where these specific items should be transferred. For this reason, missions are asked to include M/IRM/CIS on e-mails/cables sent to OMS regarding transfer of ADP equipment.

The following checklist is to be used for disposal/redistribution of ADP equipment:

1. Executive Officers in coordination with system managers:

- (1) Prepare an inventory of all ADP equipment (preferably on Lotus 1,2,3 spreadsheet) to be transferred/sold divided between redeployable and non redeployable equipment. Inventory should provide a complete description of item (type of equipment, make, model, version, serial no., whether DOS or Windows; LAN or non-LAN, number of nodes, etc.) quantity, general condition, and when items will be available for redistribution.
Completed Date _____
- (2) Transmit completed list to M/AS/OMS and M/IRM/CIS, and also include it in the Closeout Plan in the case of closing missions.
Completed Date _____
- (3) Once OMS and IRM has determine where items will be transferred and notify EXO's or other designated individuals of both the sending and receiving missions, EXO at losing post is to arrange and confirm all necessary shipping arrangements, and promptly completing required documentation/deletion from property records.
Completed Date _____
- (4) Receiving mission is to provide funding for packing and shipping charges and for completing required receipt documentation and adding equipment to Mission inventory.
Completed Date _____

2. Executive Officers in coordination with system managers or other individuals as appropriate:

For Redeployable Equipment (Redeployable equipment includes Core equipment and current Agency standard equipment. Core equipment is hardware and software associated with core operations of the LAN, UNIX/RISC boxes and VSAT, including spare parts and supplies that were procured in direct support of LAN/UNIX/RISC/VSAT equipment. LAN core equipment can in some cases apply to 486 PCs already set up to work on the LAN. When redeploying/selling servers, reformat hard drive to remove all OS and application software. Receiving mission will rebuild to their specific needs.)

- (1) Redistribute Core equipment as a complete package. It is necessary that M/IRM/CIS have at least eight weeks lead time to redeploy VSAT and RS600. An IRM direct-hire and/or contractor will handle the redeployment of all VSAT and RS6000 equipment.
Completed Date _____
- (2) Transmit to M/AS/OMS with a copy to M/IRM/CIS all disposal documentation (AID5-73 and OF-132).
Completed Date _____

NOTE: Core Software--if software is transferred to another mission or USG agency, the receiving agency is bound by the licensing agreement and is responsible for notifying the software

company of the change in agency and address. No fees are applicable for such redistribution to another mission or transfers between USG agencies.

For Non-Redeployable ADP Equipment (Sale or Transfer) (Non-redeployable ADP equipment is equipment that is no longer required by the Agency and includes: PCs, HP II Laser Jet Printers and older model printers, LAN Servers with the small drive capacity (33) Wang Systems.)

- (1) Offer items that are not current Agency standard to other USG agencies at post at fair market value and/or sold. Tradeins can also be effected locally as long as all local laws, taxes, duties or bilateral agreements are respected.
Completed Date _____
- (2) Return all options and OS keys to IRM/TCO via pouch when a LAN Server is to be auctioned or transferred to another USG agency.
Completed Date _____
- (3) Sell 386 PCs locally as a system (CPU, monitor, keyboard, and printer) whatever brings the most money. Before selling,
 - Reformat or erase all operating systems' hard disk drives and application software and data files.
Completed Date _____
 - Old and obsolete versions of software should be destroyed.
Completed Date _____
 - Remove 3COM EtherLink III Network Interface Cards (model 3C509-TP for 10BASE-T and dispose.
Completed Date _____

For WANG VS/OIS Equipment and Spare Parts:

- (1) Establish whether a local market exists for the sale of WANG OIS/VS equipment/spare parts and/or whether other USG agencies at post have interest in acquiring the equipment/spares at fair market value. If other USG agencies will not purchase at fair market value, sell on local market.
Completed Date _____
- (2) If it is determined that there is no local market value for the equipment/spares, and State or another agency has expressed interest, property can be transferred following 6 FAM 227.3-2(a).
Completed Date _____
- (3) Concurrently advise M/AS/OMS of the intent to conduct an inter-agency transfer of WANG VS/OIS equipment, and include a complete, itemized list of all equipment/spares, detailed quantities, part numbers and unit/extended/total acquisition costs (not present market value).
Completed Date _____

For Disposal by Grant-in-Aid or Project Contribution:

Obtain M/AS/OMS's written concurrence and provide strong justification from the mission. It is inconsistent with appropriation regulations to augment one type of appropriation by another. If redistributed to a project, the proceeds from the final sale of the NXP are not returned to USAID but to the host

country.

X. REAL PROPERTY CLOSE OUT CHECKLIST (For Policy and Procedures see ADS Chapter 535)

Leased Property

1. With the objective of closing the lease portfolio with a minimum of disruption to Mission operations, develop a list of all leased property and designate each lease for termination through one of the following methods: normal expiration, under the terms of the Diplomatic Escape Clause, or assignment to another Government agency or other qualified lessee.

Completed Date _____
2. Consider the terms of your various leases and the departure schedules of the Mission's employees when developing this list. To avoid unnecessary moves of employees, try to negotiate short term extensions of any leases on which the expiration dates do not correspond to the scheduled departure of the occupant. Before trying to execute any terminations under the Diplomatic Escape Clause ensure that the lease contains such a clause, and that its provisions are applicable to your situation. All leases are supposed to have a Diplomatic Escape Clause, but not all do.

Completed Date _____
3. Most of our overseas leases differ from those we are used to in the States. They are what we call a net lease meaning that we lease the premises in a given state and are responsible for returning them in the same state. In most cases this is what is called a rentable condition, i.e., painted, cleaned and ready for the next tenant to move into. In addition, most leases give us authority to make alterations provided that we restore the premises to their original condition. Negotiating restoration can be very tricky business. Before entering such negotiations, it is recommended that you prepare by doing the following:
 - (1) Read the lease and be aware of its terms.
 - (2) Be sure you understand what is customary on the local rental market.
 - (3) Search your files and question FSN staff to get a clear picture of the state of the premises when the USG took possession.
 - (4) While the lease may require that the premises be restored to their original condition, not all changes made by the Government are completely unique to our purposes. There are times when they greatly enhance the value of a property and should be considered an improvement rather than an alteration requiring restoration. An example would be burglar bars installed on a house in a crime-prone area. When this is the case use the improvement as a bargaining tool and try to leave the bars in place in lieu of performing other restoration.
 - (5) The USG is not responsible for restoring damage to leased property not caused by the Government or its agents such as: natural disasters, earthquake, war, civil disturbance, fire (not the fault of the Government or one of its employees) or other casualty.
 - (6) In most instances it is easier and cheaper for the mission to negotiate a cash settlement rather than effecting restoration. However, this too can be a valuable negotiating tool. Most

landlords want cash settlements and will agree to smaller settlements if we threaten to contract for the work rather than pay cash.

4. Ensure that all advance rent payments are taken into account when closing out the leases. Payments that are not actually refunded can be applied against the restoration settlement or other payments that might be due the landlord as a result of the lease termination.

Completed Date _____

5. Ensure that all agreements to terminate leases are documented with a termination and acquittance document executed by both parties to the lease. A sample form can be found in 6 FAM 734.5.

Completed Date _____

M/AS/OMS has experienced Executive Officers on their staff ready to assist missions with all matter associated with the disposition of leases.

6. All lease files active at the time the decision to close the mission was rendered should be shipped back to M/AS/OMS via registered pouch. Please include copies of all termination letters and termination and acquittance documents.

Completed Date _____

Owned Property

1. Submit to M/AS/OMS a list of all Government owned properties estimating their current market value, and give an assessment of the local real estate market along with your recommendations for disposal.

Completed Date _____

2. After reviewing 6 FAM 780, "Disposition of Government Owned and Long Term Leased Property," organize the sale of those properties designated for disposal in consultation with M/AS/OMS and your RLA. Conduct the sale(s) and document them with copies of all contracts and other pertinent documents, including copies of the OF-158 General Receipt Form issued for the proceeds of sale. All sales proceeds from properties originally purchased with 636(c) (OE) funds should be deposited to Treasury Account 72 X 4175. When completed, the sales files should be forwarded to M/AS/OMS.

Completed Date _____

VARIOUS REAL PROPERTY REPORTS TO BE COMPLETED FOR SUBMISSION TO M/AS/OMS (For Policy and Procedures see HB 23 and appropriate ADS Chapters)

USAID-Leased Property (short- & long-term, functional and residential space)

1. Send memo to M/AS/OMS listing all terminated leases (including short- and long-term and functional and residential), specifying lease numbers and dates (in lieu of U-450).

Completed Date _____

2. Obtain M/AS/OMS approval to sign termination agreements on functional space leases; ensure executed Termination and Acquittance Agreements are included in all lease files. Please ensure that ALL Termination and Acquittance Agreements include the additional provision that all financial obligations under the lease have been fully met by USAID (GC-approved language will be forwarded to missions at a later date). Request approval from Regional EXO or M/AS/OMS.

Completed Date _____

3. Forward ALL lease files for both functional space and residential property to M/AS/OMS, including copies of O/FM payment vouchers, especially for final payment, and mail via registered official pouch mail to the attention of M/AS/OMS.

Completed Date _____**Real Property (USG-owned)**

1. Sale or transfer of USG-owned real property must be coordinated as early as possible with M/AS/OMS. ALL real property original documents and complete files must be forwarded to M/AS/OMS.

Completed Date _____**XI. RECORDS MANAGEMENT CHECKLIST (For policy and procedures see ADS Chapter 502)**

1. Maintain all classified and administratively controlled records separately from unclassified files.

Completed Date _____

2. Maintain updated vital records plan for the disposition of records and send copy to the Agency's Record Management Officer (M/AS/ISS/RM).

Completed Date _____**For current files:**

- (1) Mark Official Files with yellow-banded labels showing retention period.

Completed Date _____

- (2) Mark Working Files with green-banded labels and locate them in separate file drawers, if possible.

Completed Date _____

3. To prepare for disposal of inactive official files:

- (1) Pack in record shipping boxes (size: 15"x12"x10").

Completed Date _____

- (2) Separate Subject files from Case files.

Completed Date _____

- (3) Pack "Permanent folders" separately from those authorized for eventual destruction.

Completed Date _____

- (4) Pack classified files separately from unclassified files.

Completed Date _____

- (5) Pack items with like retention periods together.

Completed Date _____

- (6) Pack records in their original folders in the same order as they were in file drawers, all folders facing the same direction.

Completed Date _____

- (7) Combine boxes into groups with the same disposition date.

Completed Date _____

- (8) List each box by folder title on SF 135A, Records Transmittal and Receipt, available from M/AS/ISS/RM.
Completed Date _____
- (9) Mark boxes to show the disposal authority and actual destruction date of their contents, eg., "27080, Excess Property Files, Destroy 9/30/98."
Completed Date _____
4. Establish a (short-term) local records storage area, within easy access, to house inactive files forwarded by files custodians and maintain the contents of this storage area as follows:
- (1) Organize boxes according to office of origin; e.g., Education Division, Program Office, etc.
Completed Date _____
- (2) Edit shelf lists, check if retention periods are correct and clearly identified.
Completed Date _____
- (3) Identify records that should be given priority in removal from post.
Completed Date _____
- (4) Maintain a supply of records shipping boxes and SF 135A's for additional packing and listing of records during an emergency.
Completed Date _____
5. Consult with appropriate personnel to determine if selected records held by the mission will be needed by other missions, the U.S. Embassy, or other organizations assuming USAID residual functions.
Completed Date _____
6. Advise the Agency Records Management Officer (M/AS/ISS) of records to be transferred to other U.S. Government agencies and obtain clearances for the transfer of these records (no official files may be transferred other than to a U.S. Government institution without the approval of the Agency Records Officer).
Completed Date _____
7. Consult the U.S. Embassy Pouch Supervisor to determine the most effective and economical way to ship records, considering their security classification, volume and prevailing conditions at post.
Completed Date _____
8. Notify the U.S. Embassy Pouch Supervisor of probable dates and volume of records to be transported to USAID/W or other post through the courier service.
Completed Date _____
9. Arrange for the use of post destruction equipment to destroy records eligible for destruction.
Completed Date _____
10. Prepare a final accounting report of volume of records to include the following information:
- (1) volume of records (cubic feet) in current file rooms and offices.
Completed Date _____

(2) volume of records (cubic feet) in staging, holding, and other storage areas.

Completed Date _____

11. Segregate and deliver to custody of a designated USAID officer those records determined necessary for performing residual functions.

Completed Date _____

12. Transfer records approved for transfer to the U.S. Embassy or another U.S. Government agency.

Completed Date _____

13. Identify official and working files eligible for destruction according to the Agency's Records Disposal Schedule in ADS 502, Agency Disposition Schedule.

Completed Date _____

14. Ship records to be retired to USAID/W following instructions contained in ADS 502, Part 1228.

Completed Date _____

15. Check the total volume transferred, destroyed, and shipped, against the volume indicated on the latest Files Maintenance and Disposition Plan, form AID 520-2 (box 4), to determine if any records have been overlooked, making every effort to locate the missing records and dispose of them properly.

Completed Date _____

16. Submit to the Agency Records Management Officer (M/AS/ISS) a final memorandum report of all actions taken, attaching the following:

(1) Description and volume of records selected for residual operations and of records transferred to other agencies;

(2) A copy of shelf lists (SF 135A) listing all records transferred to USAID/W;

(3) Final accounting of volume of records prepared.

Completed Date _____

XIII. PARTICIPANT TRAINING CHECKLIST (For Policy and Procedures see ADS Chapter 253)

A review will be made of the following activities prior to the close out, and the phased close out or extension of training activities should be planned and arranged to include both USAID's bilateral training program for the country (sending participants to the United States and third countries); and USAID's third country training program for participants from neighboring countries.

Bilateral Program for the Closing Out USAID Mission

Financing

(1) Dollar Funds - Where necessary, dollar funds should be included to cover the costs of concluding essential third country and U.S. training which might not otherwise be met, including "pipeline" cases. These provisions should be covered in the mission's training or close out agreement with the recipient country.

Completed Date _____

- (2) Local Currencies - In the pre-close out period, consideration should be given to provision of local currencies for use over a transitional period following the close out in that country for training the country's own nationals, as well as incoming participants from other countries in a region.
Completed Date _____
- (3) Partially Financed Training - Training resources, program development and arrangements through USAID/W or a contractor in the U.S. and in third countries can be made available for partially financed training after the close out. These provisions should be included in a specific training agreement or in the closing agreement.
Completed Date _____

Selection Procedures and Regional/Centrally Funded Training Grants

The country should be encouraged to establish procedures to assure continued quality selection of participants for regionally or centrally funded training when the training is USAID financed.

Follow-up of Returned Participants

Interest in the participant's development does not end when he/she returns home. Follow up support whenever feasible should be explored with the United States Information Agency (USIA) prior to the close out date. The following activities should be reviewed:

- (1) Technical Materials - Establishing a means for the receipt of professional publications and technical journals and magazines or newsletters written by and for returned participants.
Completed Date _____
- (2) U.S. Cultural Presentations - Provide for the inclusion of returned participants in cultural and other activities sponsored by the U.S. and benefit to the host country.
Completed Date _____

Regional Use of Resources in the Country

G/HCD/HETS recommends actions to be taken to provide for the continuance of this program to countries that usually send participants to the closing out country. Sending countries may utilize host country services or contract with a local organization in the training country to backstop its participants.

The mission should also send to G/HCD/HETS and the regional bureau the following data report:

- (1) The Bilateral Training Program (a list of those in training in the U.S. or third countries and those selected for future fully-funded training programs, who are in the pipeline.)
Completed Date _____
- (2) The Third Country Training Program (those now in the country in training, or those who are in process but who have not yet arrived).
Completed Date _____

Post-Close Out Assistance

G/HCD/HETS also informs the United States Information Agency's Bureau of Educational and Cultural Affairs of the close out of USAID's training program.

Completed Date _____

XIII. FOR MISSIONS WITHOUT AN EXECUTIVE OFFICER

For a mission without an incumbent executive officer, a USAID/W Executive Officer may be sent on TDY for five to ten workdays or more, depending on the ability of the Embassy or other administrative support unit to fulfill close out duties. When circumstances warrant, TDY assistance may also be provided to a mission which has an Executive Officer at post.

1. The specific objective of this TDY would be to prepare a personal and real property close out plan in line with Checklists D and E, including, at a minimum:
 - (1) An assessment of condition of personal property.
Completed Date _____
 - (2) Recommendations on which other posts to notify of property availability.
Completed Date _____
 - (3) Recommendations as to priority of items for disposal and priority of recipients.
Completed Date _____
 - (4) An assessment of potential personal property disposal problems which may arise and proposed solutions.
Completed Date _____
 - (5) An inventory of mission-owned and -leased buildings and residences, including trust funded real property.
Completed Date _____
 - (6) A realistic schedule to terminate leases.
Completed Date _____
 - (7) List of possible problems in terminating any leases.
Completed Date _____
 - (8) Recommendations for disposal of Agency-owned real property.
Completed Date _____

2. The TDY Executive Officer can also assist the embassy Personnel Officer by identifying potential jobs for CCN employees as their positions are terminated.
Completed Date _____

3. A second TDY assignment consisting of four to eight weeks by a USAID/W Executive Officer is normally necessary during final close out to help the Embassy or post Executive Officer implement the administrative portion of the close out plan. The TDY should be scheduled to commence after most of the USDH staff have departed post (allowing remaining personal and real property to be disposed of) and to conclude when the Embassy or administrative support unit is able to complete the USAID property disposal plan without further assistance.
Completed Date _____

4. The Mission Director should designate the TDY Executive Officer as Disposal Officer for USAID property so that all USAID property disposal decisions will be formalized by an USAID employee. The appointment should be effective only during the TDY visit.

Completed Date _____

chck.lis

To: Larry Byrne@AID.A@AIDW
Margaret Carpenter@ANE.AA@AIDW, Thomas A. Dine@AA.ENI@AIDW, John H
, Mark Schneider@LAC.AA@AIDW
m: Paul Armstrong@IG.A.AIG@AIDW
Subject: Audit Role in Mission Closures
Date: Tuesday, April 16, 1996 13:14:03 EDT
Attach: C:\h-mail\download\closure
Certify: N
Forwarded by:

Inspector-General Rush believes that the attached document, which discusses activities which should be reviewed in connection with a Mission closure, would be of tremendous value to not only our own Office - - but to USAID Management as well, and he has asked me to transmit it to you and the Assistant Administrators.

I will be sending a hard-copy document as well, but thought you might like to have the above attachment as soon as possible, since some Missions may already be in the early planning stages. I would also like to mention an earlier report done by the Regional Inspector-General in Singapore on the Close-out of USAID/Pakistan and Afghanistan (A.R. # 5-391-95-012, dated July 28, 1995) which - - although it concerned a fairly large mission - - provided a detailed description of the close-out process that could serve as a blueprint/checklist for field managers responsible for implementing
e-down activities.

You have any questions regarding the attached document, or suggestions as to ways my office could assist in the forthcoming restructuring of field missions, please let me know. I can be reached at 875-4090.

April 10, 1996

MEMORANDUM FOR AIG/A, Paul Armstrong (Acting)

FROM: IG/A/HLC, Toby L. Jarman

SUBJECT: Audit's Role in Mission Closures

This paper responds to your request that we outline work that the audit division might do to assist Missions that are to be closed.

USAID Handbook 23, Chapter 13, entitled "Closing a USAID Mission" establishes procedures and responsibilities for closing a mission. USAID missions have three primary concerns when closing.

- The orderly shut down of the mission operations.
- The orderly shut down of programs.
- The orderly shut down of contractor and grantee operations.

The OIG can assist Bureaus and Missions in all of these activities.

ORDERLY SHUT DOWN OF MISSION OPERATIONS

A list of responsibilities that must be carried out in closing mission operations include:

- The mission needs to assess which operating expenses and investments can be curtailed.

Missions should evaluate planned procurement of commodities and equipment (particularly vehicles) and any capital improvements. All activities that are not essential for operation through the anticipated closure process should be halted.

- The Mission needs to develop a logistics plan to retain and dispose of Mission assets.

The mission needs to inventory the mission assets and determine which should be sold, transferred to other U.S. agencies or the host government, or redistributed to other USAID operations.

Redistribution of assets (such as fairly new vehicles) and expensive equipment (such as larger computer systems and

generators) should be identified for redistribution, and a list of availability should be developed and matched against the procurement plans of other missions. Where it is economical to do so, transfer can avoid the need for procurement of like items.

- **The mission must identify equipment and commodities ordered but not yet delivered.**

The mission needs to make arrangements to handle goods ordered but not yet delivered. Plans for receipt and use need to be developed.

- **The mission needs to avoid new commitments to leases and administrative contract support.**

The mission should halt all new commitments or at least subject them to special review and approval. Local contracts for support should be reviewed and no further commitments made. The notification of termination clauses should be reviewed to determine the lead times needed to terminate the leases and contracts.

- **The Mission should freeze its hiring and extension of PSCs and local nationals as well as all incoming direct hire transfers and extensions.**

All personnel actions need to be reassessed to determine if they are logical given their costs and the pending closing.

- **The mission must evaluate and prepare for the costs that will be incurred when staff are released.**

Extensive costs can be incurred when local employees are terminated. The Mission should review the adequacy of its controls over the calculation of lump sum payments due local employees.

- **The mission should review controls over final payments to local nationals.**

Local nationals often carry advanced sick leave and annual leave balances. Others have accounts payable for personal phone calls. The mission needs to begin to plan for recovery (offset) of such costs from lump sum or ending salary payments.

- **The mission should reassign direct hire staff in coordination with the school year.**

Termination of operations and reassignment of staff should, to the extent possible, be coordinated with school terms. Approval of home leave where the second tour will clearly be

less than a year should be deferred.

ORDERLY SHUT DOWN OF PROGRAMS

The mission is responsible for the orderly shut down of programs. The following actions are needed.

- The mission must review its portfolio and assess the status of the program operations.

The mission needs to assess where planned program areas can be terminated with little loss. For example, plans to start a program in a third province can be stopped. The mission also needs to identify where termination will result in a major loss of invested monies. For example, we build three fourths of a sewer system but the investment will be lost if we don't complete the final pump station. Construction projects require close review.

- The mission needs to review the status of its support to the Host Government.

Certain programs will involve basic support to the host country government institutions. Participant training is a key component of these programs. No further commitments to long term training should be made. The mission will need to assess whether it should approve further commodity and technical assistance efforts.

- The mission needs to review the status of advances.

Some programs may be funded on an advance bases. The missions often provide host government with advances then receive expense reports back to clear the advances. The mission needs to assess how it will complete closure on the final advance amount.

- The mission needs to retain contrbl of it's trust fund and local currency accounts.

Local currency accounts will need to be reviewed to determine the options for controlling the monies.

- The mission will need to establish procedures for controlling the closure of credit programs.

CIP and other credit programs will need to be closed. The mission should establish a final date for approval on new CIP letters of credit and should also require that any approved letters stipulate an expiration date that will correspond to the availability of planned CIP staff. Credit programs need to be reviewed to reduce our exposure by terminating available but unused lines of credit.



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

SEP 3 1997

MEMORANDUM

TO: RIG/Budapest, James R. Bonnell

FROM: DAA/ENI, Barbara Turner *B*

SUBJECT: Draft Survey Report on Potential Problems Relating to
Mission Closures in the ENI Bureau

Thank you for the opportunity to review the subject draft survey report which you prepared based on our Czech Republic close-out experience.

The survey report refers to four specific implementation issues related to activity close out: deobligation of program funds; disposition of program equipment; cost-sharing contributions; and, clarifying roles and responsibilities. The Bureau realizes that given some of the unique characteristics of how we carry out our business, e.g. activity implementation through multi-country regional projects, and COTRs in ENI/W with field-level oversight and implementation, we all need to be constantly aware of our respective roles in project implementation and close-out. The fact that your staff found a few instances where the role differences were not completely understood is a reminder that we need to do more to make all staff aware of their respective roles as activity managers, particularly in monitoring cost sharing agreements and in the disposition of project-funded equipment.

Regarding the deobligation of program funds issue, we are currently in the process of obtaining a more reliable fiscal data base. Moreover, we have developed a relatively simple set of procedures for deallocating funds from a closed-out post and reallocating such funds to the regional account. These procedures are currently being reviewed, and our goal is to have them in place in the near future. When fully vetted within our

Bureau, we will be more than happy to share these procedures with you.

I have tasked our Office of Operations and Information Management with identifying close-out issues and developing procedures related to them. These procedures, which will be included in a "Close-Out Kit," will supplement the Bureau Operating Procedures you refer to you in the survey report. The Czech Republic experience has certainly provided a number of "lessons learned" that will guide future close-outs in the region.

Again, thank you for the opportunity to review the draft survey report. Please be assured that the ENI Bureau is working diligently on developing procedures to address activity management issues, especially those related to program close-outs.



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B-180-97-002-S

September 26, 1997

MEMORANDUM

TO: DAA/ENI, Barbara Turner
FROM: RIG/Budapest, *James R. Bonnell* James R. Bonnell
SUBJECT: Survey Report on Potential Problems Relating to Mission Closures in the ENI Bureau

This is our final survey report (not an audit report) on potential problems we identified relating to mission closures in the ENI Bureau. In finalizing the report, we considered your comments on our draft survey report and have included your comments in their entirety as an Appendix. This report makes no recommendations.

Our field work consisted of work we had previously done, during the period January 13 through March 5, 1997, on the adequacy of planning for the closing down of operations in the Czech Republic and some follow up work we did at the ENI Bureau and the Office of Procurement during June 1997.

Thank you for the assistance and courtesies extended to my staff.

Background

During this calendar year my office, to the extent resources permitted, has been conducting some work related to mission closures in the ENI region. In January 1997, we conducted a survey of the adequacy of planning that OAR/Czech Republic had done for its scheduled closure in September 1997. We concluded that OAR/Czech Republic had complied with USAID's planning requirements for mission closures. In addition, we found that the Mission had prepared useful initiatives to: dispose of program-funded nonexpendable property, develop a program database, and retain local staff during the closure process. We concluded that these initiatives provided excellent examples of "lessons learned" which should be considered by other missions scheduled for closure and summarized these initiatives in our survey report¹ issued on March 26, 1997.

¹Report Number B-192-97-001-S, "Survey on the Adequacy of Planning for the Closure of USAID Operations in Czech Republic"

Our work on the OAR/Czech Republic closure also identified four potential problem areas which we believed needed to be followed up on at the ENI Bureau level. In June 1997, we performed some follow up work at the ENI Bureau and also USAID's Office of Procurement. Our work, although limited in scope, confirmed that these four problems appear to be significant and accordingly I have decided to bring these issues to your attention for appropriate actions. Our observations/comments on these four closure issues follow.

Deobligation of Program Funds

As a mission winds down its operations, there will be numerous projects, grants, contracts, and cooperative agreement which will expire and hence require a final deobligation of any residual funds. We understand that, in the case of the Czech Republic, a determination of the amount of funds available for deobligation was a difficult task. Nevertheless, OAR/Czech Republic and offices in ENI Bureau worked together and did develop the amounts which could be deobligated from the program activities in the Czech Republic.

According to ENI officials we interviewed, a problem still exists with the deobligation of program funds from regional projects (with activities in several countries) when the activities in a single country cease. One official stated, for example, prior to October 1, 1996, ENI Bureau contractors and grantees were only required to report their expenditures for the region and not by individual country. They are now required to budget and report expenditures by individual country. However, the previous lack of country-specific reporting makes it very difficult to determine how much of the regional project funds should be deobligated or reprogrammed when activities in one country end.

We were told that there are a lot of old obligations from regional projects still on the books and which contain funds for a country scheduled for closure or, in the case of Estonia, already closed. For example, in the Czech Republic, one analysis indicated that the amount of such funds was approximately \$1.2 million. We believe these funds should be identified as soon as possible so they can be used for a developmental purpose in the country scheduled for closure or perhaps reprogrammed to a higher priority area. The ENI Bureau should look into this matter to determine the extent of the problem and take steps to identify funds that can be deobligated well in advance of a country closure so there is time to plan the optimal use of the funds.

Disposition of Program Equipment

Our work in the Czech Republic disclosed that there could be problems identifying all the non-expendable property (NXP) that USAID had funded and which must be properly disposed of before a mission closes. The project officers at OAR/Czech Republic did not have an inventory of all the equipment which USAID had funded in the country. However, they did ask the contractors and grantees who were in the Czech Republic in September 1995 to provide a list of all the USAID-funded NXP in their possession. Also, the three project officers in ENI Bureau we interviewed did not have any inventory of the USAID-funded NXP in the Czech Republic. Furthermore, they had never seen the list of equipment in country which contractors/grantees developed at the request of OAR/Czech Republic.

We recognize that guidance on the disposition of USAID-funded NXP is frequently contained in clauses in contracts and grants. Generally, these clauses require the contractor/grantee to seek disposition instructions from the contract/grant officer. However, our discussions with officials in the Office of Procurement (M/OP) disclosed that they do not see very many requests for disposition instructions. In the case of the Czech Republic, they had just received a request from a grantee to donate the USAID-funded NXP to another organization. We were told that this was the first request for disposition instructions they could remember seeing for any of the USAID activities in the Czech Republic.

To best determine the proper disposition of equipment when a mission closes, the contract/grant officer would have to consult with project officers. Officials in M/OP we interviewed told us they had never discussed disposition of equipment with anyone in OAR/Czech Republic or the ENI Bureau. This lack of coordination/consultation weakens the assurance that, even if contractors/grantees ask for disposition instructions, the equipment will be put to its most productive use.

Another control over NXP which may not be working is the requirement for contractors and grantees to submit a yearly report on USAID-owned equipment in their possession. The ENI Bureau project officers we interviewed had never seen any annual equipment reports for their projects. Officials in M/OP also commented that this requirement could be overlooked. Our review of selected contract files did not find any equipment reports submitted by contractors and grantees.

A final back-up control USAID has over equipment is the closeout of grants and cooperative agreements. While disposition of USAID-funded equipment should be addressed during the closeout process this is likely to occur well after the contractor/grantee has departed the country. We understand that there may be a backlog of contracts/grants in M/OP's Contract Closeout Division waiting to be closed out and this could further exacerbate this condition.

In summary, it appears there could be several conditions which seriously weaken the assurance that USAID-funded equipment will be properly disposed of when missions close in the ENI Bureau. Because this could involve substantial sums of money in each country we believe that the ENI Bureau should further investigate this situation and institute remedial actions if warranted.

Cost-sharing Contributions

During our field work in the Czech Republic we attempted to determine whether the mission had taken steps to ensure that any required cost-sharing would be provided as activities terminated. We were told there were no cost-sharing contributions associated with the activities in that country therefore the need to establish controls was not applicable. However, our work at the ENI Bureau disclosed that cost-sharing agreements do exist. For example, one grant agreement we looked at contained a cost-sharing amount of \$5.1 million.

The project officer for the above mentioned grant told us she was not doing any monitoring of these contributions. The other two project officers we discussed this issue with stated that they were unsure if there were any cost-sharing agreement in their projects.

Although our work in this area was limited, we believe these conditions indicate there is a strong possibility that if a grantee does not provide their cost-sharing contributions the ENI Bureau will not be in a position to detect and correct the situation. Since these contributions could be very substantial, and also can affect sustainability of USAID efforts, we think further work should be undertaken to determine if this is a serious problem.

Clarifying Roles and Responsibilities

Our discussions with officials from both OAR/Czech Republic and ENI Bureau disclosed that there may be a need to clarify the roles and responsibilities of project officers in the field versus the Contracting Officer Technical Representatives (COTRs) based in Washington as they pertain to closeout matters. We recognize that a Bureau Operating Procedure does discuss the responsibilities of Washington-based project officers and those in AID Representative Offices. However, several people did express the need for further clarification regarding closeout responsibilities.

One area where further clarification appears necessary concerns monitoring and disposition of nonexpendable equipment. Responsibility for equipment appears to be split among the overseas mission, the contractor/grantee, the Office of Procurement and the ENI Bureau COTRs. In the Czech Republic, the AID Representative took the initiative of trying to develop an inventory of USAID-funded NXP in country. The AID Representative believed his OAR/Czech Republic role was to monitor and assure a smooth close out. However, ENI Bureau COTRs we interviewed were not clear as to their responsibility for monitoring/disposing of equipment.

Another area where clarification may be needed concerns the records of contractors and grantees who worked in the country. For example, one project officer told us the grantee probably has a lot of records or studies which they prepared while in the Czech Republic. However, she had not given the sub-grantee working in Prague any instructions regarding giving these documents to USAID before they depart country. She was uncertain if the prime grantee located in the U.S. or OAR/Czech Republic had given any guidance on disposition of any records, reports or special studies which had been completed and which may be of further use to USAID.

Considering all the different organizations involved with the implementation of ENI Bureau projects, it appears likely that something could easily fall through the cracks. There are probably several additional areas where the roles and responsibilities could be clarified for closeout matters.

In summary, we believe the above issues could be serious problems and must be corrected. Issues such as disposing of program equipment and ensuring that cost-sharing contributions are obtained could involve millions of dollars at each ENI mission scheduled for closure over the next few years. The ENI Bureau currently has in final draft a new Bureau Operating Procedure related to program closeout planning and is drafting another procedure related to operational closeout planning. We believe that, if further investigation indicates our observations are valid, these Bureau Operating Procedures would be excellent vehicles for clarifying procedures or

adopting additional controls. Depending on the seriousness of the issues we identified you also may want to consider reporting the issue(s) as material control weaknesses in the Bureau's next Federal Managers' Financial Integrity Act (FMFIA) report.

Management Comments

The ENI Bureau did not raise any exceptions to the facts and conclusions contained in this report. The Bureau stated that its Office of Operations and information Management has been tasked with identifying close-out issues and developing procedures related to them. The Bureau further stated that it is working diligently on developing procedures to address activity management issues, especially those related to program close-outs.

cc: DAA/ENI, Donald L. Pressley
ENI/FS, Matthew B. Horween
ENI/ECA, David Cowles
ENI/PD, Keith Simmons
ENI/AMS, William Granger
ENI/PD, Gloria Steele
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B-192-97-001-S

March 26, 1997

MEMORANDUM

TO: OAR/Czech Republic, James Bednar

FROM: RIG/Budapest, *James R. Bonnell*
James R. Bonnell

SUBJECT: Survey Report on the Adequacy of Planning for the Closure of USAID Operations in the Czech Republic

This is our survey report (not an audit report) on the adequacy of planning for the closing down of USAID operations in the Czech Republic. Our field work was conducted at the Office of the USAID Representative in Prague, Czech Republic, during the period January 13-24 and February 24 to March 5, 1997. Information on the planning and the status of program and operational close-out was obtained from mission records and discussions with USAID and U.S. Embassy personnel.

I appreciate the cooperation and courtesies extended to my staff during this review.

BEST AVAILABLE COPY

BACKGROUND

USAID assistance to Czechoslovakia to support economic and democratic reforms in that country began in August 1990. In January 1993 Czechoslovakia split into two independent nations—Slovakia and the Czech Republic. The Czech Republic continued to receive assistance and as of December 31, 1996, USAID has obligated more than \$134.5 million for assistance activities in that country. Over \$125.8 million of these obligations had been spent by that date.

USAID has channeled this assistance into seven strategic objectives:

- increased transfer of state-owned assets to the private sector;
- accelerated development and growth of private enterprises;
- a more competitive and market-responsive private financial sector;
- a more economically sound and environmentally sustainable energy system;
- increased, better-informed citizens' participation in public policy decision-making;
- more effective, responsive and accountable municipalities; and
- increased quality of and accessibility to the health care sector.

The Office of the USAID Representative to the Czech Republic (OAR/Czech Republic) has reported several notable successes in some of these areas. In the last six years, for example, the economy has moved from over 97 percent state run to at least 70 percent in private hands. Employment in small and medium sized enterprises, which accounted for 10 percent of private sector employment in 1991, has grown to 30 percent of that sector. With respect to the environmental impact of the energy sector, during the period from 1989 to 1994 emissions of sulphur dioxide fell by 36 per cent and emissions of nitrogen oxide fell by 60 per cent.

On the other hand, success with some of the strategic objectives has been more limited. For example, the government has not reduced its dominant position in the four largest banks (some 90 percent of this sector is still controlled by the government when measured by assets). Even so, the Czech Republic's economic and institutional reforms were substantial enough for USAID to decide in 1994 to complete its assistance to that country by 1998. Later USAID decided to accelerate the closeout date to September 30, 1997. Fiscal year 1996 was the last year that USAID would provide program funding for the Czech Republic.

The Czech Republic is the first large U.S. assistance program in Central and Eastern Europe (CEE) to phase out. This phaseout is consistent with the U.S. Government's intention to provide support to CEE countries during their transition to fully democratic and free market societies.

OAR/Czech Republic began processing its closeout under the provisions of USAID Handbook 23. Subsequently, the basic guidance for closing a USAID mission was modified under USAID's Automated Directive System (ADS). The two documents are quite similar, however, and the Mission's planning substantially conforms to both. The current guidance (chapter 527.6 of the ADS), calls for two planning documents—a Mission Closeout Plan and a Mission Operational Plan. According to this directive, the AID Representative prepares the closeout plan once a determination has been made to close the mission. This plan describes how the Mission's strategic plans and objectives in the host country should be closed or modified. Once the plan is approved, the AID Representative prepares an operational plan covering the administrative details inherent in a closeout.

DISCUSSION

We reviewed OAR/Czech Republic's plans to closeout its Mission to answer the following question:

Has the OAR/Czech Republic adequately planned its closure?

OAR/Czech Republic complied with the Agency's planning requirements for mission closure. It has completed the required planning in all areas under its control and began the closeout process. In addition, the Mission prepared some useful initiatives to:

- dispose of program-funded nonexpendable property;
- develop a program database; and
- retain local staff during the closeout process.

The Mission's response to the Agency's planning requirements is examined first.

Mission Closeout Plans Are Ready to be Implemented

The Mission followed Agency guidance and prepared its closeout plans in two parts. The first part (called the Program Closeout Plan by the Mission) outlines the Mission strategy for phasing out its program activities and adjusting its staffing needs. The second part (the Operational Closeout Plan) complements the first part by laying out the specific actions necessary to shut down the Mission. In 1995 OAR/Czech Republic prepared both documents in response to the accelerated closeout date. The Mission completed its Program Closeout Plan in March 1995 and obtained Washington approval in June. Subsequently, the Mission developed its Operational Closeout Plan based on the approved program phase out strategy, completing this plan in July 1995.

Program Closeout Plan

This plan discusses the Mission's strategy for closing out its programs in the Czech Republic identifying those activities which will be continued to the closeout; establishing guidelines for closeout priorities; and discussing specific evaluations and studies that are to be carried out during this period. Included is a section providing the Mission's rationale for its personnel staffing requirements. In this report we address Mission plans to reduce its activities and adjust its staffing needs.

According to this plan, OAR/Czech Republic would reduce the number of activities to 15 by September 1996 (one year before the scheduled closeout date). By the same date, the Mission planned to stop obligating new program funds except in the case of the Housing Guaranty-funded municipal finance program. At the time of our review the number of on-going activities was 23; i.e., 8 more than the 15 planned by the Mission. According to the AID Representative, the plan had to be modified in this instance because the phaseout of some activities was more complicated than originally anticipated. However, the USAID Representative does not expect these no-cost time extensions to interfere with the planned closeout. He believes that some of these activities are not management intensive and that most on-going activities can be completed by June 1997 — three months before the actual closeout date. One major exception will be the Housing Guaranty program which USAID plans to continue under the auspices of the USAID Regional Housing and Urban Development Office in Warsaw, Poland.

The Program Closeout Plan also addressed Mission staffing. The plan called for the Mission's six American employees in professional positions (four direct hires and two personal service contractors) to be phased out in an orderly fashion. Two of the direct hires would depart by the end of September 1996 and the remaining four professionals by the end of September 1997. Given the size of the program for which the Mission has field responsibility, substantial cuts in the foreign service national staff (FSN) were not planned.

At the time of our review, the actual staff reductions conformed to the plan. The number of American direct hires had dropped from four to two. The AID Representative (one of the two direct hires) plans to leave in the summer. The other direct hire will remain until the Mission is closed. The two personal services contractors are still on board as planned. One of them will also leave in summer and the other will remain until the Mission is closed. As for the FSNs, the Mission hopes to retain most of them until almost the end of the closeout process. These individuals will be very involved in the details of the closeout process, and their retention is critical to an orderly closeout (the retention issue is discussed further on page 8). As of March 1997, the Mission had 15 FSN personal services contractors still on board.

The USAID Assistant Administrator for Management approved the Mission's Program Closeout Plan in June 1995. The Mission then used this approved plan as the basis for preparing its Operational Closeout Plan.

Operational Closeout Plan

The Operational Closeout Plan complements the Program Closeout Plan by laying out the specific actions needed to shut down the Mission. This plan tracks with Agency guidance in that seven of the eight sections dealing with the closeout of specific functional areas are similar in both documents (the section concerning employee personal property is not considered especially applicable to this closeout). Our review of the Mission's Operational Closeout Plan showed that the remaining seven functional areas were adequately addressed as summarized in the table below.

<u>Functional Area</u>	<u>Included in Mission Plan</u>
1. Personnel	Yes
2. Financial Management	Yes
3. Procurement and Supply	No ⁽¹⁾
4. Personal Property	Yes ⁽²⁾
5. Real Property (leases only)	Yes
6. Records Management	Yes
7. Participant Training	No ⁽³⁾

- (1) The procurement function for program-funded activities is handled by the Office of Procurement in Washington. Procurement using Operational Expense (OE) funds are handled by the Regional Contracting Officer located in Warsaw.
- (2) The plan discusses disposition of property provided by Operational Expense (OE) funds. Program-funded property is not specifically discussed.
- (3) According to Annex F of the plan, all trainees will have completed their training and will be back in country before the Mission is closed.

We discussed each of these functional areas with the responsible mission official. All were aware of their responsibilities and, to the extent they could do so, they had made additional preparations for closing out their function. In the financial management area, for example, the Mission has had discussions with the Regional Controller in Warsaw, Poland, regarding the closeout of financial records. The controller's staff from Warsaw is planning to visit Prague to work out the necessary details. In the records management area, the Mission has coordinated with the appropriate offices in Washington and the Regional Executive Officer in Budapest, and the responsible Mission officer will purge the project working files of all redundant records and send the remainder to Washington project managers. The Mission has accomplished some preliminary steps; however, most of its plans cannot be implemented in detail until the Mission is closer to its phaseout date.

OAR/Czech Republic has demonstrated noteworthy initiative in preparing for its closeout. During the course of our audit, officials from two offices within the Bureau for Europe and New Independent States (ENI) specifically commented on this fact. These officials stated that this Mission appeared to be in an exceptionally good position for closure in large part because it started the procedure early. Our review of the Mission's planning to date confirms this assessment. In addition, we note that OAR/Czech Republic has taken the initiative in at least three areas which could provide "lessons learned" for future mission closures.

Mission-Introduced Initiatives Could Benefit Mission Closeout

The first initiative which we believe is beneficial to both this and future mission closures concerns program-funded nonexpendable property (NXP). OAR/Czech Republic is in the process of compiling a list of all NXP in the Czech Republic. This list could facilitate the disposal of this property as activities close. The Mission is also developing a historical database on all in-country programs. This database could assist the Embassy and others to identify programs, funding, personnel contacts and accomplishments for the USAID program in the Czech Republic. Finally, the Mission recognized early on that the key to a successful closeout would be the retention of staff.

Nonexpendable Property Inventory

In the case of the Czech Republic, project officers in the Bureau for Europe and New Independent States (ENI) manage program-funded grants and contracts in their region. USAID officials in field posts support these officers through in-country oversight and monitoring. While this system is designed to be a collaborative effort, it could mean that some functions within these activities may not get proper attention. Either the project officer or the USAID field officer might assume that the other is taking care of a function; consequently, the organizational split could result in no action being taken. Recognizing this possibility, OAR/Czech Republic is in the process of compiling a list of all program-funded, nonexpendable property (NXP) in the Czech Republic. This list could facilitate the disposal of this property when the Mission is closed.

As of March 1997, the Mission still has approximately \$ 1.6 million of NXP remaining in the Czech Republic that is eligible for disposal. This figure includes \$1.1 million funded through program funds and \$.5 million funded through operating expense funds (OE). The OE-funded NXP is primarily residential furniture and appliances, office furnishings, and data processing equipment and security radios. The Mission can follow USAID guidance in disposing of this property. In the case of program-funded NXP, however, the Mission does not have direct control. Project officers and contracting officers located in Washington are the focal points for controlling this property.

OAR/Czech Republic recognized that Washington-based officials may not have sufficient information regarding program-funded NXP to make timely decisions regarding property disposition. The Mission surfaced this potential problem when it prepared its operational plan in July

1995. At that time, the Mission stated that it planned to meet with all in-country contractors and grantees to discuss closeout procedures.

The planned meeting was held in September 1995. The Mission requested the 45 contractors and grantees who attended this meeting to provide their plans for disposing of USAID-funded NXP. The USAID Representative gave them written instructions on this process and also sent these instructions to the 15 other organizations that could not attend. At the time of our survey, OAR/Czech Republic still had 11 contractors and grantees which have NXP requiring disposition instructions. In addition, five other such entities may have NXP but their inventories are not due until the end of March or later. The remaining contractors and grantees either had no NXP or their plans have been forwarded to the responsible officials in Washington for approval.

In this matter, OAR/Czech Republic recognized a potential problem and on its own initiative took steps to resolve it. In our opinion, there is a "lessons learned" here for other missions scheduled for closure to consider. Program-funded NXP needs to be identified early so that timely disposition instructions can be made in an orderly fashion. While it is too early to tell whether the Mission's initiatives will bring the desired results, we believe that the Mission has taken an important first step.

During our field work in the Czech Republic we visited two institutions which were funded under a grant awarded by the ENI Bureau. These institutions received a substantial amount of equipment from USAID. Both institutions informed us they had not received any guidance from the grantee which received USAID funds concerning how they should proceed with close-out matters such as disposition of equipment, records or other areas which may be applicable to their particular grant.

We also note that OAR/Czech Republic's efforts encompasses equipment in the hands of contractors and grantees who were in the Czech Republic from 1995 on. It does not include USAID-funded NXP furnished to contractors and grantees who had departed the country before that date. OAR/Czech Republic does not have an inventory of this equipment nor does it know whether the inventory was disposed of properly. We are uncertain what controls project officers in the ENI Bureau maintain over this property. We suspect, however, that this could be a problem area which we will address if we perform audit work at the Bureau.

Program Database Collection

OAR/Czech Republic is developing a historical database of all USAID-sponsored activity in the Czech Republic. Included will be all projects/activities that USAID has funded from the program's inception to its closure at the end of September 1997. It is designed to be a simple but useful reservoir of information for people who are not technically knowledgeable of USAID programs. It is intended to help officials in the Embassy, the U.S. Information Service, USAID/Washington and other interested entities. The development of this automated system is being coordinated closely with the U.S. Embassy in Prague.

Capturing the information required for a complete database is a complex undertaking. The

information on what USAID funded, who were the major development partners, time frames of work, accomplishments, etc., is spread among many entities. OAR/Czech Republic estimates that during the life of its program USAID sponsored approximately 150 activities (an activity is defined as a project or event which involves a funding action).

OAR/Czech Republic has developed a standard data collection format to record data for each activity. Information captured includes basic project descriptions, obligations and expenditures, implementing partners, people to contact, success stories, and results and impact. Design work on this database began in March 1996 and the target date for final completion of the database itself is June 15, 1997. As of March 1997, 110 of the estimated 150 activities were in draft form. The Mission will need cooperation from the technical offices in the ENI bureau to complete this database for all activities.

Again, we believe there is a "lessons learned" in this matter for other missions scheduled for closure to consider. We could not identify any requirement for a mission to maintain a historical database on the activities it implemented/supported in a given country. However, such a file would be a valuable asset to USAID, U.S. Embassies and others. Given that developing a database is a labor intensive, time-consuming process, other missions that have not maintained such records from the beginning may need to consider starting the process now. We suggest that the ENI Bureau examine this exercise to determine whether other missions scheduled for closure should also develop a database and if so, whether a standardized format should be adopted.

Personnel Retention Initiatives

According to Mission management, retention of the Czech employees is essential for an orderly closeout. There were only four direct hires on board at the time the closeout plans were prepared, only two at the time of our audit, and by the middle of 1997 this number will be reduced to one. Obviously, the Czech staff must be heavily involved in the closeout process. Recognizing this fact, management initiated certain measures to encourage the Czech staff to stay with the Mission until its closeout is finished.

In October 1996 OAR/Czech Republic scheduled a two-day team meeting which discussed several issues including employee concerns about the closeout. During the course of this meeting, two employee concerns specific to the closeout surfaced. The staff expressed a desire to have specific help in finding jobs and preparing for the job search including short-term training courses. They also desired specific information about job terminations.

In response to these concerns, OAR/Czech Republic issued an office procedure in January 1997 establishing policy for transitional training and severance pay. Included in the section discussing severance pay was information on the Mission's policy concerning job terminations.

The Mission's transitional training program is designed to offer Czech employees training programs of their choice to help them to transition to other careers after the Mission's closure in 1997. Under

this program, all Czech employees who have been employed by the Mission full-time for longer than one year will be given an opportunity to select and attend training courses that they think will be useful. The Mission promises to pay for approved courses provided by qualified or locally accredited schools or instructors subject to certain specified conditions. These conditions include following a set of administrative procedures and observing a specific cost limit (30,000 Korunas total or about \$1,000).

Perhaps the key administrative procedure is the Transitional Training Agreement the employee must sign before receiving training benefits. In this agreement, the employee promises to stay with the Mission until within two weeks of the employees' contract termination date (normally September 30, 1997). If the employee does not stay on to the agreed termination date, the cost of any training taken and the regular working hours spent in training will be deducted from his or her final salary and severance pay. This feature gives the Mission a benefit in return because the employee has an incentive to remain with the Mission through the closure process.

According to the Mission's Executive Officer, 13 of the Mission's 15 Czech employees are eligible for the program and 10 of them have expressed an interest in participating. As of March 1997, eight of those eligible had applied for language, accounting and computer courses under the provisions of this program. One other application is in process.

The section of the office procedure covering severance pay and job terminations basically clarifies the pertinent Czech labor code. Severance pay will be computed as specified in the code. As for job terminations, it was noted that all contracts with Czech employees officially end on September 30, 1997. However, management reserves the right to terminate these contracts for convenience of the government before that date. The procedure then outlines how this matter will be handled. The procedure appears to clarify these issues and should address employee concerns.

In our opinion, there is a lesson here for possible application to future mission closeouts. We believe that it is important to open up lines of communication and be transparent regarding phase downs. The Mission initiated this process when it scheduled the two-day meeting. We believe it is also important to follow-up on employee concerns that may surface in situations such as this meeting. Again, management addressed these concerns when it issued its operating procedure and subsequently implemented what it promised to do. In the process, management has improved its chances to retain motivated employees through the transition period and thereby meet its objective of having an orderly closeout.

* * * * *

In conclusion, we believe that the OAR/Czech Republic has done a good job in planning for its closure. However, a key element for the successful implementation of this plan will be retention of the Czech staff until closure is complete. The Mission has taken initiatives to help ensure that this retention will happen and that the entire closure process will be finished effectively. We will consider the practicality of our returning to Prague later this summer to assess how well the

implementation of these plans has progressed.

A number of ENI Missions in Central and Eastern Europe are scheduled to phase out over the next few years. RIG/Budapest, to the extent resources permit, plans to periodically review specific closeout issues. As discussed above, the organizational split among OAR/Czech Republic, regional offices in Warsaw and Budapest, and USAID Washington appears to be one issue because it can complicate closeouts and create conditions where important events could be overlooked. Washington-based officers are responsible for many critical functions (e.g., closeout of program-funded grants and contracts, disposal of program-funded property). Therefore, we will also consider performing work covering the USAID/Washington side of this closeout if our resources and schedule permit.

Management Comments

A draft of this survey report was provided to OAR/Czech Republic for their review and comments. They provided editorial comments which we incorporated into the final report as deemed necessary. They did not raise any exceptions to the facts or conclusions in the report.

cc: AA/ENI, Thomas A. Dine
DAA/ENI, Barbara Turner
DAA/ENI, Donald L. Pressley
ENI/FS, Matthew B. Horween
ENI/ECA, David Cowles
ENI/PA, Keith Simmons
ENI/AMS, William Granger
REXO, Jerry Jordan
AIG/A, Everette Orr
IG/LCM
IG/I
IG/HLC
IG/PA
IG/FA
IG/ITSA
RIG/Bangkok
RIG/Cairo
RIG/Dakar
RIG/Pretoria
RIG/San Salvador

USAID Closeout Workshop

*November 17-21, 1997
Marriott Hotel, Budapest*

Tuesday, November 18, Partners & USG Staff

Objectives: Identify a vision for the transition / close-out process between now and 1999

Discuss issues and share information that will facilitate project close-out

Agreement on an operational close-out plan for each USAID activity being implemented in Hungary

Tuesday, November 18, 1996

8:00 Coffee at the Marriott

8:30 Welcome *Tom Cornell*

8:45 **Objectives and Overview of the Day and the Week** - *Joni Herman & Kathy Alison/TRG*

9:00 **Overview of Program Closeout** - *AID/W Representatives Larry Laird and Gloria Steele, and Tom Cornell*

- Vision of Hungary after USAID
- Why USAID is leaving Hungary
- Highlights of the close-out plan
- Post - 1999 - Continuing U.S. involvement and interest

Discussion / questions

10:00 Break

10:15 "What do we need to keep in mind as we plan for a successful closeout"

Panel Discussion #1: Areas of Potential Vulnerability for Partners:

- Roles, Responsibilities and Legal Aspects of Closeout - *Mark Ward*
- Contracts, Grants and Cooperative Agreements: Closeout Requirements & Lessons Learned - *Michael Kenyon*
- Financial Management Closeout Requirements - *Richard Lawrence*

11:15 Small Group Discussions

Task: Based on the panel's presentations, what are your three most pressing questions, concerns, areas needing more clarification

11:45 Discussions / clarifications / issues

12:30 Lunch

1:30 Panel Discussion #2: Telling Our Story

Public Information & Dissemination - *Larry Birch*

Activity Closeout Reporting Requirements - *Ray Rifenburg*

2:00 Discussions / clarifications / issues

2:30 Dealing with Common Closeout Issues: Small Group Discussions

Task: Discuss and generate ideas on how to deal with the following common closeout issues

- Group 1 * Retaining local hire project employees and dealing with employee morale
- Group 2 * Sustainability of project achievements
- Group 3 * Mentoring of key host country partners and counterparts
- Group 4 * Donor coordination
- Group 5 * Continuing relationships with US business and financial entities

3:30 Break

3:45 Small group report outs

**4:15 Overview of Operation Close-out Plans and Activity Group Meetings -
*Ray Rifenburg***

4:30 Next Steps/Closing Comments -*Tom Cornell*

How process will continue, communications and coordination issues, and when group(s) will meet again

5:00 Adjourn

Wednesday, November 19, Internal Session - AID Staff

Ensuring Success

Objectives: Increased clarity regarding close-out tasks, roles and responsibilities
Enhanced communication between AID/W, OAR/Hungary staff, and RSC staff during this transition period

8:00 Welcome, Objectives

8:15 Review of the last two days, reactions, key messages

8:45 Review of what needs to be done and when

9:30 Clarification of Roles and Responsibilities

11:15 Questions/Next Steps

12:00 Adjourn

Closeout Workshop Activity Sessions

Wednesday, November 19, 1997

1:00 p.m.

- Group #1 0032 Democracy Networks - UWI
Participants: Marc Ellingstad-OAR/H, Maria Zam-Demnet, Peter Nizak-Demnet,
- Group #2 0014 SME Management Services - RONCO
Participants: Anne Beasley-OAR/H, Bob Dahlin-RONCO, Debrah Wahlburg-RONCO, Dillon Coleman-RONCO, James May - COTR/AID/W
- Group #3 0034 Housing Sector Assistance - Urban Institute
Participants: Larry Birch-OAR/H, Katie Mark-Urban Institute, Margaret Tabler-Urban Institute, Rebecca Black-USAID/Warsaw

Thursday, November 20, 1997

8:00 a.m.

Group #1 0038 Health Care Protocol Guidelines - DHHR
0038 Hospital Accreditation
0038 Outpatient Care
0038 Rational Drug Use
Participants: Katalin Babosik-OAR/H, Gabor Simo-DHHR

Group #2 0029 TQM Center - SUNY
0029 Mgmt Trg & Econ Ed - Indiana U.
Participants: Anne Beasley-OAR/H, Arpad Kezdi-SUNY, Ron Oppen-
SUNY, George Bogel-Indiana U., Eva Molnar-Indiana U.

Group #3 0019 Public Administration - ICMA
Participants: Larry Birch-OAR/H, Mike Jackson-ICMA, Judit Delinger-
ICMA, Bob Dubinsky-COTR/AID/W

1:00 p.m.

Group #1 0027 Short-term TA Fiscal Reform - FSVC
0027 Financial Market Short-term TA - FSVC
Participants: Karoly Okolicsanyi-OAR/H, Chris Black-FSVC

Group #2 0023 U.S. Based SME short-term Trg. - EMED
0045 Participant Training - World Learning
Participants: Anne Beasley-OAR/H, Craig Coulter-OAR/H, Jerry
Martin-EMED, Charles Signer-COTR/AID/W

Group #3 0027 Agricultural Sector - ACDI/VOCA
Participants: Katalin Babosik-OAR/H, Maria Kostyal-ACDI/VOCA,
Tamas Szekelyhidi-ACDI/VOCA, Don Oelslige-ACDI/VOCA, Geza
Rasko-ACDI/VOCA

Group #4 0022 Professional Media Program - IREX (USAID Conference Rm)
Participants: Klara Vizer-OAR/H, Leeanne Williams-IREX, Sandor
Orban-CLJ

Friday, November 21 1997

8:00 a.m.

Group #1 0014 State Banking Supervision - KPMG
Participants: Karoly Okolicsanyi-OAR/H, Ed Nolan-KPMG, Eva
Vincze-KPMG

Group #2 0023 Pension Reform - CIPE
0023 Private Enterprise Development - CIPE
Participants: Susan Kutor-OAR/H, Jean Rogers-CIPE,
Kuami Varga-CIPE

Group #3 TBD

1:00 p.m.

Group #1 0014 Assist Credit Rating Agency - First Wash
Participants: Karoly Okolicsanyi-OAR/H, Rod Rumreich-First Wash

Group #2 TBD

Group #3 TBD

1. Summary: On 17-21 November USAID/Hungary held its Closeout Workshop, which included representations from ENI and M Bureaux as well as from the Hungarian institutions, AID Contract Officer Technical Representatives (COTRs), and local and US-based managers of both NGO and Contractor Service Providers. Participation of RLA Mark Ward, RCO Mike Kenyon, and RFMC Controller Richard Lawrence was particularly appreciated.

Purposes: (1) to confirm that USAID/Hungary would close-out by 30 September 1999 and to align invitees in ensuring that all bilateral activities would terminate well in advance of this date; (2) assure that all concerned both within USAID/Hungary, AID Support Offices regionally and in AID/W, as well as grantees and contractors understood their close-out tasks and responsibilities; and (3) begin developing an activity-by-activity close-out plan which would be incorporated into the bilateral USAID operational close-out plan. First day was devoted to in-house presentations to ensure that USAID employees understood both the process, lessons learned from other AID close-outs, and time sensitivities. Second day was devoted to plenary session which went over the same ground in greater detail with representatives of grantees and contractors. Day three began a series of individual project/activity meetings, which continued for rest of week and into the next. Close-out objectives were established along with monitoring and documentation arrangements. Successful implementation will depend on improved information, targetted on close-out needs, and on defining workable, time-phased operational closeout plans for each USAID activity. Participants confirmed that the workshop's objectives were achieved and suggested that the thorough and timely approach could make the USAID/Hungary experience a model for other Agency close-outs . End summary.

2. The eventual USAID close-out will be another marker in Hungary's successful transition to a democratic and free-market economy. Of necessity, this is long-term transition, characterized by great political resolve, considerable hardship and social sacrifice, which will continue well into the next Century. Hungary's efforts have so far gained for it early admission into the OECD and a recent invitation to join NATO. To the extent that the SEED program has consistently supported this transition, Hungary's success is one in which State, AID, Treasury, and other USG collaborators can take some pride.

3. This program for Hungary included major USAID involvement in privatization work-outs and in providing the legal framework for fairness and transparency, which in turn not only expedited the process but encouraged a high level of foreign direct private investment unprecedented in elsewhere in CEE. Private ownership in the energy sector is even higher than in most of Western Europe. Establishing an independent energing price regulation agency is also unprecedented in Central Europe. Continuing USAID support for NGOs has led to government recognition of NGO competence in addressing social issues, thereby relieving central and municipal government budgets and workforces of some of the burden. These illustrate some of the SEED program successes to date, and USAID remains committed to attaining its remaining Strategic Objectives before close-out.

4. During the workshop, much attention was prepared to practical considerations, based on

other USAID close-out experiences. For example, institutional partners were advised to complete all activities well before the closure date of their contract or grant. Much attention was given to AID regulations on disposal of USG property. Final reporting requirements were also discussed, as this also has to be completed before USAID vacates its office premises and its remaining employees leave by 30 September 1999. The need to retain essential FSN and USPSC staff has long been on the USAID/Hungary agenda, with some incentives already in place for FSNs and others under discussion with AID/W with respect to USPSCs.

5. After USAID close-out, three ongoing activities are likely to continue for limited periods. The Administration has indicated that it would like the SEED-funded Ron Brown Scholarships to continue for a while longer, and these will continue to be managed by USIS until the last participants complete their two years of training in 2000. Another White House initiative, the regional Global Environment Program, will be managed by AID/ENI/W after the close-out. Finally, the Hungarian-American Enterprise Fund will maintain activities after the mission is closed and will be managed by AID/ENI/W.

6. Issues: Improved communications between COs, COTRs, Activity Managers, and Partners are crucial, particularly with respect to financial management, including timely and accurate information re pipelines and remaining financial needs. Participants were disabused of likelihood of "no-additional-cost extensions" being granted during the interim. Full compliance with Hungarian law was also emphasised. USAID will inform the government of Hungary as projects terminate and contractors and grantees are no longer entitled to protection under the Bilateral Economic Assistance Agreement. The latter were encouraged to engage legal advice in order to fully understand their respective positions under Hungarian law (this is not the responsibility of USAID). The need for increased donor coordination and continuing linkages between Hungarian and third party U.S. organizations were also highlighted. Maintaining staff morale and commitment during the transition were discussed at some length. Ideas for incentives and contracting options were raised and clarification is being sought from Washington.

November 13, 1997

ACTIVITY CLOSEOUT PLAN

I. Activity Data

Title: Goulash Export Promotion Project
Number: 180-0000
AACD: June 30, 1999
Partner: Center for Goulash Appreciation
Activity Manager: Ray Rifenburg

II. Reference Documents

The Activity Manager has copies of the key grant/contract documents.

If not, proposed date for obtaining copies. ____

YES ____ Date ____

III. Notification

Activity Manager requests the COTR to inform the contractor of the Activity Assistance Completion Date and the Activity Manager has a copy of the correspondence.

If not, proposed date for informing COTR. ____

YES ____ DATE ____

IV. Finance

NA ____ DATE ____

Regular financial reports are received by the Activity Manager to assist financial management during the final months of implementation and closeout.

If not, proposed date for obtaining reports. ____

YES _____ DATE _____

All financial documents requiring the review or approval of the Activity Manager have been received and processed.

YES _____ DATE _____

Any outstanding financial activity which will continue beyond September 30, 1999 has been called to the attention of the appropriate person (COTR or accounting station.)

YES _____ DATE _____

V. Non-Expendable Property

NA _____ DATE _____

A list has been prepared of all non-expendable property purchased under the activity describing the property, including model and serial number, condition, and location.

YES _____ DATE _____

The non-expendable property has AID markings.

YES _____ DATE _____

A plan for disposal of the non-expendable property has been prepared, including an agreement between the two parties, and these have been approved by the COTR.

YES _____ DATE _____

The non-expendable property has been disposed of in accordance with the plan and a copy of the agreement is on file. The Activity Manager has made an inspection of the disposed property.

YES _____ DATE _____

VI. Participants

NA _____ DATE _____

All participants funded under the activity have return to Hungary.

YES _____ DATE _____

There is a list on file with the names and addresses of all participants funded under the activity. (Need to check with USIS to see if they want copies of the list.)

YES _____ DATE _____

VII. Monitoring

Regular reports on implementation progress against plan and results achieved against plan are received.

NA _____ DATE _____

YES _____ DATE _____

A final report on results achieved against plan and lessons learned has been received.

NA _____ DATE _____

YES _____ DATE _____

VIII. Evaluation

Final evaluation activities will be completed well before the Activity Assistance Completion Date.

NA _____ DATE _____

The final evaluation start date is: _____

The final evaluation completion date is: _____

DATE COMPLETED _____

IX. Activity Closeout Report

The Activity Closeout Report will be prepared on the following dates:

START: _____

COMPLETION: _____

X. Records

An initial inventory has been completed of the records and plans made for their disposal.

YES _____ DATE _____

Record disposal will be done on the following dates:

START: _____

COMPLETION: _____

XI. Transition Activities

Transition activities are planned for the following dates:

XII. Closeout Events

Closeout events are planned for the following date: _____

XIII. Continuing Activities

Is this a continuing activity? YES _____ NO _____

If yes, proposed transfer date: _____

Arrangements have been made to transfer activity management and records to the new activity manager:

YES _____ DATE _____

Deobligation Candidates (Red Stars)
and
Watch List Activities

USAID/Hungary

End of FY '96

(with comparable data for 6/30/96, 9/30/96 & 12/31/96)

NOTES:

1) Supporting Information in the form of hard copy Pipeline Reports for 9/30/96, and a trial version as of 12/31/96 (excluding information entered into NMS), has been left with John Packer for future reference by Mission Staff. This list of activities and a related memo have been transferred to Mission Public Documents as files (hungpipe.tel, hunganex.te2).

2) Pipeline figures as of 9/30/96 as required in the Mission R2 and Closeout Plan are now incorporated electronically on the USAID/HUNGARY ACTIVITY BUDGET SUMMARY spread sheets by Project and SO.

3) The activities listed in the following pages are categorized as Red Stars or Watch List.

Red Stars are expired activities with an undisbursed balance sufficiently large and accessible as to be worth the considerable effort and time required by the Mission and ENI/W for deobligation and reobligation. Where USAID/Hungary can make the case, it should have first call on reobligated funds especially where they are needed within the same project.

Watch List activities are those which are closed or approaching closure, regardless of type of award (IAAs, Letter Grants etc.) where funds may be in excess of needs or where insufficient fiscal and/or program information is available to the Mission to permit careful budgeting and closeout planning.

4) Mission Contact Points for Initial Action in most cases would be an E-Mail to the the ENI/W Program Objective Team Leader corresponding to the Mission SO (as listed in the March '97 and later ENI Telephone List) and Project Officer or COTR. (A copy of the current list has been left with John Packer.) Information copies (cc) in each case should go to ENI/FS Mary Lew, ENI/PD Tom Eighmy and optionally the Desk. Later communications should include ENI/PCS Cheryl Williams as re-programming and notifications may be involved. ENI will contact Office of Procurement and Contract Closeout as needed.

5) References and page numbers for activity level fiscal information are found in brackets [/ /] and refer to :
[Old Format Pipeline Report 9/30/96 /
Trial Old Format Pipeline Report 12/31/96 (excluding NMS data) /
and New Format Pipeline Report 9/30/96].

The same fiscal information and activity identification for 6/30/96 and 9/30/96 is found in both Old and New Format Pipeline Reports. The latter separates the activities according to degree of Mission and ENI/W Control, Mission Obligations and Expiry Dates. (See companion memorandum "PIPELINE STATUS 9/30/96 USAID/HUNGARY")

STRATEGIC OBJECTIVE TEAMS & ACTIVE PROJECT ELEMENTS

(E & * = Transfers to Other U.S. Agencies & IFIs with Fiscal Management largely outside of Mission Management or Section E of the NEW FORMAT Pipeline Report.)

SO #1/1.2 Fiscal Policy & Management

E-0027.01	Fiscal Reform	*Treasury-E
180 " .02	" "	FSVC
" 0004.11	Environ Econ Advisor	HIID
(" 0014 X	Tax & Pension Reform	TBD)
180-0023.03	" " " "	CIPE
E -0038 X	Protocol Guidelines	*H2S-E
" " X	Hospital Accreditation	Jt. Comm. Accred.
" " X	Outpatient Care	SOLO
(" " X	Rational Drug Use	TBD)
E 0021 X	Educational Reform	*USIA-E

SO #2/1.3 SME Ops

180-0014 X	ESOPS Assistance	Shared Partic.
" " X	Corp. Resource Ctr. SME eval	East-West Business Ctr.
" " X	OTP LPG Small Bus. Loans	KPMG-Barents
" 0023.03	Pvt. Ent. Dvlpt.	CIPE
" " .05	" " TA Advisors	MBA Corps,
E " .07	PC Bus. Devlpt. Grants	*Peace " -E
" " .11	Entp. Mgt, Exec Dev Train.	PIET
" 0024.01	Ag Sec TA (Info & Credit)	VOCA (E Far/Far?)
" " .04	" " " " " "	ACDI " " "
" " X	Info Fact SO Support	na (PDS?)
" 0029.01	TQM Ctr.	SUNY
" " "	Mgt. Train. & Ec. Ed.	U. Indiana
" 0034 X	Housing Sector TA	EE Real Property
" " X	" " " "	Urban Institute
		(see below)

SO #3/1.4 PRIVATE FINANCIAL SECTOR

180-0014 X	State Bank Supervision	KPMG-Barents
E 0027.01	TA/Finan. Services S/T TA	*Treasury-E
180 " .02	Fin. Mkts. Dev. Vol Advis	FSVC
" 0034 X	Housing Sector TA	Urban Inst. (see Above)
" 0014 X	Credit Rating Agency	1st Wash. Associates



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
BUDAPEST, HUNGARY

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RESULTS REVIEW AND CLOSE-OUT PLAN

**USAID HUNGARY
1996-1999**

APRIL 1997

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LIST OF ACRONYMS

3M	3M Corporation
ABN/AMRO	large Dutch bank
ACDI	Agriculture Cooperative Development Initiative
AIHA	American International Health Alliance
APEH	Hungarian Tax Office
BSE	Budapest Stock Exchange
BUES	Budapest University of Economic Sciences
CENTREL	East European Electricity Grid
CIJ	Center for Independent Journalism
CIPE	Center for International Private Enterprise
CLC	county labor center
CLGA	Council of Local Government Associations
CY	calendar year
DHHR	United States Department of Health and Human Resources
DNH	Democracy Networks Hungary
DOL	United States Department of Labor
DRG	drug related groups
DSM	demand side management
EBRD	European Bank for Reconstruction and Development
EE	Eastern European Real Property Foundation
EERPF	Eastern European Real Property Foundation
EMED	Entrepreneurial Management and Executive Development
EU	European Union
EXIM	Export Import (bank)
FSVC	Financial Services Volunteer Corps
FY	fiscal year
G/EG/CI	USAID Global Bureau office
GDP	gross domestic product
GEF	Global Environmental Fund
GOH	Government of Hungary
HAEF	Hungarian American Enterprise Fund
HCB	Hungarian Credit Bank
HEO	Hungarian Energy Office
HIID	Harvard Institute for International Development
HIS	Health Information Services
IBRD	International Bank for Reconstruction and Development (World Bank)
ICMA	International City Management Association
IMF	International Monetary Fund
IR	Intermediate Result
IREX	International Research and Exchange Board
JCA	Joint Commission on Accreditation

KPMG	Barents
LEA	local enterprise agency
LED	local economic development
LPG	loan portfolio guarantee
MBA	Master of Business Administration
MBA Corps	Group of MBAs
MERP	Ministry of Environmental and Regional Development
MOF	Ministry of Finance
MTV2	Hungarian Television Channel 2
MVM	Hungarian Electricity Works
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organization
NREA	National Real Estate Association
OECD	Organization for Economic Cooperation and Development
OTP Bank	Hungarian Savings Bank
PAYG	pay-as-you-go
RAC	re-employment assistance committee
RONCO	RONCO Consulting Corporation
RR	Rapid Response
SME	small and medium enterprises
SO	strategic objective
SOT	strategic objective team
SUNY	State University of New York
TQM	total quality management
TUB	Technical University of Budapest
UCPTE	European electricity grid
USEA	United States Energy Administration
USIA	United States Information Agency
USIS	United States Information Services
UST	United States Department of Treasury
UWI	United Way International
VAT	value added tax
VOCA	Volunteers in Overseas Cooperative Service

PART I: OVERVIEW AND FACTORS AFFECTING PROGRAM PERFORMANCE

Hungary has largely succeeded in achieving its goal of replacing the former communist system with a free, open and representative political system and a private market economy. Indeed, all of the basic structures of a functioning democracy are well established. Elections are free and power transitions are peaceful; government branches exercise checks and balances on each other; the Judicial Branch is independent and the press is free. Uniformed police and military are under clear civilian control. Hungary's economy is now private with over 70 percent of GDP generated by the private sector, including formerly sensitive sectors such as energy, telecommunications and publishing. In 1996, Hungary became a full member of the Organization for Economic Cooperation and Development (OECD). Standard and Poor's, Moody's and four other credit rating agencies now recognize Hungary's economic progress with "investment" grade ratings.

As Hungary's progress continues and transition objectives are achieved, USAID's program has become more focused on those areas which remain critical to Hungary's achieving sustained high economic growth. Fiscal reform and good demand management remain key if Hungary's persistently high inflation rate is to be brought under control and Hungary prepares to bear the costs of entry into key Western institutions such as the European Union and NATO. Over the past year, Hungary's progress was excellent with good debt management, improved tax administration and key cost measures helping the Government achieve a reduced deficit equivalent to 3.3% of GDP. Performance in the financial sector remains mixed. The five year old Budapest Stock Exchange turned in an outstanding performance both in terms of value and volume in 1996. Bank privatization moved forward, albeit haltingly. However, the integrity of the financial sector remains blurred by the recent failure of the State Banking Supervision Authority to anticipate a run on one of Hungary's largest banks.

After seven years of Government neglect and some policies that were counterproductive, Hungary's Small and Medium Enterprise sector is beginning to turn in positive performance as well. After tax profits hit an impressive 6.8 percent. Small businesses in Hungary seem to have found a niche where they can prosper as their growth continues. However, medium enterprises are not showing consistent performance due to confusing government regulations and a lack of venture capital.

Hungary's aggressive attempt to reform its energy sector through whole-scale privatization suffered a temporary set-back during the past year as the Government intervened to postpone electricity price increases proposed by the independent regulatory agency, the Hungarian Energy Office. Recognizing the dampening effect the move had on private investors, the Government of Hungary has approved increases in 1997. If appropriate pricing policy is permitted and Hungary's competition strategy is developed, we expect to see the Energy Strategic Objective graduating as planned in 1997.

With the progress Hungary has achieved over the last year, we believe that USAID/Hungary is in a position to plan for close-out. We are now predicting that, by 1999, Hungary will have sustained real GDP growth on the order of 4-5% a year. Inflation will drop to single digits and unemployment levels will be at or below Western Europe's average. Accordingly, we see FY 1999 as USAID/Hungary's final year of implementation.

Our program close-out strategy will focus on:

- Continued assistance to help Hungary achieve the absolutely critical objective of fiscal budget soundness, working on tax compliance, pension reform and establishing a basis for health reform;
- Final support for making Hungary's financial markets transparent and fluid;
- Support for addressing the Small and Medium Enterprise sector's key constraints of government policy development and information management and access to financial resources;
- Strengthening Hungarian's abilities at self-help and informing public debate through support to Hungary's local government initiative and fledgling non-governmental movement;

While Hungary has successfully established the major institutions and structures of a democracy and an open, market-oriented economy, the country's transition will remain fragile over the next few years. Hungary will continue to grapple with serious issues of reductions in the social safety-net, particularly in the areas of health, if the country's fiscal reform is to remain on track. The country must continue to work towards bringing Hungary's new democracy to the local level, encouraging individual and local initiative and informed public debate. Non-governmental organizations and small and medium enterprises must enjoy a policy and enabling environment which allows them to survive independently. And very importantly, Hungarians must work toward making their institutions of arbitration -- tax administration, banking and utility regulatory agencies -- truly competent and free of political intervention.

PART II: PROGRESS TOWARDS OBJECTIVES

INCREASED SOUNDNESS OF FISCAL POLICY AND FISCAL MANAGEMENT PRACTICES

1. Performance Analysis

In 1996, impressive progress was made towards increased soundness of fiscal policies and fiscal management practices. Improved control over expenditures and employment resulted in significant progress towards a satisfactory consolidated central government budget balance, reducing the deficit from 6.5% of GDP in 1995 to 3.3% in 1996. This result significantly exceeded our 1996 SO target of 3.9%.

The Government of Hungary (GOH) performed well in its push to implement sound budget management practices. Government employment levels, with a *de facto* freeze on new hiring except in the tax office, declined. Another factor contributing to the country's good performance was superior management of its foreign debt. Net foreign debt declined from 38% to around 29% of GDP. Satisfactory fiscal performance and other demand management successes resulted in reducing the country's balance of payments current account deficit from 5.7% of GDP in 1995 to 3.9% in 1996.

PERFORMANCE OF KEY INTERMEDIATE RESULTS

More Efficient Budget and Program Management

Indicator results exceeded targets for this IR. GOH performance in reducing the fiscal deficit was very satisfactory. With USAID/Hungary technical assistance, the GOH Treasury Office streamlined budget flows to ministries according to need, reducing overall funding and borrowing requirements. As a result, the core central government budget deficit was 56% less than planned, amounting to less than 2% of GDP. Although results related to restructuring the health care system from high cost acute care to preventive, ambulatory, home health care and nursing homes did not meet targets in 1996, progress was made on implementing diagnostic related group (DRG) reimbursement procedures throughout the Hungarian hospital system. Health reimbursement paid for inpatient services as a percentage of reimbursement for outpatient services was 48.7% compared to our target of 48.0%. Targets for reducing excess bed capacity in hospitals were exceeded. Prospects are good that USAID's ongoing activities, together with a World Bank financed GOH program for restructuring the health care system within the scope of broad public finance reform, will facilitate sustainable progress in health care delivery systems and financing during 1998 -1999 and after.

Improved Revenue Generation

Most indicator results for this IR exceeded targets. Tax audits exceeded target by 111,000; tax compliance measured by the number of tax returns filed exceeded target by 2 million; and non-tax revenues are estimated to have amounted to the targeted 0.8% of consolidated central government revenues. Taxes on profits and income, at an estimated 22.2% of core central government revenues, were slightly below the targeted 25%. USAID/Hungary assistance to the GOH tax office resulted in progress in 1996 on developing ways to incorporate increased numbers of gray economy businesses into the formal economy. Notwithstanding progress to date on improved tax administration, much remains to be done. The most pressing problem is how to facilitate near term training of tax auditors to improve their ability to cope with the complexity of modern businesses, especially large corporations, banks, multilaterals and insurance companies. This is a critical area that would yield substantial returns from funding that could be made available from a successful restructuring of program resources.

USAID/Hungary's environmental economics activity complements other fiscal SO activities developed to achieve improved revenue generation by means of an improved tax system and an improved non-tax revenue base. In this context, the activity supports sound justification and rationale for tax and expenditure policy recommendations dealing with incentives to influence business practices that affect interrelated aspects of the environment, people's health and quality of life and productivity. The GOH made good use of technical assistance in this area during 1995 and 1996. Product charge legislation covering packaging, tires, batteries and other products was approved by Parliament in June, 1995, and formal charges were assessed and collected beginning in September, 1995. Implementing regulations related to collection and disbursement of product charges were initiated by the Ministry of Environment and Regional Development (MERP) in 1995, and are ongoing. Environmental taxes are now a defined component of the GOH tax reform agenda. MERP and the State Property Agency now use procedures designed with USAID/Hungary assistance for integrating environmental audits into the privatization process.

Rationalization of Government Role

This IR is defined by the emphasis of its targets: reducing government subsidy payments; reducing consolidated central government expenditures (including spending by the two social security funds and extra-budgetary institutions); and comprehensive pension reform. Although good progress was made in 1996 on reducing central government spending, spending by the social security funds substantially exceeded planned amounts. Accordingly, we estimate that consolidated central government expenditures may have been some 53% of GDP compared to a target of 49%. Subsidies as a percentage of consolidated central government expenditure amounted to 10.2%, compared to a target of 9.5%.

The GOH recognizes that the reforms implemented in the central budget area are endangered by continued large deficit problems in the social security funds (health and pension). In 1996, the self-governing health and pension funds incurred deficits equivalent to 1.1% of GDP, up from 0.7% of GDP in 1995. There will continue to be significant deficits in the pension fund after comprehensive pension reform is enacted. These deficits may persist for several years. Progress on improving the financial integrity of the health fund is now occurring, but will not be significant until after 1999. Accordingly, meeting targets for deficit reduction must continue to rely on improved controls on expenditures in all budget areas.

The main preparatory work for tax-protected pension options complimenting the PAYG system was completed with USAID/Hungary assistance during 1996. Draft legislation is expected to be presented to Parliament in the Spring of 1997. USAID/Hungary provided assistance to an inter-ministerial working group to develop a framework for pension reform legislation expected to be presented to Parliament this year. Because pension reform legislation was not presented to Parliament in accordance with the GOH's original time frame (December, 1996), we consider the framework benchmark only 50% achieved. USAID/Hungary assistance aided the GOH in improving the legal and budget implementation framework for public sector finance in several areas (including the new health care financing law) which allowed the GOH to initiate measures in 1996 that controlled GOH expenditure practices.

2. Expected Progress Through Close-out

A. Realistic Prospects for Achieving Objectives by Close-out.

Prospects for achieving the SO by the end of FY 1999 are excellent provided that the GOH maintains the political will and commitment to continue recent progress on efficient budget and program management and rationalization of the role of government.

We have targeted a consolidated central government balance for CY 1999 of on the order of -2.3% of GDP. Given the GOH commitment to fiscal balance and performance to date, this is a reasonable target, despite the likelihood that successful pension reform will result in an increased deficit in the pension accounts due to increased costs during the early years of reform. However, more important is GOH commitment to a budget balance that is sustainable without doing damage to long-term stabilization objectives that include single digit inflation and a sustainable current account deficit in the balance of payments financed by direct foreign investment and other private capital inflows. In this context, a sustainable fiscal balance above -3.0% of GDP is achievable and adequate.

Consolidated central government expenditure on the order of 45% of GDP has been targeted for CY 1999. The target of 49% for 1996 was not met. Preliminary estimates of consolidated central government spending in 1996, including extra-budgetary spending and spending by the pension and health social security funds, are close to 53% of GDP. Our preliminary estimates of 1996 GDP growth (nominal) may turn out to be

underestimated and total spending slightly overestimated. It is unlikely, however, that the corresponding actuals, when known, will differ enough from our estimates to show that the target for 1996 was met. The target for CY 1999 is 45.0% of GDP. We believe that the GOH will eventually achieve this target, but, though reasonable and possible, not necessarily by CY 1999. For a variety of reasons, the need to continue progress on restructuring and reducing external debt balances, the need to reduce the country's tax burden to improve tax equity and provide increased incentives for entrepreneurship, it is important to reduce consolidated central government spending to a level less than 50% of GDP. A reduction of typical consolidated central government expenditure to less than 50% of GDP is a necessary certification that our fiscal objective has been achieved.

Sustained tax enforcement and good compliance are necessary conditions for achieving the objective. Numbers of tax returns and tax audits exceeded our targets in 1996, and are expected to continue at fairly high levels. Good tax compliance, however, depends on motivation and perceptions that the tax system is fair and that every one generally adheres to the requirements of the system. In this context, the quality of tax enforcement is more important than the number of audits, as such. U.S. Treasury advisors provide critical technical assistance to the Hungarian tax office in key areas of tax administration to improve compliance. In addition to this assistance, significant training is required for key tax office personnel. The GOH provides some training, but training remains inadequate. USAID/Hungary is considering how to restructure planned programming to provide necessary training in key areas such as audit. We expect satisfactory performance in these areas by mid-1999, provided that the number of audits consistently remains at or above 400,000.

The GOH is committed to reducing subsidies that heretofore have been significant drains on the central government budget. Although progress was made on reducing some subsidy payments in 1996, significant production subsidies continue, particularly in agriculture. A number of consumer price subsidies and housing grants are proving difficult to reduce. Nevertheless, our target of reducing subsidy payments to around 6% of central government expenditure by 1999 appears to be roughly on target. We will consider our objectives in this area to be achieved if the underlying trend in 1999 permits a near-term extrapolation that there will be sustainable reductions in subsidy payments to less than 6% of core central government expenditure during the early years of the decade beginning in 2001.

The ability to accurately plan prospective revenues and expenditures is critically important to achievement of the fiscal objective. Ministry of Finance capabilities have improved substantially since a new Treasury Department was created to manage budget implementation. We have targeted a 6% (nominal) difference in actual and planned deficits. This is realistic once inflation levels are reliably single digit, and the revenue base has stabilized. Accordingly, we will consider this objective achieved if, in 1999, there are expectations that differences in planned and achieved deficits are not large and are reasonably stable. The 6% target is a good benchmark.

INDICATORS OF SOUND FISCAL POLICY AND FISCAL MANAGEMENT PRACTICES

INDICATOR	BASELINE	1996 TARGET	1996 ACTUAL	1999 TARGET	1999 ACCEPTABLE
consolidated central government balance (% GDP)	-7.8 (1993)	-3.9	-3.3	-2.3	Sustainably above -3.0
consolidated central government expenditure (% GDP)	54.2 (1991)	49.0	53.0	45.0	Sustainably <50.0
tax audits (thousands)	296 (1993)	325	436	400	consistently >400
subsidy payments (% central government expenditure)	10.9 (1995)	9.5	10.2	6.0	trend <6.0
difference in actual and planned deficit (% planned)	182.5 (1992)	10.0	-56.0	6.0	trend <6.0
comprehensive pension reform	no framework (1995)	framework legislation submitted to Parliament	50%	modern system in place	modern system in place

B. Managerial and Resource Adjustments to Reinforce Prospects for Success.

USAID/Hungary collaborates with GOH and World Bank personnel in its activities related to modernization and restructuring of the health care system. Specifically, we seek to increase financing efficiency through lower costs while reducing access problems and improving the quality of care provided. A major focus is universal adoption of diagnostic related groups (DRG) procedures. The GOH has only recently begun to seriously focus on the restructuring requirements of health sector modernization, but dramatic advances may not occur until after the May, 1998 national elections.

Although basic framework and enabling legislation options for comprehensive pension reform have been prepared with World Bank and USAID/Hungary assistance, necessary GOH inter-ministerial agreement on a number of technical issues has not been rapid. This has delayed submission of draft legislation to Parliament. In the event of near term passage of draft legislation, substantial design work for public education programs, in addition to significant technical assistance for pension fund supervision and pension guarantees, must proceed rapidly. USAID/Hungary expects to assist the GOH in addressing these issues through re-focusing existing resources.

Personnel requirements for the management of activities under this SO are:

<i>Fiscal Year</i>	<i>Person Months</i>
1996 reference	16
1997	18
1998	15
1999	12

C. Brief Schedule for Termination of Principal Activities.

<i>Activity</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
0004.11 Environmental Economics -HIID	9/97		
0021.01 Education Modernization -USIA	9/97		
0023 Pension Reform - CIPE			3/99
0027.02 Short-term TA Fiscal Reform - FSVC			3/99
0038 Rational Drug Use			6/99
0014 Pension Fund Supervision -UST			6/99
0027.01 Tax Administration -UST		9/98	
0038 Health Care Protocol Guidelines-DHHR			6/99
0038 Hospital Accreditation-JCA			6/99
0038 Outpatient Care-SOLON			6/99

D. Recommendations to Continue Selected Activities after Close-out.

It is expected that all Fiscal SO activities will be completed before September, 1999.

E. Sustainability After Close-out

Institutional capacity strengthening at the GOH Ministry of Finance, Hungarian Tax Office (APEH) and pension fund supervision will assure that reforms in fiscal policies and fiscal management practices are sustained. In addition, the World Bank's longer term commitment to assist comprehensive restructuring of Hungary's public sector will continue to provide important support.

IMPROVED OPERATIONS OF SMALL AND MEDIUM SIZED ENTERPRISES

1. Performance Analysis

Progress in 1996 towards achievement of this SO was satisfactory for most IRs. The Hungarian SME sector continued to demonstrate an ability to adapt to constraints and a changing environment and grow. As reported in a USAID/Hungary sponsored survey, SMEs increased sales in 1995 by 6.9% after adjusting for inflation. After tax profits as a percentage of sales increased to an impressive 6.8%, compared to 4.4% in 1993. The 1996 survey, scheduled to be repeated each year through close-out, established baseline values for a large number of indicators to serve as management tools and track sector results.

Although the overall sector is clearly strengthening, several concerns remain to be addressed before long-term viability of the sector is assured. A persistent impediment is a frequently changing regulatory environment. In fact, an independent survey of SMEs found the unpredictability of government legislation to be one of the greatest barriers to sector growth. SMEs must contend with frequently changing regulations that divert resources from growing their businesses to activities that satisfy extensive regulatory and reporting requirements and finding ways to reduce high tax burdens.

Since 1992, the small and medium enterprise sector has substantially outperformed the economy as a whole. Growth in value added in the SME sector averaged over 10% a year, whereas the economy as a whole grew just 1.3% a year. Dramatic growth in value added in 1993 and 1994 on the order of 16-17% a year turned negative in 1995 (-2%). The steepest declines appear to have been experienced by medium sized firms, where growth exceeding 25% a year in 1993-1994 was zero or slightly negative in 1995. Some recovery is now occurring. Many small enterprises have clearly found a niche where they can prosper. However, problems in the enabling environment, markets and companies constrain the transition from small- to medium-size enterprises. Under-capitalization is a big problem for all SMEs. This problem has been partly addressed by USAID's Hungarian-American Enterprise Fund (HAEF), which has demonstrated the viability of venture capital funding of medium-sized Hungarian companies. Notwithstanding HAEF's success, there are few venture capital investors in Hungary.

USAID/Hungary will track the performance of the medium enterprise sector as measured by its contribution to enterprise sector GDP. Increased medium-size enterprise contributions to sector value added will indicate maturation of the SME sector. As the enabling environment becomes more favorable and firms mature, the size distribution of companies in the sector will more closely resemble that of the European Union. In 1996, these comparisons were:

	<u>Hungary (%)</u>	<u>EU (%)</u>
Micro enterprises	97	93
Small enterprises	2	6
Medium enterprises	1	1
Total	100	100

A foundation for improvement in the enabling environment for SMEs was laid when in 1996 the GOH publicly recognized the importance of the SME sector as an engine of transition. The GOH is now focusing on the specific problems SMEs must cope with. An SME department has been established in the Ministry of Finance (MOF) and an enterprise development council created to facilitate the exchange of information between government ministries and SME interest groups. In response to the need for more refined information about the SME sector, the GOH supports a specialized research institute to provide sector statistics and analysis. USAID/Hungary assists this Institute in the distribution of research results to interested stakeholders in Hungary and to the international donor community.

It is expected that recent improvements in GOH fiscal integrity and resulting lower inflation and interest rates will have favorable impacts on SMEs. However, it is unclear how positive trends towards stabilization of macroeconomic financial structures will balance out against the unexpectedly slow progress in areas such as decreasing payroll contributions for successful achievement of this SO. In response to the GOH interest in SMEs, USAID/Hungary is collaborating with the GOH and expects to provide input to an MOF draft of its proposed SME development program.

PERFORMANCE OF KEY INTERMEDIATE RESULTS

Increased Access to Commercial Banking Services

Progress on achieving this IR in 1996 was not fully satisfactory. Overall lending to SMEs decreased even as SME bank deposits increased. By creating liquidity in the system, increased deposits should have generated more loans. There is currently no organization in Hungary dedicated to tracking loans to the SME sector in detail.

The contraction in SME credit is attributable to a strong austerity program initiated by the GOH and the Central Bank in the Spring of 1995 and to recent trends in the banking sector. The environment for SMEs *vis a vis* the banking sector is very competitive. Although non-Hungarian banks are active in Hungary, Hungarian banks are still restructuring extensive portfolios of bad debts and are increasingly cautious about lending to SMEs. Many have experienced problems with loans to the sector in recent years, largely because of uneven capabilities to assess or manage risk and credit. Banks in Hungary typically require, on average, collateral of 150 percent. This constraint is typically cited by SMEs as the major impediment to obtaining a loan. Many banks are also averse to lending small amounts, so micro and small enterprises are constrained by the modesty of their needs.

In order to encourage SME lending through joint risk sharing, USAID provided a \$6 million loan portfolio guarantee program to a principal partner, OTP Bank, the largest in Hungary. Another important achievement of USAID/Hungary's assistance in 1996 was the establishment at the same bank of a risk analysis unit to gather and analyze data on its portfolio. This bank can now closely track and manage its loan portfolio. This is expected to result in near-term increased lending to SMEs. In order to better correlate with the bank's objective of increasing the quality of loans (as opposed to number of loans), we have changed the indicator tracking this activity to "Amount of SME loans extended by the OTP Bank." Groundbreaking institution building has also been carried out with a smaller bank in USAID/Hungary's Northeast pilot region. Through USAID/Hungary assistance, loan management software was developed and introduced to allow small banks to efficiently track the performance of their portfolios.

The GOH is also concerned about SME access to credit. Despite mission misgivings, the GOH has initiated programs of subsidized credit to SMEs. These subsidies are significant and amount, on average, to about 25% of the Hungarian interbank loan rate, currently around 21%. Such GOH subsidy programs are clearly desirable to SMEs, and the banking partner through which USAID/Hungary's guarantee program is channeled has indicated a preference to facilitate customer access to the GOH subsidy program rather than utilize the USAID Loan Portfolio Guarantee program. USAID/Hungary requirements that the bank track the source and origin of components that make up financed equipment, even if assembled in Hungary, is a further deterrent to using the guarantee facility.

In addition to working with banking institutions, USAID/Hungary's approach to increasing access to credit involves working with our customers, the SMEs themselves. Activities include the development of improved presentations to banks of financial information. An outstanding example of the success of this two-pronged approach is the over 500 percent increase in credit obtained during the 3-year agribusiness training program by the 67 companies involved.

Improved Access to Market and Technology Information

The thrust of USAID/Hungary activities for this IR, all initiated in 1996, is to improve information access by SMEs through: (1) establishing Internet linked data-bases of information in regional locations for agricultural SME producers and businesses; (2) making Internet available to SMEs through county local enterprise agencies (LEAs); and (3) making Hungarian business cases and other resource materials available through "virtual libraries" at universities and other educational centers.

While all activities are on track, the USAID/Hungary activity involving training of LEAs is the first to produce tangible results. USAID/Hungary support to establish Internet linkages in LEA's has been in collaboration with EU PHARE, which financed the necessary equipment. All major county LEA offices are now hooked into the Internet and communicate with each other via e-mail and file transfer protocols. This linkage

provides efficient access to information for client SMEs seeking to enhance their competitiveness and market responsiveness. Several of the more technically sophisticated LEAs and a USAID/Hungary supported small business development center have developed fee-for-use services for Internet access that are expected to contribute both to their financial sustainability and to the improved performance of client SMEs.

Improved Business Systems and Practices Developed and in Place

Progress on achievement of this IR has been satisfactory. In late 1996 baseline data were collected on indicators focused on business systems such as marketing, accounting and planning. The Mission is refining its questionnaires to capture more precise information on how these systems are actually used to improve performance. Data will be collected both on a sector basis and from clients assisted by USAID/Hungary partners.

USAID/Hungary activities support improved systems and practices, a basic prerequisite for long-term growth of SMEs, through training, developing associations, strengthening local consulting organizations, and working with the national education system. Agribusinesses assisted by Land O' Lakes show many improvements in marketing as demonstrated by impressive increases in sales and market share. Increases in sales after program participation ranged from 14 to 500 percent. The sustainability and spread of these improvements will be assured through the use of special training materials placed in agricultural vocational schools throughout Hungary. Many of the companies participating in these programs have elected to continue to network. This is a positive sign of likely long-term impact.

Association strengthening is a major component of many of our activities. For example, the National Real Estate Association of Hungary (NREA), after participating in USAID/Hungary supported activities with the Eastern European Real Property Foundation (EERPF), now acts as an independent entity and recently signed a bilateral cooperative agreement with its U.S. counterpart, the National Association of Realtors USA. The USAID/Hungary supported ACDI/VOCA activity, which works via rural farmer associations to increase participation as agricultural integration projects are established, has been very successful. Integrations are designed to coordinate activities to improve efficiency in marketing, purchase of inputs, storage and machinery servicing.

The pool of trained business professionals must continue to increase for improved business systems and practices to be developed and put in place. The institutionalization of business and management education is being successfully accomplished through two USAID/Hungary-sponsored activities implemented by U.S. universities, SUNY and Indiana, in collaboration with their Hungarian partners, the Technical University of Budapest (TUB) and the Budapest University of Economic Sciences (BUES). SUNY has helped establish Total Quality Management (TQM) centers at seven universities across Hungary. These centers focus on how to produce high quality products while providing excellent customer service. The number of students enrolling in TQM courses consequently exceeds targets. Cumulative attendance since the onset of these programs is

7,885 students. SUNY also assisted TUB in setting up the first MBA program in Hungary specifically designed for engineers. A key component of this MBA program is coursework in TQM.

Indiana University and the Budapest University of Economic Sciences have organized programs focused specifically on the needs of women. These programs were designed with input from conference participants, and has been followed up by continued networking through the University's Women's Studies Center.

More Rational Tax Structure for SMEs

Progress on this intermediate result has been limited. Corporate tax rates have been reduced from 36% to 18%, and the top rate of the personal income tax has been reduced from 48% to 42%. However, payroll taxes remain onerous, severely limiting the addition of new employees to SME payrolls.

A proxy indicator, "Decreasing Size of the Informal Sector", is being used for determining achievement of a more rational tax structure for SMEs. As tax burdens (combined VAT, payroll, income tax) for SMEs decrease, coupled with improved, equitable enforcement, companies will be motivated to increase compliance. Targets for 1997 reflect an increase in the size of the informal sector due to ambiguous changes in payroll contributions introduced in 1997 that may increase contributions for many SMEs. By 1998 or 1999, however, the informal sector should be declining. Progress on this IR depends heavily on the success of the Mission SO: Increased Soundness of Fiscal Policies and Fiscal Management Practices.

2. Expected Progress Through Close-out

A. Realistic Prospects for Achieving Objective by Close-out.

The transition from small to medium-size enterprises is very important for Hungary to be able to increase its adoption of modern technology and increase its competitiveness in world markets. Medium-size enterprises are generally better able to improve productivity, thereby allowing higher standards of living. It is important that income growth accelerate in Hungary in order to reduce the large gaps in Hungarian and Western European counterparts. By 1999, we expect value added of medium-size enterprises to be on the order of 20% of enterprise sector value added, with good prospects for continued growth during the first decade of the 21st century.

We expect SME sector access to market and management information services to be significantly improved and the productive use of these information resources will be consistently increasing. Increased information about the sector will be significant, and used by government financial institutions, donors and others that make decisions about the sector.

By 1999, it is expected that Hungary's gray or informal economy, now estimated to account for as much as one-third of all economic activity, will be declining as more and more enterprises become formally incorporated in the formal economy.

SME sector businesses have tremendous potential to be exporters. Export business is necessary for rapid, sustained growth of the sector. In 1995, USAID/Hungary surveys indicated that exports accounted for only 8.2% of sales. This is a serious marketing problem, and is a prominent reason for Hungary's poor economic growth performance in recent years. We have targeted exports at 15% of sales in 1999. This target is feasible. However, we will consider the objective achieved if, in 1999, export participation in sector sales is rising and there are strong indications of continued, sustained increases.

SME profits have steadily improved in recent years, but not rapidly. We expect after tax profits to reach around 8% of sales by 1999, with good prospects for continued steady growth.

Underpinning the ability to export, improve profits and productivity and employ more people at good wages is access to credit. We expect to see evidence by 1999 that barriers to access to credit are being reduced. By 1999, around one-third of all SMEs are expected to have received one or more bank loans.

IMPROVED OPERATIONS OF SMALL AND MEDIUM SIZED ENTERPRISES					
INDICATOR	BASELINE	1996 TARGET	1996 ACTUAL	1999 TARGET	1999 ACCEPTABLE
medium sized enterprise % contribution to enterprise sector value added	18.1% (1994)		18.2% (1995)	20%	consistently rising
SME sector information		risk analysis unit established in largest bank; AID-sponsored survey provides sector data	risk analysis unit established in largest bank; AID-sponsored survey provides sector data	data on SMEs collected by autonomous Hungarian institutions on regular basis	information gathering on SMEs consistently increasing at partner institutions
Difference between unreported (actual) and reported contribution of SME subsector to enterprise value added	11.8 percentage points (1994)		12.8 percentage points (1995)	10	consistently declining
Exports as % of sales by SMEs	8.2 (1995)	> 9	NA	> 15	Consistently rising
SME profits (after taxes) as % of sales	4.4 (1993)	> 7.1	6.8 (1995)	> 8.0	Consistently rising
% of SMEs to have received a bank loan	27 (1996)	NA	27	> 33	Consistently rising

B. Managerial and Resource Adjustments to Reinforce Prospects for Success.

We plan to adjust resources by decreasing amounts programmed for achieving the result of improved systems and practices in place and using these resources to achieve a more rational tax structure for SMEs. We will only fund the *Enterprise Restructuring Activity* for one year since proposed FY 1997-1998 and 1998 funding availabilities are not adequate to continue this activity and also fund critical activities designed to achieve an improved enabling policy environment. A major partner charged with improving policies is the Center for International Private Enterprise (CIPE). FY 1997 resources are being provided to this important partner so that these activities can continue through early FY 1999.

Personnel requirements for the management of activities under this SO are:

<i>Fiscal Year</i>	<i>Person Months</i>
1996 reference	27
1997	31
1998	24
1999	19

C. Brief Schedule for Termination of Principal Activities.

<i>Activity</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
0023.07 Business Development Grants -Peace Corps	6/97		
0023.05 Assistance to Private Enterprises -MBA Corps	9/97		
0014 SME Management Services -RONCO		3/98	
0023.11 U.S.-based SME short-term Training -EMED		6/98	
0023.03 Private Enterprise Development -CIPE		9/98	
0014 ESOPs Assistance -Share Participation			3/99
XXXX SME Information Dissemination			6/99
0014 Small Business Loans (OTP LPG)-KPMG			6/99
0024 Regional Access to Info. & Credit -ACDI/VOCA			6/99
0029.01 Total Quality Management Centers -SUNY			6/99
0029.01 Mgmt. Training & Econ. Educ. -Indiana University			6/99
0034 Housing Sector Assistance -EE Real Property			6/99
0034 Housing Sector Assistance -Urban Institute			6/99

D. Recommendations to Continue Selected Activities after Close-out.

If utilized, OTP Bank will continue to have access to USAID/Washington's loan portfolio guarantee until 2001. This will be monitored by G/EG/CI in Washington.

E. Sustainability After Close-out

The institutionalization of business and management education through the establishment of Total Quality Management (TQM) centers at universities and an increased number of institutions offering MBA programs in Hungary underpins the human resources element of sustainability. The enhanced ability of the Institute for Small Business Development to meet needs for more refined information and analysis of the SME sector provides a focus on government policies as they impact on the sector.

Other donors include EU-PHARE, EBRD and the Japanese EXIM Bank. These donors currently provide the bulk of SME credit resources that are expected to remain available after close-out. Once Hungary becomes a member of the EU, there will be additional resources, incentives and markets for SMEs.

GOH plans for helping small and micro businesses include publishing a directory of available programs and streamlining applications for assistance.

A MORE COMPETITIVE AND MARKET RESPONSIVE PRIVATE FINANCIAL SECTOR

1. Performance Analysis

Overall progress towards achieving this SO has been satisfactory. The key critical assumption called for successful economic reforms to lay the ground work for sustainable economic growth. In 1996, forward progress in this area, as reported under the strategic objective "Increases Soundness of Fiscal Policy and Fiscal Management Practices," was excellent.

In 1996, the financial sector's development advanced very well despite a very tight monetary policy pursued by the Central Bank. The most spectacularly performing segment was the Budapest Stock Exchange (BSE). The stock exchange index rose 163% to 4,100. Trade volume on the exchange in 1996 exceeded the cumulative volume of the previous five years. Factors which helped create a positive market environment and increased demand for Hungarian stocks were Hungary's entry into the OECD, IMF approval of a standby agreement and the upgrading from speculative to investment quality by six of the principal international credit rating agencies. Although Hungary met all of the conditions for draw-down of IMF resources, these resources have not been used. External debt balances were restructured and reduced. The coordinated efforts of the GOH administration and the Central Bank to manage aggregate demand and stabilize the economy was delicate but very successful. GDP growth was positive while inflation and balance of payments deficits declined markedly.

Values for two of the four performance indicators at the SO level, financial sector assets (% of GDP) and interest rate spread on enterprise accounts, significantly surpassed expectations. The target for financial sector assets, as reflected by total bank assets plus insurance premiums and BSE's capitalization, was exceeded by 12 percentage points. This successful performance is partly attributed to the dramatic growth in stock prices during the year. In 1997, access by Hungarians to the BSE will be facilitated by a new law passed in 1996 that allows brokerage activities by banks. USAID/Hungary assisted the GOH in the development of this law. Although insurance premiums increased, the target for growth was not achieved. The insurance industry is still very small relative to the size of the economy. Declines in interest rate spreads on enterprise accounts exceeded target by 0.6 percentage points. Should inflation continue to decline as expected in 1997 and 1998, and bank efficiency continues to improve, targets for these years are likely to be exceeded.

PERFORMANCE OF KEY INTERMEDIATE RESULTS

Improved Regulation and Supervision

Accomplishment of this IR, as measured by the number of comprehensive on-site bank examinations, exceeded the target of 15 by one audit. The quality of audits improved and

will continue to improve as a result of formal on-site bank examiner training provided by USAID/Hungary. In addition, a continued emphasis on institutional strengthening in this area is expected to result from adherence to the terms of a recently negotiated \$225 million World Bank "Enterprise and Financial Sector Adjustment Loan." Agreement on actions needed to be taken by the State Banking Supervision were adopted at the urging of USAID/Hungary and its implementing partners. Unfortunately, the State Banking Supervision authority appears to have failed to properly audit and supervise one of the largest banks in the system. This bank had significant problems in 1996 and early 1997. It is suspected that political influence and interference may have compromised the independence of the supervisory authority. The public perception of problems with this large bank and supervisory shortcomings could have endangered the integrity of the entire banking system.

Improved Operational Efficiency

Progress on this IR in 1996 was satisfactory. Performance of two key indicators, bank privatization and value added contribution to GDP met or exceeded expectations.

Financial institution value added, at 5% of GDP, met target. These positive results can be partially attributed to the government's success in implementing major fiscal reforms, a booming stock market and increased banking services, including money market trading and a greater diversity of investors in state securities. In addition, foreign owned banks undertook ambitious campaigns to open more branches. During 1996, USAID/Hungary provided assistance to establish a Hungarian Credit Rating Agency to facilitate increased, better informed investor involvement with Hungarian firms and municipal governments. USAID/Hungary housing sector activities facilitated increased access to retail banking with the introduction of deferred payment mortgages. More than 20% of new housing loans are now deferred payment mortgages.

Three banks were privatized in 1996, resulting in exceeding the cumulative target of five. A textbook example of a very successful privatization was the Hungarian Credit Bank (HCB), 90 % of which was purchased by the Dutch ABN AMRO Bank for \$89 million. USAID/Hungary assistance was instrumental in assisting the GOH in this privatization.

2. Expected Progress Through Close-out

A. Realistic Prospects for Achieving Objective by Close-out.

Prospects for achievement of this SO by 1999 are excellent. Assuming privatization of banks continues as expected, all commercial banking activities will be in private sector hands. All sector regulatory agencies will be fully professionalized. An operational credit rating agency will be underpinning the issuance of private sector and local government securities.

A MORE COMPETITIVE AND MARKET RESPONSIVE PRIVATE FINANCIAL SECTOR

INDICATOR	BASELINE	1996 TARGET	1996 ACTUAL	1999 TARGET	1999 ACCEPTABLE
financial sector assets as percent of GDP	100 (1991)	> 100	112	> 120	> 120
difference between interest rates on loans and deposits	6.1 (1991)	< 6.0	5.4	< 4.5	< 4.5
number of firms on Budapest Stock Exchange	20 (1991)	> 46	45	> 100	> 80
number of comprehensive bank examinations in past year	0 (1991)	> 15	16	> 18	> 18
cumulative number of banks restructured and privatized	0 (1991)	> 6	5	> 10	> 10

B. Managerial and Resource Adjustments to Reinforce Prospects for Success.

The State Bank Supervision activity, now scheduled for completion in January, 2000, will expand and accelerate work plans for 1998 and 1999 to allow completion four months earlier than planned. This will permit close-out by September 1999.

Personnel requirements for the management of activities under this SO are:

<i>Fiscal Year</i>	<i>Person Months</i>
1996 reference	13
1997	12
1998	12
1999	12

C. Brief Schedule for Termination of Principal Activities.

<i>Activity</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
0014 Assistance to Credit Rating Agency -First Wash.		12/98	
0014 State Banking Supervision -KPMG			6/99
0027.01 Financial Services -USF			6/99
0027.02 Financial Market Short-term TA -FSVC			6/99
0034 Housing Sector Assistance -Urban Institute			6/99

D. Recommendations to Continue Selected Activities after Close-out.

All activities associated with the financial SO are to be concluded by mid-1999.

E. Sustainability After Close-out

Financial markets in Hungary should be fully operational with a stock exchange, an independent and profitable credit rating agency and private banks supported by a sound regulatory environment monitored by regular on-site bank examinations and a professional financial and capital markets supervisory agency.

AN ECONOMICALLY SUSTAINABLE, RESTRUCTURED ENERGY SECTOR

1. Performance Analysis

The Hungarian energy sector progressed satisfactorily in 1996 towards achieving the strategic objective. The key assumptions, 1) government commitment to price rationalization, 2) continued growth of the national economy and 3) lower pollution levels that result in more efficient energy production and use, remain valid. Conditions are in place for economic growth to accelerate. Accordingly, the major factor affecting achievement of the SO is GOH resolve to permit investors adequate investment returns through cost-based prices and a functioning, transparent regulatory environment. The 1996 target of 1% return on investment in the sector was not realized because prices were not allowed to rise as promised due to political pressures and a priority GOH concern with reducing inflation. On average, household energy and heating costs in 1996 were 32.5% higher than in 1995. However, investment in the sector continued, based on confidence that appropriate restrictions on monopolized ownership are being put in place, and in perceptions of growing competence of the regulator. For consumers, even though they feel the pinch of rising energy prices, some 40% accept that the prices they pay are fair and just. Consumer acceptance of changes to assure adequate returns on energy sector investment to private investors and a competitive ownership structure is important confirmation of the political feasibility of moving the sector closer to economic sustainability.

PERFORMANCE OF KEY INTERMEDIATE RESULTS

Improved Efficiency of Production and Delivery

Significant progress was made on this IR in 1996. The target for the power sector being in private investor hands was achieved in 1996 when privatizations raised private equity participation to 36%. Despite a GOH deferral of promises to allow energy prices to rise so as to assure a market return to investors, the value of privatizations in the energy sector exceeded \$2 billion. USAID/Hungary assistance played a key role by helping the Hungarian Energy Office (HEO) redesign the operational code and answer investor inquiries about licensing procedures - boosting investor confidence that the regulatory environment is stable and fair. In addition, USAID/Hungary assistance to the MVM (acting as a holding company for units to be sold) improved internal management and readied properties for due diligence and successful private sector bids. Once realized, these privatizations will provide for significant improvements in the efficiency of power output and distribution. Many investors are already undertaking extensive modernization and investment plans that will upgrade equipment. These investments may soon amount to more than \$5 billion.

Two other important indicators, increased integration of the power system with Central Europe (CENTREL) and the Western European grid (UCPTE) and modernized management practices introduced, are on track for completion in 1997. Hungary, Czech,

Slovak and Polish partners in CENTREL were accepted on a trial basis in 1996 as part of the UCPTTE grid system. USAID assistance in interconnected systems operations and management was an important part of this successful first stage. In 1997, after further testing and regulatory adjustments, CENTREL should achieve full UCPTTE membership.

Effective Regulatory Body in Place

The 1997 target for having an effective regulatory body in place is expected to be achieved as planned. Over the past year, USAID/Hungary assistance was instrumental in HEO achievement of significantly improved competence, as demonstrated by: 1) issuance of over 10 licenses for power generation; 2) use of public participation procedures for new plant construction; 3) successful fielding of a large increase in a variety of investor regulatory inquiries and 4) serving as an effective autonomous regulator of a restructured energy sector. Additionally, the HEO developed a competitive bidding process for new capacity that has been accepted in draft by the GOH.

A targeted area where the HEO is fully meeting expectations is in its growing competency in issuing well defined, timely licenses. Even in the United States, a commonly accepted indicator of agency efficiency and pro-business climate is the speed with which the regulator issues uncontested permits and licenses. In 1995, the HEO on average took about 6 months to issue uncontested licenses. In 1996, this time was reduced to 90 days. With continued USAID/Hungary assistance, this time will be further reduced in 1997 to 60 days without any loss in the quality or clarity of the license agreements.

Two indicators measuring effectiveness of the HEO, the appointment of a Director for a fixed term and price regulation issued without Ministry interference, are expected to be achieved in 1997. Although the HEO is charged with creating and implementing long-term regulatory pricing arrangements, ultimate decisions on pricing remains subject to clearance by the Ministry of Industry, Trade and Tourism. In 1996, the Ministry overruled HEO pricing recommendations, thereby threatening the institution's credibility. The fact that investor confidence in the professional competence and integrity of the HEO staff remains secure is a solid indication that USAID/Hungary's objectives to build a competent, respected regulatory authority are on track.

Improved End-Use Efficiency

Improvements in energy efficiency are necessary to off set the economic burden caused by increased energy prices that, on average, rose over 32.5% in 1996 compared to 1995. Because of price increases, however, there is now a steadily growing market for energy efficient goods and services. This burgeoning market can be confirmed by two proxy indicators: (1) an increasing number of projects in the national energy efficiency revolving fund; and (2) the increasing number of firms actively involved in the energy efficiency market. Although there were no targets established for 1996, progress to date on USAID/Hungary funded activities suggests that 1997 and 1998 targets will be

achieved. Increased commercial activity in the area of energy efficient projects presages increased energy system efficiency.

Through demonstration projects and targeted training sessions that concentrate on project development and contractual options, USAID/Hungary will assist energy users, service providers and financiers in putting together commercially viable projects. The impact of these projects will be measured by the number of targeted public institutions (15 in 1997 and 25 in 1998) that implement energy efficiency programs financed from non-USAID resources.

Policies and Regulations are an important vehicle for promoting energy efficiency. There was good progress in 1996 and more progress is anticipated in 1997. In 1996, USAID/Hungary worked with the HEO to classify demand side management (DSM) programs by type with the result that a standard program reporting format for utilities is now available. This format was issued in draft form to distribution companies, thereby meeting the indicator target for 1996. Distribution firms with DSM programs in place increased to 15 in 1996. Targets of 30 DSM programs in place in 1997 and 50 by 1998, are on track.

2. Expected Progress Through Close-out

A. Realistic Prospects for Achieving Objective by Close-out.

Prospects for achieving the Energy SO's objectives by close-out are excellent. Although this strategic objective will be broadly achieved in 1997, USAID/Hungary financed activities will continue to be implemented until late 1998, when all planned activities will be completed. Improved efficiency of production and delivery through modernized management practices at the Hungarian Electricity Works (MVM) and a CENTREL grid ready for integration with the European grid will be completed. The director of the HEO will be appointed for a fixed term independent of the election cycle, effectively freeing HEO decision-making processes from political pressures. Completion of the HEO's institutional strengthening capacity to issue licenses, make appropriate pricing decisions and in general consolidate investor confidence in a competitive energy sector will be completed. The commercial viability of energy efficiency in both public and private institutions will be demonstrated. The HEO will routinely issue guidelines on demand side management (DSM), including economic analyses of distribution activities. Municipalities will be successfully tracking energy costs and distribution companies will have active DSM programs in place.

AN ECONOMICALLY SUSTAINABLE, RESTRUCTURED ENERGY SECTOR

INDICATOR	BASELINE	1996 TARGET	1996 ACTUAL	1999 TARGET	1999 ACCEPTABLE
percent return on investment in power sector	0 (1995)	≥ 1.0	negative	≥ 12.0	> 8.0
percent of power sector assets privately owned	0 (1994)	≥ 40	36	≥ 90	> 60
extent of international connections of CENTRAL grid	none (1994)	trial period	trial period	full partnership	full partnership
status of HEO guidelines on demand management	none (1995)	draft issued	draft issued	issued with economic analysis	issued with economic analysis
targeted municipalities tracking their energy expenditures	none (1996)	NA	none	≥ 15	> 10
price regulations issued by HEO without Ministry changes	Ministry regulated (1994)	no Ministry control	Ministry control	no Ministry control	no Ministry control
number of energy efficiency projects financed by targeted public institutions	none (1996)	NA	none	≥ 35	> 20

B. Managerial and Resource Adjustment to Reinforce Prospects for Success.

Since this SO team will not function after FY 1997, all energy sector activities will be treated as Special Initiatives. The Energy Efficiency Project with Electrotek Concepts will be continued as a Special Initiative activity until the activity is completed in 1998. This will reinforce prospects for successful completion of the SO.

Personnel requirements for the management of activities under this SO are:

<i>Fiscal Year</i>	<i>Person Months</i>
1996 reference	6
1997	6
1998	0
1999	0

C. Brief Schedule for Termination of Principal Activities.

Activity	1997	1998	1999
0030 Utility Partnership Program -USEA	9/97		
0030 Regulatory Restructuring -BECHTEL		3/98	
0030 Regional Energy Efficiency -ELECTROTEX		9/98	

D. Recommendations to Continue Selected Activities after Close-out.

Refer to "Managerial and Resource Adjustment to Reinforce Prospects for Success."

E. Sustainability After Close-out

The HEO will be supervising a competitive energy sector by the time this strategic objective is completed. Hungary's success with developing a genuinely competitive energy sector will largely determine sustainability. It is expected that the large ongoing private sector investments in energy will be a model of a competitive private sector course. USAID/Hungary assistance will have demonstrated the commercial feasibility of energy efficient projects. Should we be successful in demonstrating that financing is available for such projects, energy efficiency initiatives will be high on commercial and consumer agendas.

BETTER INFORMED CITIZENS INCREASE THEIR PARTICIPATION IN DECISION MAKING AT THE LOCAL LEVEL

1. Performance Analysis

The focus of this strategic objective is to strengthen local governments, NGOs and the media by providing them with the necessary tools and knowledge to make them more effective, especially by encouraging interaction among them and with community residents. The strategy aims for a strong customer orientation, buttressed by well-publicized examples of indigenous success that can result in an increased sense of ownership of local issues on the part of citizens.

A basic prerequisite for improved responsiveness by local governments is a clear picture of constituent assessments of the current situation and their needs. This in itself is a new recognition by municipal governments, a number of which gathered baseline data in 1995 by commissioning the first statistically reliable survey allowing comparisons across a number of communities. The survey update conducted in 1996 indicates a possible improvement in citizen satisfaction, which nominally increased from 37% to 38% of respondents. Citizen ratings of opportunities for participation at the local government level increased from 39% to 41%. The most significant change, however, was an increase from 31% to 35% in citizen ratings of how local citizen inputs are taken into account by municipal governments.

Hungary's civil society, an important vehicle for grassroots democracy and local citizen participation, continued to grow in 1996. The Central Statistics Office calculates the number of non-profit associations and foundations at nearly 50 thousand, up from about 35 thousand in 1995. While this growth is important, a more significant measurement of the sector is the operating expenditures of NGOs as a percentage of GDP. This figure, important as a general indication of sector activity and significance, declined from 3.2% in 1993 to 2.9% in 1994 (most recent data available).

Substantial growth was recorded in 1996 in local media, the cornerstone of a stable democracy. Since formal controls on the media were lifted, the number and diversity of avenues for information flow have increased substantially. After promulgation of the December, 1995, Media Law, for example, the number of local TV and radio stations in the country increased from around 60 to 270 in 1996. This growth in local news outlets is vital since surveys show that citizens, while they may watch the national news, use the local TV and radio as well as county and local daily newspapers as their primary sources of information on local issues. USAID's work in strengthening the media and local government use of that media is essential. This conclusion is substantiated by a survey of

14 municipalities throughout the country in which citizen awareness of local government issues and activities was found to be only 24 on a scale of 0 to 100.¹

Initial field experience of this SO corroborates our assumption that a structured, grassroots approach is a critical catalyst for successful increases in citizen involvement. Consequently, many USAID/Hungary activities are demonstration-based and limited to a number of locations. To take the lessons learned and best practices from each demonstration site to the 3,300 municipalities Hungary now has requires special assistance modalities. The SO has created an activity, shared by all implementing partners, called "the Advocate" to carry results from the "few" to the "many." The Advocate distills generalized impacts from demonstration activities, provides value-added by reformulating methods, and exports outputs throughout Hungary using a variety of dissemination channels.

PERFORMANCE OF KEY INTERMEDIATE RESULTS

Increased Flow of Useful Information

The basic premise underlying this IR is that the free and unencumbered flow of information is both a fundamental element of a stable democracy and a means to maintain that democracy through informed, pluralistic decision-making. Furthermore, public officials will better serve their communities, earn increased taxpayer support and inspire constituents to participate more in local decisions if people are convinced that their offices and procedures are transparent and that citizens are treated as customers of digestible and objective public information. Since there were no longer formal controls on information in 1996, the number and diversity of avenues for information flow increased substantially. USAID/Hungary activities support improvement in the flow of information through a focus on the availability of public information through local governments and on the quality of information through work with independent media at the local level.

Local Government Provides Public Access to Information

The need for improved gathering and presentation of information and the need to communicate this information to local residents is a cornerstone of our work with local governments. For example, building on a demonstration project completed in early 1996, ten cities now regularly participate in a training program in which sound financial management strategies are taught. A fundamental lesson recognized by participants is that a municipal budget can not only be used as a management tool but also as a vehicle for communicating vital public information to constituents (see description under IR "Local Government More Effective and Responsive to Citizens").

¹ Average of survey responses on the following scale: 100 = highly informed; 67 = quite informed; 33 = slightly informed; and 0 = not informed.

Despite the promising results of such demonstration activities and rare examples of institutionalized mechanisms such as a civil society ombudsman or a PR official, the vast majority of municipalities lack a comprehensive, strategic approach to information provision. Given the clear need, the SOT determined through a self-assessment exercise that it needs to contribute to this portion of the IR in a more strategic and focused manner. Consequently, one of USAID/Hungary's implementing partners, ICMA, will design a comprehensive module that will cover a full range of issues from technology through techniques to change attitudes *vis-à-vis* information provision.

USAID/Hungary's strategy to increase the flow of useful information will be accomplished when citizens consider themselves well informed on local issues and when there is a considerable increase in the number of municipalities with an institutionalized way of providing public access to information.

Independent Media Strengthened at the Local Level

The recent rapid growth in the number of local broadcast media brought about increased needs for media training in covering local news. In 1996, a USAID/Hungary partner, the Center for Independent Journalism (CIJ), trained 120 local TV journalists representing television broadcast stations in local television news production techniques. In order to build a critical mass of local journalists with high professional standards, the CIJ will in 1997 train 40-50 TV and 25-30 radio station journalists. One measure of the effectiveness of this training will be a change in airtime devoted to local news and issues, which we expect to increase from, for example, the 1996 level of an average of 5.6 hours per week for television broadcasts. The speed with which favorable change will occur is highly dependent on media outlet finances.

Two intertwining issues affecting the future of local media and consequently the SOT's approach to its support are financial sustainability and municipal ownership vs. independence. In Hungary, almost all local television stations are sponsored by local governments facing declining funding availabilities. Radio stations are in far better financial positions since their costs are lower and local businesses tend to use relatively inexpensive radio rather than television for advertising. In order to deal with this constraint, USAID/Hungary has increased its emphasis on consortium building and issues and methods of financial sustainability in its media training program. The CIJ is also working with the Hungarian Association of Local Television Stations, whose members have recognized the need for representation.

Privatization of the Media - The GOH Media Law, passed in December 1995, calls for the privatization of a second national television channel by open tender and places a moratorium on commercial networking of local television stations until that occurs, hopefully before the 1998 elections. The privatization of MTV2 will significantly change the overall media environment, impacting local television stations with a reduced advertising base and possible reductions in access to other financial sources. On a positive side, it may also influence local stations to increase networking.

USAID/Hungary's training in production techniques and support to consortium building is aimed at strengthening local media outlets and increasing their commercial capabilities.

Municipal ownership of the media raises the question of the independence of local broadcast and print media. Although there is no clear concept of the extent of this problem, USAID/Hungary intends to address the issue in its training activities and will track citizen perceptions of media independence.

USAID/Hungary will consider its objectives related to this part of the IR met when local media stations are financially sustainable and when there are marked increases in the number of hours per week dedicated to local news broadcasts.

More Active and Responsive Civil Society

USAID/Hungary civil society assistance activities have made substantial contributions to sector progress in organizational capacity and inter-organizational cooperation. In 1996, Democracy Networks Hungary (DNH) established a nation-wide network of six satellite organizations, one more than originally planned, to provide hands-on support and training at the local level.

We consider passage of comprehensive NGO legislation and regulation to be a vital factor affecting the sector's basic capacity, legitimacy and stability. Because such legislation is not yet effective, large numbers of registered associations and foundations exist only on paper. This conveys a negative image of the sector as a system of fronts for individuals claiming unjustified tax protection.

In 1996, USAID/Hungary technical assistance supported drafting of such legislation. Also, as a credit to the DNH's prominent reputation and extensive local network, the Ministry of Education and Culture turned to DNH to support and play a principal role in organizing a series of debates in the non-profit sector in each of the 20 counties in Hungary so that the NGO's comments could be included in the draft legislation to be submitted to Parliament. This is the first time in the history of the country that such extensive, grassroots debates have been organized on any proposed legislation. Passage of the law is expected in mid-1997.

As the sector continues to mature, a primary concern during the close-out period, and the issue against which success of civil society development in Hungary will be gauged, is the relationship between NGOs and other sectors. With continued increase in legitimacy and capacity of this "third" sector as a partner in service delivery and decision-making, there must be reciprocal increases in levels of cooperation and support from the government and business sectors to assure sustainability. Promising examples already exist. In 1996, an innovative NGO incubator house was established with USAID/Hungary assistance by a local government in Pecs to provide on-going support to NGOs in its community. Our program addresses three key issues in NGO development: organizational capacity, advocacy and cooperation.

Increased NGO Capacity

In 1996, NGO assistance activities focused training efforts on basic capacity-building concepts such as proposal writing, project planning and financial management. DNH reports greater than expected progress toward increasing NGO capacity. Increases in the expertise of NGO leadership is evidenced by a substantial improvement in the content of grant proposals and a sector-wide increase in requests for longer, more sophisticated and more specialized courses concentrating on themes such as fundraising and management skills.

While the organizational capacity of bona fide associations and foundations is becoming fairly sophisticated, NGO finances are very weak. The GOH recently passed a "One percent law" that allows citizens to redirect one percent of their taxes to NGOs. Consequently, the GOH has cut general budget funding of NGOs in half. Although the assumption is that taxpayer designation will make up the difference, exactly what will transpire is highly uncertain. Preliminary tax returns to date show, for example, that only about 20% of taxpayers opt to direct 1% of their taxes to an NGO of their choice. According to estimates at the Hungarian Tax Office, such designations are not expected on more than 50% of returns. Such gaps in funding are exacerbated by restrictions on which NGOs may be eligible to receive this funding and by an approximate 6-month time lag in Tax Office receipts and subsequent transfers to NGOs.

To assure adequate financing, the sector must be innovative and consider appropriate fees for services and increased fundraising in the private sector. While partnerships with the private sector are nascent, increased financial contributions from non-government sources are expected and supported by activities of the DNH. Financial contributions to NGOs from non-government sources declined 4% in real terms in 1994, compared to 1993. It is critical to the sustainability of the sector that financial contributions to NGOs from non-government sources, currently only 14%, be substantially larger. USAID/Hungary activities under this IR also address such critical issues as collaboration on service delivery between local governments and NGOs.

Increased NGO Cooperation

There is evidence of a growing trend toward coalitions and collaborative alliances among NGOs to increase efficiency. A key factor in this is the network of partner NGOs that DNH has established. These satellites serve the associations and foundations in their vicinity as an umbrella organization. Reports from the satellites show that the number of NGOs sharing facilities, submitting joint applications for grants and working on collaborative projects may be increasing rapidly.

In addition to the satellite network, the program has been instrumental in the growth of 'telecottages' in Hungary. These multi-purpose resource centers support citizens and civic organizations with basic information and communications services. Modeled after a pilot telecottage in Csakbereny, four new telecottage NGOs will be established with DNH

grants, and negotiations with the central government are underway for a cooperative effort to expand this telecottage network to other communities.

Increased Advocacy

A prominent example of NGOs as public policy advocates on the national level is participation in regional debates on the pending NGO legislation. DNH alone involved over 250 NGOs in debates held at its satellite locations.

Such an example is an exception, however. Although the number of NGOs engaged in advocacy increased from 5,061 in 1993 to 6,329 in 1994, the weakest element of NGO activity in local communities is effectiveness as advocates. The concept of advocacy in the context of local governance and how it differs from basic organizational development lacks definition. USAID/Hungary activities in 1997 and 1998 will focus on increased advocacy effectiveness.

Improved Collaboration in Local Governance

An integral component of increased public participation in local decision-making is improved collaboration between government, NGOs and businesses to solve problems at the local level. For example, USAID/Hungary's approach is to demonstrate that local governments, using collaborative approaches, can deliver many services more effectively. USAID/Hungary experience demonstrates that local economic development in targeted areas can best be achieved through marshaling both public and private resources to shape community vision and growth paths. In the interest of long-term sustainability, the establishment of institutionalized mechanisms for collaborative decision making is a key focus of our activities.

Following passage of the Rural Development Act in 1995, the Hungarian government undertook a major initiative to decentralize the funding decisions of four major ministries as a way to spur rural development. County development councils were set up in 1996 to coordinate development and funding decisions in the counties. As these councils operationalize a mandate to oversee regional development plans and disburse funds for local projects, there are opportunities to integrate the collaborative model we helped develop and demonstrate in targeted communities.

Local Governments, NGOs and Private Sector Cooperate to Deliver Services

In 1996 USAID/Hungary undertook a new initiative to increase cooperation between local governments and local-level NGOs. Through training on contracting for services and grants earmarked for cooperative projects, this initiative seeds collaboration and leverages increased support from local governments for civil society counterparts. We expect to see tangible results from this activity in 1997.

Activities involving cooperative service delivery for the labor market are now maturing and show concrete results. Since 1994, USAID/Hungary has worked with County Labor

Centers, local businesses and soon-to-be dislocated workers to set up re-employment assistance committees (RACs) to train and counsel dislocated workers before they enter the ranks of the unemployed. RACs are based on the principle of collaboration between the public and private sectors and have been utilized in 14 counties plus Budapest to address lay-offs. The RACs have proven effective and are increasingly popular. Roughly 35 areas have used the model with placement rates of 30-65%, as compared to 15-40% in other areas.

While the model was introduced by USAID/Hungary, county labor centers (CLCs) themselves now locate and implement the model with decreasing supervision. For instance, one CLC is working to adapt the collaborative RAC approach to the issues of youth unemployment and persons finishing military service. In Ozd, a permanent job club for unemployed and dislocated workers was established through the efforts of the CLC branch office and the RAC. In Almasfuzito, based on the work of the RAC at an aluminum oxide factory to bring together local organizations to assist dislocated workers, the CLC, the municipality and the Local Enterprise Agency (LEA) jointly financed a job training curriculum established by the RAC.

USAID/Hungary has moved beyond the pilot stage in its labor market activities and now concentrates on spreading the model to new localities and institutionalizing it by working with regional and national decision makers. In another collaborative employment services program, Quick Start, employers and labor centers pay three-quarters of project costs once entirely paid by USAID. Moreover, a Quick Start manual has been published by the Hungarian Ministry of Labor as an official policy directive, ensuring continuation after USAID/Hungary close-out.

Local Governments, NGOs and Private Sector Establish Effective Collaborative Decision-making Fora

Results in activity demonstration mechanisms for collaboration are being institutionalized at the local level, providing on-going access to decision making and a permanent forum for community based planning. At the behest of the RACs, USAID/Hungary launched a collaborative local economic development (LED) initiative in 14 local areas that may involve up to 42 communities working together. These communities go through a four-step workshop resulting in an economic development plan and actual community projects.

It is too early to know how many collaboratively developed plans will result in funded projects and community action beyond the scope of the activity but early signs are encouraging. Out of 16 communities involved in local economic development, ten have drawn up funding-ready project proposals for regional development council considerations in the fall of 1997. Our target is 30 communities using a collaborative model of local economic development by 1999. Anecdotally, the first workshops have already led to a local economic development manager being named. He will receive support from a local foundation originally established to assist unemployed steelworkers.

A principle responsibility will be to coordinate relations between the local business sector, the municipal government and the CLC to promote economic development. There are signs that as national development funds are devolved to the regions for disbursement the LED collaborative model will position these communities to access funds and implement projects more effectively.

In one LED project, the local area concluded that a one-stop business information and assistance center, combining resources of the municipality, CLC, LEA and the chamber of commerce should be pursued. They have produced a plan and are now seeking funding from a broader base of support than would have been possible without use of the collaborative model.

A shift in attitude within the nonprofit sector occurred this past year. This shift is demonstrated by increased interest from NGOs and local governments to form coalitions and collaborative alliances to increase efficiency through coordination. Another example is the establishment of an NGO incubator in Pecs where the local government provides space and a consortium of local NGOs manages the operation. In addition to this "house of civic communities," which provides basic infrastructure support like communications, office and meeting space, the local government has also designated a civil society ombudsman to serve as liaison between the local government and the NGO community. We saw three instances of this mechanism in 1996 and our target is to replicate this institutionalized mechanism for collaboration in ten other communities in 1997.

Local Government More Effective and Responsive to its Citizens

There are some 3,300 municipalities in Hungary, three times as many as in 1990. This explosion of local self-government has effectively brought government to the people but has challenged the new administrations to develop competence and processes to effectively deliver the services demanded by citizens. The planned result of these activities is to develop and ensure replication of innovative pilot initiatives that address SO lower level results which are necessary and sufficient to make local governments more effective and responsive.

Improvement of General Management Capacity

USAID/Hungary's program is designed to assist in sophisticated financial management strategies such as program budgeting, capital budgeting, strategic planning, performance measurement, forecasting, financial analysis and presentation skills. The program started with a pilot demonstration in Szolnok and will be completed with the institutionalization of USAID/Hungary assistance in a new association of municipal finance officers.

Prior to this technical assistance, Szolnok's budget emphasized line item detail, not understanding, of city programs. There was no multi-year forecasting, cost analysis or budget monitoring and analysis. In contrast, Szolnok's 1996 budget consisted of program budgets based on a hierarchy of goals, objectives and performance measures for 64 institutions, as well as a full budget concept for programs. As a result of this budgetary

reform, the city's decision-making process now links community needs, trends and government priorities. Better financial management practices also make city officials better advocates for policy needs, and better equipped to deal with the central government on policy issues.

The Szolnok success met the target of one municipality employing sophisticated budget tools in 1996. Building on the Szolnok project, ten cities now regularly participate in a training program with Szolnok officials serving as resources. The program consists of six workshops that track the annual budget process. Almost all of these municipalities have now adopted one or more of the strategies. The involved local governments also adopted other new tools such as forecasting the budget up to 2000, strategic thinking, and the use of fiscal indicators and performance measures.

The goal of 40 municipalities participating by 1999 is far short of the adoption of sophisticated budgeting by all municipalities in Hungary. Future workshop series will be improved and prepared for sustainability. Informal interaction between budget officials will be facilitated through fostering the development of an association of budget officials. Our target is to see such an association created and offering a budget course by 1999.

In addition to the work on institutionalization with the association, we are creating a case-study-based module for the School of Public Administration. The School will use the module to offer professional development courses as well as their own curriculum. In addition, USAID's Advocate function is working to make budget and finance materials available as a self-study course. These inter-related initiatives are designed to carry the success of pilot activities to the majority of Hungarian municipalities. This will not occur, however, until well past our planned 1999 close-out. Reaching the target of 40 by 1999 will indicate that program content and delivery methods are working and that the institutions required for sustainability are in place.

Increased Inter-Local Cooperation

The dramatic recent increase in the number of municipalities not only stressed available management capacity, it also distorted scale economies of service delivery. Every municipality is mandated to deliver more than 30 services to its citizens. Some services, such as solid waste disposal, are not efficient or environmentally sound if operated on a small scale. Despite municipality desires for autonomy, there are strong reasons for inter-local cooperation. Working in a range of small communities, USAID/Hungary's program develops methods, techniques and tools to set standards and guidelines for inter-local cooperation.

Economic development projects have been undertaken in three separate locations involving multiple jurisdictions throughout Hungary. Some twenty local governments work cooperatively to address common problems. Five economic development councils have been created to provide a forum and a conduit for cooperation. Goal demonstration projects are underway to assist about a dozen municipalities in Hajdu-Bihar County to

cooperate in providing solid waste services. Also, in Csongrad and Hajdu-Bihar Counties computer database networks are being developed.

Lessons learned from these pilot activities will be collected into a workbook manual for inter-local cooperation and a national conference will be held. The conference will be hosted by municipal officials from pilot communities. Following the conference, the program will provide extension-type advice to other communities interested in putting lessons learned into practice. In addition, the Advocate will use the manual as a basis for a self-study course and a module will be developed from these experiences for the School of Public Administration.

Improving National Level Framework for Efficient Local Government

A group of municipal associations formed, on their own initiative, the Council of Local Government Associations in the fall of 1995. In the fall of 1996, USAID/Hungary assistance was instrumental in bringing the Council leadership together with major central government ministry officials to begin the process of making the Council a recognized voice of local government. USAID/Hungary sponsored an observation tour to the U.S. of ten high ministry officials, one parliamentarian and five local government association leaders. The participants in that tour are now key counterparts in the program's pursuit of this result.

Assistance to the Council is targeted on its role as an advocate for local governments. Its function as a provider of services and information will be addressed, but the basic assistance in this area is being supported by EU PHARE and the World Bank. In 1997, the capacity of the Council will be strengthened and USAID/Hungary will work with it to develop strong programs of issue advocacy as well as a business plan to insure self-sufficiency. USAID/Hungary assistance will continue to bring council leadership together with national officials to allow dialog and improve communication. Indicators of success in this activity would include recognition of the Council for Local Government Associations by Parliament, ministry officials and official representatives of municipalities and assurance that the Council is sustainable as indicated by own-source revenues as a percentage of expenditures.

2. Expected Progress Through Close-out

A. Realistic Prospects for Achieving Objective by Close-out.

Although achievement of all intermediate results is expected before September, 1999, numerous recent changes that complicate projections of future progress are cited above. How well new legislation and new policy is implemented is critical for continued progress. The Media Law, One Percent Law for funding NGOs, Law on Municipal Associations, regional development councils, and the forthcoming national elections each impose significant uncertainty on prospects for achieving this SO.

BETTER INFORMED CITIZENS INCREASE THEIR PARTICIPATION IN DECISION MAKING AT THE LOCAL LEVEL

INDICATOR	BASELINE	1996 TARGET	1996 ACTUAL	1999 TARGET	1999 ACCEPTABLE
Citizen satisfaction w/ local Gov.	1995 - 37%	NA	38%	45%	Consistently rising
Citizen rating of opportunities to participate in decision making at local level	1995 - 39	NA	41	47	Consistently rising
Citizen rating of impact of input	1995 - 31	NA	35	43	Consistently rising
Citizen awareness of local government issues and activities		NA	24%	40%	Consistently rising
Airtime devoted to local news by local television stations (hours per week)	1990-	NA	5.6	7.0	Consistently rising
Expenditures of NGOs in civil sector as % of GDP	1993 - 3.2	NA	1994 - 2.9	4	3.5
Financial contributions to NGOs from non-governmental sources (percentage of total revenues)	1993 -	NA	1994 - 14%	1996 - 22%	20%
NGO enabling legislation passed	1990 - NO	YES	NO	YES	YES
NGOs engaged in advocacy	1993 - 5061	NA	1994 - 6329	1996 - 10,000	9,000
Country-wide NGO support network (number of satellite centers, telecottages)	1990 - 0	5	6	6	6
Municipalities with institutionalized mechanisms for collaboration with NGOs (number of civil ombudsmen, etc.)	1990 - 0	2	3	10	6
Cross-sector collaborative committees formed to solve problems in targeted communities (number)	1990 - 0	15	DoL - 16	DoL - 30	DoL -25
Targeted municipalities use budgets as mgmt. tools (number)	1990 - 0	1	1	40	30
Cooperative agreements between municipalities (number)	1990 - 0		ICMA - 4	ICMA -16	ICMA -12
Municipalities involved in cooperation (number)	1990 - 0		ICMA -	ICMA -50	ICMA -45
Association of municipal finance officers created	NO	NO	NO	YES	YES
Own source revenue of Council of Local Government Associations as percentage of expenditures	0			65%	65%
Council of Local Government Associations recognized by GOH as official representative of municipalities	NO	NO	NO	YES	YES

B. Managerial and Resource Adjustments to Reinforce Prospects for Success.

Minor changes have been made to the approved strategic framework. The two lower-level results - *Local Government and NGOs Cooperate to Deliver Services* and *Mechanism for Collaborative Decisions* have been linked to a new, single Intermediate Result - *Improved Collaboration in Local Governance*. This increases the number of intermediate results to four: (1) Increased Flow of Useful Information, (2) More Active and Responsive Civil Society, (3) Improved Collaboration in Local Governance and (4) Local Government More Effective and Responsive to Citizens

The current staffing level will be maintained until July 1997. The five core-member team will be reduced to four at this time. A further reduction of one member will occur in November 1998. Three core-members, all locally-hired, will continue through close-out.

Personnel requirements for the management of activities under this SO are:

<i>Fiscal Year</i>	<i>Person Months</i>
1996	42
1997	39
1998	35
1999	23

C. Brief Schedule for Termination of Principal Activities.

<i>Activity</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
0022 Professional Media Training -IREX	12/97		
0033 Labor Restructuring -DOL		9/98	
0019.07 Public Administration -ICMA		12/98	
00037 Health Partnerships -AIHA		12/98	
0032.09 Democracy Networks ² -UWI			6/99
0034 Housing Sector Assistance -Urban Institute			6/99
0034 Democracy Advocate -Urban Institute			6/99
0021.13 Democracy Commission Small Grants -USIA			6/99

D. Recommendation to Continue Selected Activities after Close-out

We are proposing, through a one year extension of DNH activities, to address the issue of greater support and cooperation from the private sector. Hungary, with more than 70 percent of its economy privatized, could serve as a model for other countries of the region. Obligations planned for FY 1997 and FY 1998 should provide a sufficient pipeline as the end of FY 1999 to fund one additional year of activities through

² Considerations for continuing beyond September 1999 are discussed in the next paragraph

September 2000. Management responsibility after USAID/Hungary close-out would be assumed by the new USAID Regional Office located in Budapest.

Although targeted NGOs are making tremendous contributions in local services delivery and are beginning to have impacts through local advocacy roles, they are precariously dependent on foreign donor assistance and GOH support. Long-term sustainability of their activities requires significantly increased support and cooperation from the private sector.

Discussions are now underway on how to obtain significant increased business sector support for community development foundations. Through more intensive technical assistance financed from modest endowment funding, the Democracy Networks program seeks to develop from existing NGOs two or three community development foundations that would serve as sustainable models for private sector-civil society cooperation. The program requires minimal USAID oversight and the additional funding could be in the form of a grant funded endowment made possible by restructuring USAID/Hungary's program.

E. Sustainability After Close-out

Mechanisms for advancing sustainability are focused mainly in Municipal Associations and the Center for Municipal Innovations. Strengthened municipalities networking through the Municipal Association will be instrumental in ensuring that municipalities' innovations and best practices whether indigenous or donor supported are adequately disseminated. The Center for Municipal Innovation will play an important role in discovering, documenting and disseminating innovations, best practices and success stories to Hungarian communities. Donor Coordination "Town Hall Meetings" are providing a forum for identifying Donors and activities that will continue in the future after USAID/Hungary close-out.

CROSS CUTTING AND SPECIAL INITIATIVES

1. Analysis

Under this special objective there are currently four activities outside USAID/Hungary's five core Strategic Objectives and two activities that support the mission's entire program.

English as a Foreign Language (EFL). This program places EFL experts in Hungary to teach pedagogical techniques, classroom management skills and American culture at Hungarian institutions. USIS administers this activity to transfer democratic methods to Hungarian training institutions. Five Fellows are in-country this year, and three are planned for next year. The program will close at the end of FY 1998.

Top-up Grants. This activity is administered by USIS. These grants support Hungarian students through supplementary funds for study in the United States. The last year of funding was 1996. All participants are expected to complete their work by September 1997.

Ron Brown Scholarships. The activity is administered by USIS. It provides support for Hungarians graduate students and professionals to study at leading U.S. institutions. This fellowship combines advanced academic work with professional development activities such as internships, workshops, and alumni networking. 1998 will be the only year of funding and all participants are expected to complete their studies in 1999 (or 2000 if two year study programs are approved).

Water Quality and Investment. USAID and the governments of Hungary, Slovakia, and Romania have pledged to cooperate in reducing toxic compound emissions in selected cross-boundary rivers. This regional project has established a cross-boundary monitoring and communication network which facilitates regional pollution warnings and emergency mitigation plans. It also identifies specific pollution danger zones and major industrial polluters, and provides assistance, training and equipment to address environmental issues. The activity will close out in September 1998.

Participant Training. This activity provides U.S.-based professional training to Hungarian participants in support of the Mission's Strategic Objectives. The last year of funding will be FY 1998. All participants are expected to complete training by June 1999.

Audit Evaluation and Project Support (AEPS). The AEPS account provides support to USAID/Hungary SOs through the development of customer service plans, baseline data collection for SO indicators, independent evaluations of activities, etc. The AEPS account will also be used as a vehicle to provide activity and SO close-out support in 1998 and 1999.

B. Managerial and Resource Adjustments to Reinforce Prospects for Success.

Personnel requirements for the management of activities under this SO are as follows:

<i>Fiscal Year</i>	<i>Person Months</i>
1996	
1997	1
1998	3
1999	3

C. Brief Schedule for Termination of Principal Activities.

<i>Activity</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
0045.02 Top-up Grants -USIS	6/97		
0002.09 English Teaching -USIS		9/98	
0030 BECHTEL		3/98	
0039.09 Water Quality Investment -GEF		6/98	
0030 ELECTROTEX		9/98	
0045.01 Participant Training -World Learning			6/99
0045.06 Ron Brown Scholarships -USIS			6/99
0249 Audit Evaluation and Project Support			9/99

PART III: STATUS OF THE MANAGEMENT CONTRACT

The Management Contract approved 8/23/96 is on track and does not require any significant changes. The list below provides a schedule of planned close-out actions.

Non-Exhaustive List of Schedule of Close-out Actions

March 1997	Letter sent by Ambassador to GOH advising of Hungary's graduation and USAID/Hungary Program close-out intentions (completed).
April 1997	Public Relations Effort launched for Sensitizing Public to USAID departure/Hungary graduation.
May 1997	Records Reorganization and Disposal Plan developed.
June 1997	Activity Close Out Schedule Approved by AID/W.
July 1997	Outplacement Skills Development Program Established.
Sept. 1997	New Employee Incentive/Awards Program Agreed Upon with AID/W and Embassy.
Sept. 1997	Operational Close-out Plan/Checklists Completed.
Nov. 1997	Close-out Conference held, introducing partners to specific close-out requirements and answering questions.
April 1998	Review of Country Performance and determination if any further post-presence activities/funding is required/desirable.
June 1998	Sector/SO Program Accomplishment Reports completed for all graduated SOs and sectors, including Energy.
July 1998	All but core EXO activities transferred from Bi-lateral Mission.
June 1999	All but three Activities will be completed. Final physical close-out Phase begins.
July 1999	High-level Close-Out/Graduation Ceremony held.
Sept. 1999	All property disposed of Building and Residential Property Turned over/USAID/Hungary close-out completed.

2. Prioritization of Objectives

1. **INCREASED SOUNDNESS OF FISCAL POLICY AND FISCAL MANAGEMENT PRACTICES.** Since our first Strategic Plan, USAID/Hungary has argued that Hungary's success in stabilizing its inflation rate, promoting investment and preparing entry into international organizations such as the European Union and NATO require successful fiscal reform. This will remain our highest priority until close-out
2. **BETTER INFORMED CITIZENS INCREASE THEIR PARTICIPATION IN DECISION MAKING AT THE LOCAL LEVEL** An integral corollary to decentralizing power and decision making from the Central Government is the strengthening of grass-roots local government and non-governmental organizations. Only when Hungary's transition can answer the public's question of who, if not the central government, provides services, will Hungary's transition be complete.
3. **A MORE COMPETITIVE AND MARKET RESPONSIVE PRIVATE FINANCIAL SECTOR.** Hungary's ability to attract additional capital, mobilize domestic savings and assure capital fluidity is highly dependent on transparent, efficient capital markets. In addition, other important reforms relating to our Fiscal Objective depend on proper performance of the Financial Sector, particularly for successful pension reform.
4. **IMPROVED OPERATIONS OF SMALL AND MEDIUM SIZED ENTERPRISES.** Hungary's domestic growth depends on improved performance of the SME sector. However, the sector now appears to be responding despite continued constraints.
5. **AN ECONOMICALLY SUSTAINABLE, RESTRUCTURED ENERGY SECTOR.**

3. Workforce and OE

Operating Expenses

As close-out approaches in FY 1999, Operating Expenses will decrease only slightly. While there is a reduction in staff salaries (currently FSN salaries are not keeping pace with inflation, hence a decrease when budgeting in US dollars) and no purchase of furniture and equipment, this will be offset by severance and training for employees, as well as repatriation of Direct Hire employees. Other Operating Expenses will remain at levels similar to those of FY 1998 due to fixed office rental and maintenance costs, office operating expenses and disposal of non-expendable property.

PART IV: RESOURCE INFORMATION

1. Program Management

Scenario: In order for close-out to be fully achieved by September 1999, all but a very few activities must close by June 1999. We see the final quarter of FY 1999 as essentially paperwork, assessments and disposal of commodities.

During 1997, the Energy Strategic Objective will be graduated, leaving four, which will continue until program close-out.

Program staff will decrease from 18 full time positions in FY 1996, including 2 USDH, to 14 full time positions including 2 USDH, in FY 1998.

Administrative Support

Scenario: USAID/Hungary is currently charged with significant administrative support for the Regional Inspector General's Office and all administrative support of the Regional Support Center. USAID's close-out coincides with the Regional Support Center's gearing up and taking over its own administrative support. At one point, the Bi-lateral USAID will be able to rely on the RSC's capacity for administrative support. While conceivably different functions will be fully staffed at different times, we foresee this transfer by the Summer of 1998.

Thus, USAID's support Staff will begin decreasing during the Summer of 1998 when some administrative functions are moved to the Regional Support Center (RSC). During the second half of FY 1998 and for the final fiscal year of implementation, RSC will provide all but core EXO functions to the bi-lateral Mission.

A key administrative support capacity must be kept by USAID/Hungary to enable proper functioning of the office and support for close-out. Important examples include: budgeting, organization and regulation; transportation; certain supply handling; personnel actions related to job reclassifications and close-out; communications (but not overall responsibility for records management); office systems.

By June of FY 1998, EXO support function personnel will decrease from the current 13 to 7. At issue is whether these positions can be moved over to RSC without re-competing and further jeopardizing employee job security.

Estimated levels of resources (staff, OE, and Program) needed to achieve the results agreed to in the management contract.

	Personnel/Fiscal Years				
	1996	1997	1998	1999	
				August	Sept. 30
Program	18	13	14	13	0
Admin.	13	15	13	11	2
TOTAL	31	28	27	24	2

ANNEX I

RESULTS FRAMEWORKS

USAID/HUNGARY BUDGET SUMMARY 1997-1998

NO	Activity	Agency	1997	1998
1.5 AN ECONOMICALLY SUSTAINABLE RESTRUCTURED ENERGY SECTOR				
180-0030	.01 Industry Contracts/ Utility Grants	Bechtel Corp. etc.	0	0
1.5 Total			0	0
2.1 BETTER INFORMED CITIZENS INCREASE THEIR PARTICIPATION IN DECISION MAKING AT THE LOCAL LEVEL				
180-0004	.06 NGO Grant Support	Regional Environ. Center	0	100,000
180-0019	.07 Public Administration (Local Government Support)	ICMA	250,000	200,000
180-0021	.13 Demo. Commission Small Grants (NGO Support)	USIA	150,000	100,000
180-0022	Professional Media Program	IREX	300,000	0
180-0032	.09 Democracy Network (NGO Grants & Training)	United Way Int'l.	750,000	450,000
180-0033	* Labor Activities (Rapid Response)	U.S. Dept. of Labor	250,000	100,000
180-0034	* Housing Sector Assistance	Urban Institute	800,000	200,000
180-0034	* Democracy Advocate	Urban Institute	350,000	400,000
180-0037	* Partnerships in Health Care	Amer. Int'l. Health Alliance	0	250,000
180-0039	.01 IAA with EPA	EPA	0	0
180-0032	.05 NGO Legislation	ICNL	0	0
2.1 Total			2,850,000	1,800,000
4.1 CROSS CUTTING AND SPECIAL INITIATIVES				
180-0002	.09 English Teaching	USIA	150,000	0
180-0034	* Housing Sector Assistance	na	150,000	100,000
180-0039	.09 Water Quality & Investment	GEF	0	0
180-0045	.01 Participant Training (Technical Training in U.S.)	PIET	500,000	300,000
180-0045	.02 Top-up grants (Graduate Study Assistance)	USIA	0	0
180-0045	.06 Ron Brown Scholarship	USIA	0	100,000
180-0249	.01 Project Support/Evaluation	na	500,000	500,000
180-XXXX	Parking Fines	na	0	0
4.1 Total			1,300,000	1,000,000
Grand Total			15,000,000	7,000,000

USAID/HUNGARY BUDGET SUMMARY 1997-1998

NO	Activity	Partner	1997	1998
NO. 1 INCREASED SOUNDNESS OF FISCAL POLICIES AND FISCAL MANAGEMENT PRACTICES				
180-0027	.01 Tax Administration	Treas. Dept.	475,000	475,000
180-0027	.01 Pension Fund Supervision	Treas. Dept.	475,000	475,000
180-0027	.02 Fiscal Reform	FSVC	100,000	100,000
180-0004	.11 Environ. Econ. (<i>Advisor at Min. of Finance</i>)	HIID	100,000	0
180-0014	* Tax and Pension Reform	TBD	0	0
180-0023	.03 Pension Reform	CIPE	250,000	0
180-0038	* Protocol Guidelines	Dept. Health & Human Res.	400,000	100,000
180-0038	* Hospital Accreditation	Joint Commission on Accred.	0	50,000
180-0038	* Outpatient Care	SOLON	300,000	50,000
180-0038	* Rational Drug Use	TBD	150,000	200,000
180-0021	.01 Educational Reform	USIA	0	0
XXXX	* Prime Minister Office Support	TBD	0	100,000
XXXX	* Policy Reform	Agency IQCs	175,000	150,000
1.2 Total			2,425,000	1,700,000
NO. 2 IMPROVED OPERATIONS OF SMALL AND MEDIUM SIZED ENTERPRISES				
180-0014	* ESOPs Assistance	Shared Participation	150,000	0
180-0014	* Corp. Resource Center (<i>SME evaluation & support</i>)	East-West Bus. Center/RONCO	959,924	0
180-0014	* OTP LPG (<i>Small Business Loans</i>)	KPMG-Barents	0	0
180-0023	.03 Private Enterprise Development	CIPE	500,000	250,000
180-0023	.05 Private Enterprise TA (<i>MBA Advisors</i>)	MBA Enterprise Corps	0	0
180-0023	.07 Peace Corps (<i>Business Development Grants</i>)	Peace Corps	0	0
180-0023	.11 Entrep. Mgmt. & Executive Dev. (<i>Business Training</i>)	PIET	300,000	0
180-0024	.01 TA to Agr. Sector (<i>Regional Access to Info. and Credit</i>)	VOCA	1,580,000	230,000
180-0024	.04 TA to Agr. Sector (<i>Regional Access to Info. and Credit</i>)	ACDI	0	350,000
180-0024	* Info Fact/S.O. Support	na	150,000	250,000
180-0029	.01 Total Quality Management Centers	SUNY	500,000	0
180-0029	.01 Management Training & Economic Education	Indiana University	100,000	0
180-0034	* Housing Sector Assistance	EE Real Property	0	0
180-0034	* Housing Sector Assistance	Urban Institute	500,000	0
180-XXXX	* SME Policy	TBD	410,076	70,000
1.3 Total			5,150,000	1,150,000
NO. 3 A MORE COMPETITIVE AND MARKET RESPONSIVE PRIVATE FINANCIAL SECTOR				
180-0014	* State Banking Supervision (<i>Bank Evaluation Support</i>)	Barents	1,445,000	475,000
180-0027	.01 TA/Financial Services (<i>Short-term TA</i>)	Treas. Dept.	475,000	475,000
180-0027	.02 Financial Markets Dev. (<i>Volunteer Advisors</i>)	FSVC	205,000	150,000
180-0034	* Housing Sector Assistance	Urban Institute	550,000	200,000
180-0014	* Credit Rating Agency	First Washington Associates	600,000	50,000
1.4 Total			3,275,000	1,350,000

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

14-Apr-97
03:00 PM

Country/Program: USAID HUNGARY

S.O. #	Title	Approp Acct	Bilateral/Field Spt	Est. SO Pipeline at end of FY 98	FY 1999 Request							Est Expend. FY 99	Est Total cost life of SO	Mortgage at end of 1999	
					FY 1999 Total Request	Basic Education for Chldm	Other Economic Growth	Population	Child Survival	HIV/AIDS	Other Health				Environ
SO 1: INCREASED SOUNDNESS OF FISCAL POLICIES AND FISCAL MANAGEMENT PRACTICES															
			Bilateral	0	0	0	0	0	0	0	0	0	0	0	
SEED			Field Spt	1,203,706	0	0	0	0	0	0	0	0	1,203,706	8,324,123	0
			Total	1,203,706	0	0	0	0	0	0	0	0	1,203,706	8,324,123	0
SO 2: IMPROVED OPERATIONS OF SMALL AND MEDIUM SIZED ENTERPRISES															
			Bilateral	0	0	0	0	0	0	0	0	0	0	0	0
SEED			Field Spt	2,069,803	0	0	0	0	0	0	0	0	2,069,803	16,399,736	0
			Total	2,069,803	0	0	0	0	0	0	0	0	2,069,803	16,399,736	0
SO 3: A MORE COMPETITIVE AND MARKET RESPONSIVE PRIVATE FINANCIAL SECTOR															
			Bilateral	0	0	0	0	0	0	0	0	0	0	0	0
SEED			Field Spt	1,323,832	0	0	0	0	0	0	0	0	1,323,832	0	0
			Total	1,323,832	0	0	0	0	0	0	0	0	1,323,832	0	0
SO 4: AN ECONOMICALLY SUSTAINABLE RESTRUCTURED ENERGY SECTOR															
			Bilateral	0	0	0	0	0	0	0	0	0	0	0	0
SEED			Field Spt	0	0	0	0	0	0	0	0	0	0	1,879,960	0
			Total	0	0	0	0	0	0	0	0	0	0	1,879,960	0
SO 5: BETTER INFORMED CITIZENS INCREASE THEIR PARTICIPATION IN DECISION MAKING AT THE LOCAL LEVEL															
			Bilateral	0	0	0	0	0	0	0	0	0	0	0	0
SEED			Field Spt	1,478,103	0	0	0	0	0	0	0	0	1,478,103	11,687,065	0
			Total	1,478,103	0	0	0	0	0	0	0	0	1,478,103	11,687,065	0
SO 6: CROSS CUTTING AND SPECIAL INITIATIVES															
			Bilateral	0	0	0	0	0	0	0	0	0	0	0	0
SEED			Field Spt	639,880	0	0	0	0	0	0	0	0	639,880	0	0
			Total	639,880	0	0	0	0	0	0	0	0	639,880	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
			Field Spt	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
SP0 2 (Type in approved full title of SPO here)															
			Bilateral	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
			Total	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
Total Field Support				6,715,325	0	0	0	0	0	0	0	0	0	0	0
TOTAL PROGRAM				6,715,325	0	0	0	0	0	0	0	0	6,715,325	38,290,884	0

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

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

14-Apr-97
03:00 PM

Country/Program: USAID HUNGARY

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 Childrn	Other Economic Growth	Population	Child Survival	HIV/AIDS	Other Health	Environ			
SO 1: INCREASED SOUNDNESS OF FISCAL POLICIES AND FISCAL MANAGEMENT PRACTICES															
	SEED	Bilateral		0	0	0	0	0	0	0	0	0	0	0	0
		Field Spt	2,330,812	1,700,000	0	0	1,700,000	0	0	0	0	0	0	2,827,105	8,324,123
		Total	2,330,812	1,700,000	0	0	1,700,000	0	0	0	0	0	0	2,827,105	8,324,123
SO 2: IMPROVED OPERATIONS OF SMALL AND MEDIUM SIZED ENTERPRISES															
	SEED	Bilateral		0	0	0	0	0	0	0	0	0	0	0	0
		Field Spt	6,235,529	1,150,000	0	0	1,150,000	0	0	0	0	0	0	5,315,726	16,399,736
		Total	6,235,529	1,150,000	0	0	1,150,000	0	0	0	0	0	0	5,315,726	16,399,736
SO 3: A MORE COMPETITIVE AND MARKET RESPONSIVE PRIVATE FINANCIAL SECTOR															
	SEED	Bilateral		0	0	0	0	0	0	0	0	0	0	0	0
		Field Spt	2,494,573	1,350,000	0	0	1,350,000	0	0	0	0	0	0	2,520,741	0
		Total	2,494,573	1,350,000	0	0	1,350,000	0	0	0	0	0	0	2,520,741	0
SO 4: AN ECONOMICALLY SUSTAINABLE RESTRUCTURED ENERGY SECTOR															
	SEED	Bilateral		0	0	0	0	0	0	0	0	0	0	0	0
		Field Spt	939,980	0	0	0	0	0	0	0	0	0	0	939,980	1,879,960
		Total	939,980	0	0	0	0	0	0	0	0	0	0	939,980	1,879,960
SO 5: BETTER INFORMED CITIZENS INCREASE THEIR PARTICIPATION IN DECISION MAKING AT THE LOCAL LEVEL															
	SEED	Bilateral		0	0	0	0	0	0	0	0	0	0	0	0
		Field Spt	3,868,533	1,800,000	0	0	0	0	0	0	0	1,800,000	4,190,429	11,687,065	0
		Total	3,868,533	1,800,000	0	0	0	0	0	0	0	1,800,000	4,190,429	11,687,065	0
SO 6: CROSS CUTTING AND SPECIAL INITIATIVES															
	SEED	Bilateral		0	0	0	0	0	0	0	0	0	0	0	0
		Field Spt	973,800	1,000,000	0	0	450,000	0	0	0	0	0	550,000	1,333,920	0
		Total	973,800	1,000,000	0	0	450,000	0	0	0	0	0	550,000	1,333,920	0
SP0 1 (Type in approved full title of SPO here)															
		Bilateral		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
		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	0	0	0	0
		Field Spt		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
Total Bilateral			0	0	0	0	0	0	0	0	0	0	0	0	0
Total Field Support			18,843,226	7,000,000	0	0	4,650,000	0	0	0	0	2,350,000	0	0	0
TOTAL PROGRAM			18,843,226	7,000,000	0	0	4,650,000	0	0	0	0	2,350,000	17,127,901	38,290,884	0

FY 98 Budget Request by Appropriation - (\$000's)	
Development Assistance	0
Development Fund for Africa	0
Economic Support Funds	0
SEED	7,000,000
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

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

14-Apr-97
03:00 PM

Country/Program: USAID HUNGARY

S.O. #	Title	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 Childrn	Other Economic Growth	Population	Child Survival	HIV/AIDS	Other Health	Environ	D/G					
SO 1: INCREASED SOUNDNESS OF FISCAL POLICIES AND FISCAL MANAGEMENT PRACTICES																
	Bilateral		0	0	0	0	0	0	0	0	0	0				
SEED	Field Spt	3,449,123	2,425,000	0	2,425,000	0	0	0	0	0	0	0	3,543,312	8,324,123	1,750,000	
	Total	3,449,123	2,425,000	0	2,425,000	0	0	0	0	0	0	0	3,543,312	8,324,123	1,750,000	
SO 2: IMPROVED OPERATIONS OF SMALL AND MEDIUM SIZED ENTERPRISES																
	Bilateral		0	0	0	0	0	0	0	0	0	0				
SEED	Field Spt	9,896,058	5,150,000	0	5,150,000	0	0	0	0	0	0	0	8,810,529	16,399,736	1,150,000	
	Total	9,896,058	5,150,000	0	5,150,000	0	0	0	0	0	0	0	8,810,529	16,399,736	1,150,000	
SO 3: A MORE COMPETITIVE AND MARKET RESPONSIVE PRIVATE FINANCIAL SECTOR																
	Bilateral		0	0	0	0	0	0	0	0	0	0				
SEED	Field Spt	3,351,648	3,275,000	0	3,275,000	0	0	0	0	0	0	0	4,132,073	0	1,350,000	
	Total	3,351,648	3,275,000	0	3,275,000	0	0	0	0	0	0	0	4,132,073	0	1,350,000	
SO 4: AN ECONOMICALLY SUSTAINABLE RESTRUCTURED ENERGY SECTOR																
	Bilateral		0	0	0	0	0	0	0	0	0	0				
SEED	Field Spt	1,879,960	0	0	0	0	0	0	0	0	0	0	939,980	1,879,960	0	
	Total	1,879,960	0	0	0	0	0	0	0	0	0	0	939,980	1,879,960	0	
SO 5: BETTER INFORMED CITIZENS INCREASE THEIR PARTICIPATION IN DECISION MAKING AT THE LOCAL LEVEL																
	Bilateral		0	0	0	0	0	0	0	0	0	0				
SEED	Field Spt	6,312,065	2,850,000	0	0	0	0	0	0	0	0	2,850,000	5,293,533	11,687,065	1,750,000	
	Total	6,312,065	2,850,000	0	0	0	0	0	0	0	0	2,850,000	5,293,533	11,687,065	1,750,000	
SO 6: CROSS CUTTING AND SPECIAL INITIATIVES																
	Bilateral		0	0	0	0	0	0	0	0	0	0				
SEED	Field Spt	1,297,600	1,300,000	0	900,000	0	0	0	0	0	0	400,000	1,623,800	0	1,000,000	
	Total	1,297,600	1,300,000	0	900,000	0	0	0	0	0	0	400,000	1,623,800	0	1,000,000	
SPO 1 (Type in approved full title of SPO here)																
	Bilateral		0	0	0	0	0	0	0	0	0	0				
	Field Spt		0	0	0	0	0	0	0	0	0	0				
	Total		0	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				
	Field Spt		0	0	0	0	0	0	0	0	0	0				
	Total		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Bilateral			0	0	0	0	0	0	0	0	0	0				
Total Field Support			26,186,452	15,000,000	0	11,750,000	0	0	0	0	0	3,250,000				
TOTAL PROGRAM			28,186,452	15,000,000	0	11,750,000	0	0	0	0	0	3,250,000	24,343,226	38,290,884	7,000,000	

FY 97 Budget Request by Appropriation - (\$000's)	
Development Assistance	0
Development Fund for Africa	0
Economic Support Funds	0
SEED	15,000,000
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

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OVERSEAS MISSION BUDGET REQUEST

OE-22185.wk4



Title: USAID Hungary
Printing and Reproduction

	3.8		3.8	4.0		4.0	4.0	4.0	4.0		0.0
Subtotal OC 24.0	3.8	0.0	3.8	4.0	0.0	4.0	4.0	0.0	4.0	0.0	0.0
Advisory and assistance services											
Studies, Analyses, & Evaluations			0.0			0.0			0.0		0.0
Management & Professional Support Services			0.0			0.0			0.0		0.0
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
25.2 Other services											
25.2 Office Security Guards	1.2		1.2	1.5		1.5	2.0		2.0		0.0
25.2 Residential Security Guard Services			0.0			0.0			0.0		0.0
25.2 Official Residential Expenses			0.0			0.0			0.0		0.0
25.2 Representation Allowances	0.6		0.6	0.6		0.6	0.6		0.6		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	1.0		1.0	1.0		1.0	1.0		1.0		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	1.0		1.0	1.0		1.0	10.0		10.0		0.0
25.2 Penalty Interest Payments			0.0			0.0			0.0		0.0
25.2 Other Miscellaneous Services	3.0		3.0	3.0		3.0	3.0		3.0		0.0
25.2 Staff training contracts	42.3		42.3	40.5		40.5	40.5		40.5		0.0
25.2 ADP related contracts			0.0			0.0			0.0		0.0
Subtotal OC 25.2	49.1	0.0	49.1	47.6	0.0	47.6	57.1	0.0	57.1	0.0	0.0
25.3 Purchase of goods and services from Government accounts											
25.3 ICASS			0.0			0.0			0.0		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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.4 Operation and maintenance of facilities											
25.4 Office building Maintenance	10.0		10.0	12.0		12.0	12.0		12.0		0.0
25.4 Residential Building Maintenance	9.0		9.0	9.5		9.5	9.5		9.5		0.0
Subtotal OC 25.4	19.0	0.0	19.0	21.5	0.0	21.5	21.5	0.0	21.5	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
25.7 Operation/maintenance of equipment & storage of goods											
25.7 ADP and telephone operation and maintenance costs	10.0		10.0	10.0		10.0	10.0		10.0		0.0
25.7 Storage Services			0.0			0.0			0.0		0.0
25.7 Office Furniture/Equip. Repair and Maintenance	7.7		7.7	7.9		7.9	7.9		7.9		0.0
25.7 Vehicle Repair and Maintenance	5.2		5.2	5.4		5.4	5.4		5.4		0.0
25.7 Residential Furniture/Equip. Repair and Maintenance	4.2		4.2	4.4		4.4	4.4		4.4		0.0
total OC 25.7	27.1	0.0	27.1	27.7	0.0	27.7	27.7	0.0	27.7	0.0	0.0
Subsistence 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
26.0 Supplies and materials	23.5		23.5	24.3		24.3	23.1		23.1		0.0
Subtotal OC 26.0	23.5	0.0	23.5	24.3	0.0	24.3	23.1	0.0	23.1	0.0	0.0
31.0 Equipment											
31.0 Purchase of Residential Furniture/Equip.	27.0		27.0	30.0		30.0	0.0		0.0		0.0
31.0 Purchase of Office Furniture/Equip.	28.1		28.1	30.0		30.0	0.0		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	11.0		11.0	11.8		11.8	0.0		0.0		0.0
31.0 ADP Software purchases			0.0			0.0			0.0		0.0
Subtotal OC 31.0	66.1	0.0	66.1	71.8	0.0	71.8	0.0	0.0	0.0	0.0	0.0
32.0 Lands and structures											
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
42.0 Claims and indemnities			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
TOTAL BUDGET	1,314.7	0.0	1,314.7	1,375.2	0.0	1,375.2	1,244.1	0.0	1,244.1	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



OVERSEAS MISSION BUDGET REQUEST

OE-22185 wk4

Org. Title: USAID Hungary
 Org. Title: USAID Hungary
 OE Budget Request FY99

	FY 97			FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
OC												
11.1 Personnel compensation, full-time permanent												
11.1 Base Pay & pymt. for annual leave balances - FNDH	0.0	0.0	0.0	0.0	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												
11.3 Base Pay & pymt. for annual leave balances - FNDH	0.0	0.0	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												
11.5 USDH	0.0		0.0			0.0			0.0			0.0
11.5 FNDH	0.0		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												
11.8 US PSC Salaries	234.4		234.4	202.7		202.7	196.0		196.0			0.0
11.8 FN PSC Salaries	105.7		105.7	115.2		115.2	60.3		60.3			0.0
11.8 IPA/Details-In/PASAs/RSSAs Salaries			0.0			0.0			0.0			0.0
Subtotal OC 11.8	340.1	0.0	340.1	317.9	0.0	317.9	256.3	0.0	256.3	0.0	0.0	0.0
12.1 Personnel benefits												
12.1 USDH benefits												
12.1 Educational Allowances	79.9		79.9	83.9		83.9	30.0		30.0			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	3.0		3.0	3.0		3.0	3.5		3.5			0.0
12.1 FNDH Benefits												
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	34.3		34.3	31.2		31.2	49.0		49.0			0.0
12.1 FN PSC Benefits												
12.1 Payments to the FSN Separation Fund - FN PSC			0.0			0.0			0.0			0.0
12.1 Other FN PSC Benefits	102.4		102.4	111.7		111.7	46.2		46.2			0.0
12.1 IPA/Detail-In/PASA/RSSA Benefits			0.0			0.0			0.0			0.0
Subtotal OC 12.1	219.6	0.0	219.6	229.8	0.0	229.8	128.7	0.0	128.7	0.0	0.0	0.0
13.0 Benefits for former personnel												
13.0 FNDH												
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												
13.0 Severance Payments for FN PSCs			0.0			0.0	30.2		30.2			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	30.2	0.0	30.2	0.0	0.0	0.0
21.0 Travel and transportation of persons												
21.0 Training Travel	3.0		3.0	3.5		3.5	4.0		4.0			0.0
21.0 Mandatory/Statutory Travel												
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	86.1		86.1			0.0
21.0 Home Leave Travel	2.5		2.5	20.0		20.0			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												
21.0 Site Visits - Headquarters Personnel	9.0		9.0	10.0		10.0	9.0		9.0			0.0
21.0 Site Visits - Mission Personnel	3.0		3.0	3.5		3.5	4.0		4.0			0.0
21.0 Conferences/Seminars/Meetings/Retreats	14.5		14.5	15.0		15.0	15.5		15.5			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	4.0		4.0	4.5		4.5	5.0		5.0			0.0
Subtotal OC 21.0	36.0	0.0	36.0	56.5	0.0	56.5	123.6	0.0	123.6	0.0	0.0	0.0
22.0 Transportation of things												
22.0 Post assignment freight			0.0			0.0			0.0			0.0
22.0 Home Leave Freight	3.0		3.0	20.0		20.0	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.	13.4		13.4	13.9		13.9	0.0		0.0			0.0
22.0 Transportation/Freight for Res. Furniture/Equip.	2.2		2.2	2.6		2.6	0.0		0.0			0.0
Subtotal OC 22.0	18.6	0.0	18.6	36.5	0.0	36.5	0.0	0.0	0.0	0.0	0.0	0.0
23.2 Rental payments to others												
23.2 Rental Payments to Others - Office Space	327.0		327.0	340.1		340.1	368.0		368.0			0.0
23.2 Rental Payments to Others - Warehouse Space	21.6		21.6	22.5		22.5	24.3		24.3			0.0
23.2 Rental Payments to Others - Residences	90.0		90.0	96.0		96.0	93.7		93.7			0.0
Subtotal OC 23.2	438.6	0.0	438.6	458.6	0.0	458.6	486.0	0.0	486.0	0.0	0.0	0.0
23.3 Communications, utilities, and miscellaneous charges												
23.3 Office Utilities			0.0			0.0			0.0			0.0
23.3 Residential Utilities	10.0		10.0	13.0		13.0	14.2		14.2			0.0
23.3 Telephone Costs	60.0		60.0	62.1		62.1	67.2		67.2			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)	0.7		0.7	0.9		0.9	1.0		1.0			0.0
23.3 Other Mail Service Costs			0.0			0.0			0.0			0.0
23.3 Courier Services	2.5		2.5	3.0		3.0	3.5		3.5			0.0
Subtotal OC 23.3	73.2	0.0	73.2	79.0	0.0	79.0	85.9	0.0	85.9	0.0	0.0	0.0

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**A More Competitive and Market Responsive
Private Financial Sector**

Timeframe: 1999

**U.S. Treasury, KPMG/Barents, Financial Services Volunteer
Corps (FSVC), Urban Institute (UI), EU Phare, World Bank,
British Know-how Fund**

Improved Regulation and Supervision

Timeframe: 1999

**KPMG Barents, Phare, FSVC, First
Washington Assoc., Hungarian Banking
Assoc.**

Improved Operational Efficiency

Timeframe: 1999

UI, TBD

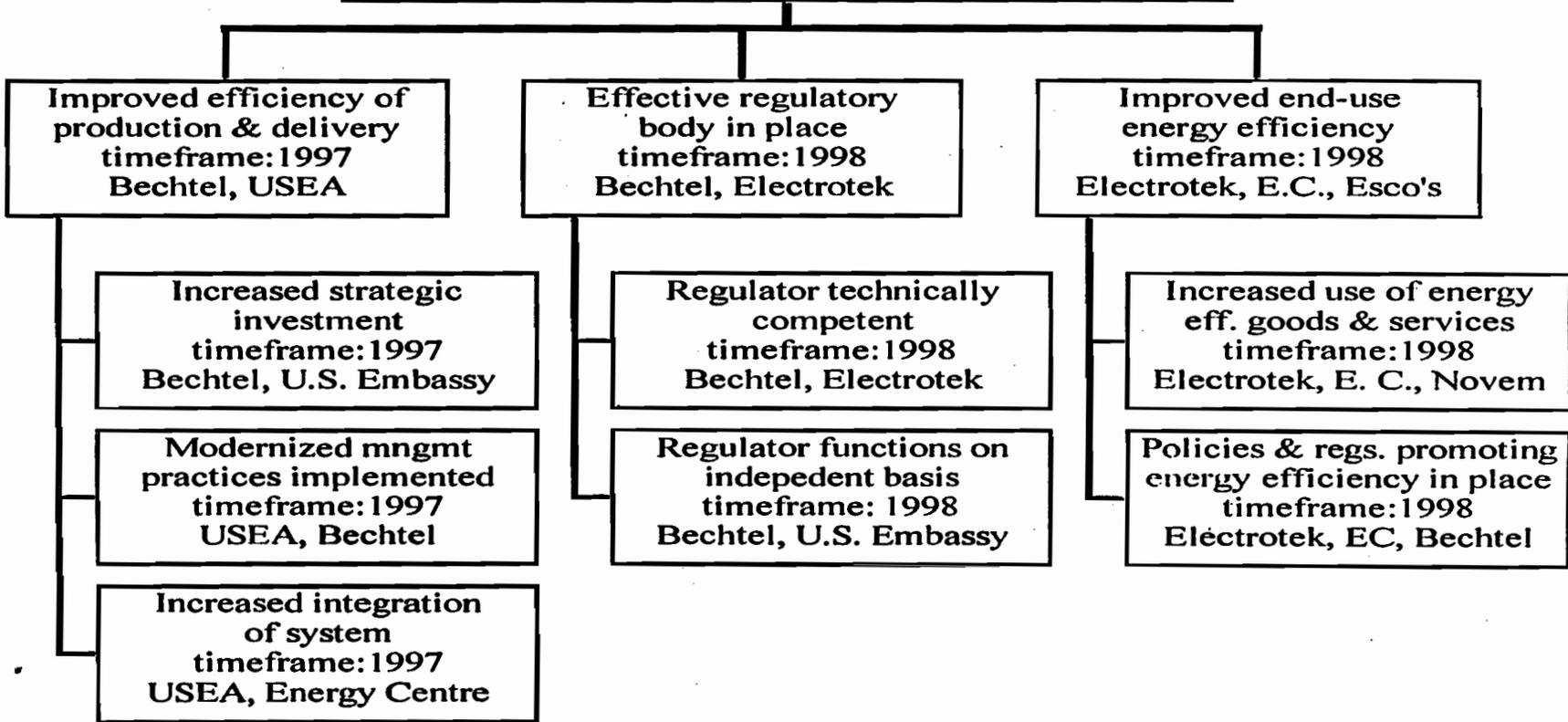
**Better Enforcement of Existing Laws
and Regulations**

**Increased Regulatory Institution
Building**

**Reduced Public Sector Ownership in
Financial Institutions**

Modern Techniques Implemented

An economically sustainable, restructured energy sector
timeframe: 1998
Bechtel, Electrotek, USEA, Esco's
EU Energy Centre, Novem, U.S. Embassy



Improved efficiency of production & delivery
timeframe: 1997
Bechtel, USEA

Increased strategic investment
timeframe: 1997
Bechtel, U.S. Embassy

Modernized mngmt practices implemented
timeframe: 1997
USEA, Bechtel

Increased integration of system
timeframe: 1997
USEA, Energy Centre

Effective regulatory body in place
timeframe: 1998
Bechtel, Electrotek

Regulator technically competent
timeframe: 1998
Bechtel, Electrotek

Regulator functions on independent basis
timeframe: 1998
Bechtel, U.S. Embassy

Improved end-use energy efficiency
timeframe: 1998
Electrotek, E.C., Esco's

Increased use of energy eff. goods & services
timeframe: 1998
Electrotek, E. C., Novem

Policies & regs. promoting energy efficiency in place
timeframe: 1998
Electrotek, EC, Bechtel

Better Informed Citizens Increase Their Participation in Decision Making at the Local Level

Timeframe: 1999

International City Management Association (ICMA); United Way International (UWI); Soros Foundation (SF); Center for Independent Journalism (CIJ); Environmental Protection Agency (EPA); Regional Environmental Center (REC); Department of Labor (DOL); Urban Institute (UI), Non-Profit Informacios Kozpont (NIOK); Research Triangle Institute (RTI); OECD; British Know-how Fund (BKHF); International Research Exchange (IREX), EU Phare, International Bank for Reconstruction and Development (IBRD); Institute for Local Government and Public Service (ILGPS)

Increased Flow of Useful Information

Timeframe: 1998

Partners: CIJ, IREX, ICMA

More Active and Responsive Civil Society

Timeframe: 1999

SF, UWI, NIOK

Improved Collaboration in Local Governance

Timeframe: 1999

SF, UWI, NIOK

Local Gov't. More Effective and Responsive to Citizens

Timeframe: 1999

Phare, IBRD, ICMA, UI

Local Gov't. Provides Public Access to Information

Timeframe: 1997

ICMA

Independent Media is Strengthened at the Local Level

Timeframe: 1997

CIJ, IREX

Increased NGO Capacity

Timeframe: 1998

REC, UWI

Increased NGO Cooperation

Timeframe: 1998

REC, UWI

NGOs Advocate for Issues More Effectively

Timeframe: 1999

REC, UWI

Local Gov't, NGOs & Private Sector Cooperate to Deliver Services

Timeframe: 1998

UWI, DOL, ICMA, UI, EPA

Local Gov't, NGO's & Private Sector Establish Effective Fora for Collaborative Decisions

Timeframe: 1999

REC, UWI, ICMA,

General Management Capacity Improved

Timeframe: 1998

OECD, BKHF, ILGPS, ICMA

Increased Inter-local Cooperation

Timeframe: 1998

ICMA, RTI

Improved National Level Framework for Efficient Local Government

Timeframe: 1998

ICMA, UI, EPA, RTI

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Improved Operations of Small and Medium Sized Enterprises

Time frame: 1999

ACDI/VOCA, Hungarian Foundation for Enterprise Promotion, Corporate Resource Service Center (CRSC), Partners for International Education and Training (PIET), State University of New York (SUNY), Indiana University (IU), Center for International Private Enterprise (CIPE)
OTP Bank, EU Phare, British Know-How Fund

Increased Access To Commercial Banking Services

Time Frame: 1999

EU Phare, MVA, EBRD, VOCA/ACDI, OTP Bank, CIPE

Improved Access to Market and Technology Information

Time Frame: 1999

VOCA/ACDI, MVA, Indiana University, EU Phare

Improved Business Systems and Practices Developed and In Place

Time Frame: 1999

CRSC, PIET, SUNY, IU, Urban Institute, EU Phare, MVA

More Rational Tax Structure for SMEs

Time Frame: 1998

CIPE

Improved Presentation of SME Financial Information to Banks

Improved Review of SME Financial Information by Banks

Increased Access to Internet Services

Increased Access to Database Facilities

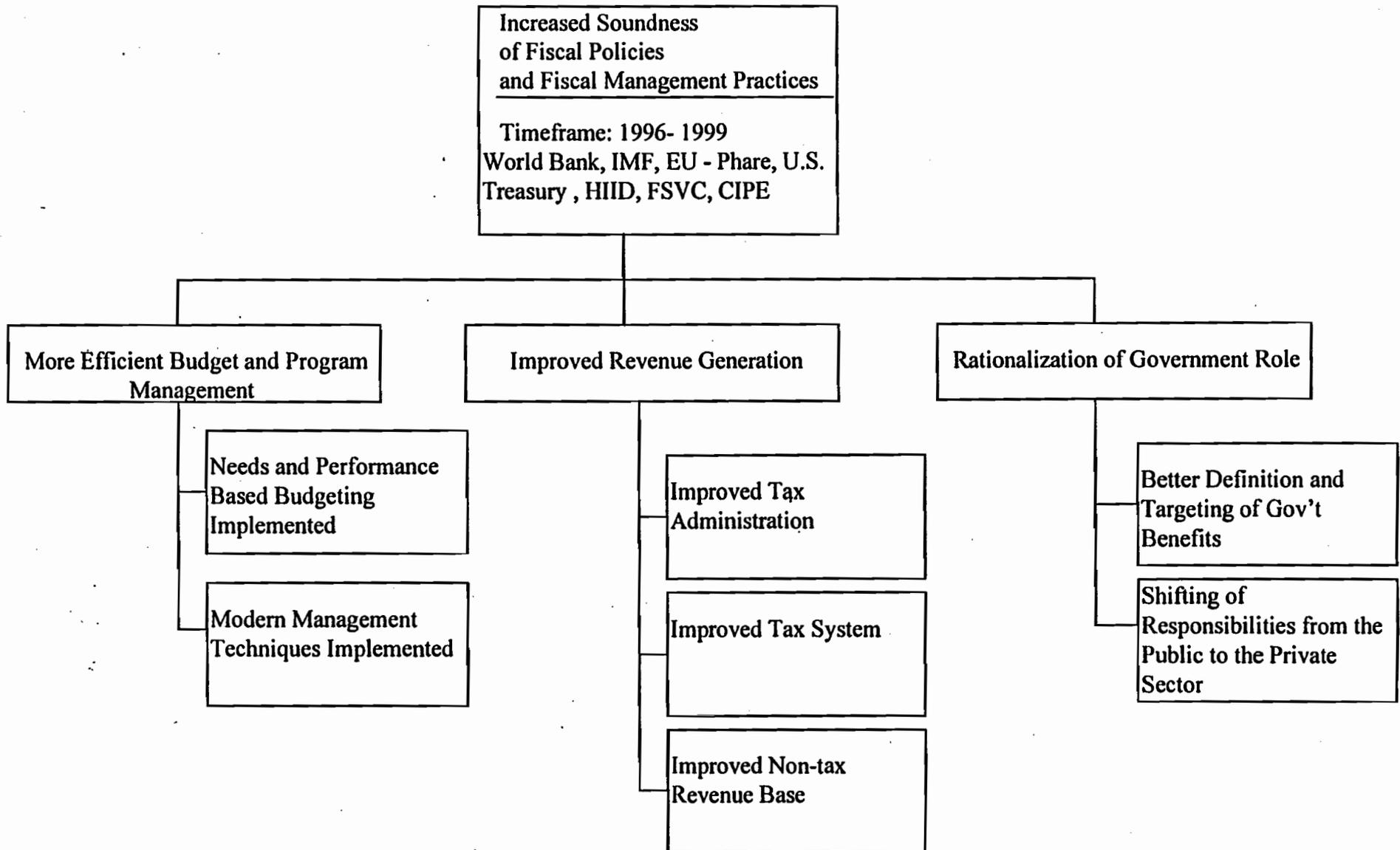
Local Support Org. Provide increased Services and Disseminate Information

National Education System Institutionalizes Business And Management Education

Payroll Contributions Reduced

Harmonization of Business Tax Structures with Western Europe





ANNEX II

PERFORMANCE DATA TABLES

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Roles and Responsibilities for Close-Out of Grants, Contracts, Agreements and Orders

I. Players

CO, COTR, Activity Manager, Contractor/Grantee/Recipient

II. Key Actions

Final report, final voucher, non-expendable property, contractor-accrued leave,
Contractor shipment of HHE/UAB, audits, evaluations

Item	COTR	CO
Approval of final report	X	
Approval of final voucher	X	
Disposition of NXP		X
Field team departure, incl. HHE/UAB/POV	X	X
Cost audit		X
Activity evaluation	X	
Disposition of accrued leave	X	X

III. Role of Activity Manager

1. Information conduit (i.e. CO/COTR not physically present).
2. Advisor to COTR, CO (incipient problems).
3. Triage for contractor/grantee field teams (advice on whom to contact, CO or COTR, about myriad of unforeseen problems).

IV. Important Rules for Non-CO/COTR Staff

1. Don't assume certification or determination roles (decision-making) where money is involved, directly or indirectly.
2. Ask CO, COTR, EXO, or even RCO, REXO if you aren't sure about anything in this area.
3. Make sure the contractor/grantee/recipient knows who their CO & COTR are, and that You are not determining, clearing, etc. in their stead.
4. Make sure you know who all the relevant COs and COTRs are.
5. When dealing officially with the field teams, deal directly and only with the Chiefs of party.

V. Important Rules for COTRs

1. Know where all non-expendable property is NOW. Have plans for disposition ready ASAP.
2. Know the annual leave posture of all field team members and PSCs. You are responsible to Assure that it is all used up prior to the end of the contract.
3. Make sure that all contractor/grantee actions are completed before the Activity Completion Date, to include field team members and HHE/UAB/POV physically out of country.

WHAT IS "NON-EXPENDABLE" PROPERTY

DEFINITIONS:

I. NON-EXPENDABLE PROPERTY(NXP)

- (1) complete in and of itself;
- (2) expected life of 2 years;
- (3) valued initially at US\$500 or more.

II. TITLE: i.e., Legal status of ownership of NXP

III. CUSTODY: Physical possession of the NXP, regardless of Who has Title

IV. DISPOSITION: Any change of title of program-funded NXP

V. Title for program-funded NXP may be vested in:

- (1) Host Govt;
- (2) USG itself;
- (3) USAID Grantee; or
- (4) Host Country Organization.

ORDER OF PREFERENCE
FOR NXP DISPOSITION

CONTRACTOR or GRANTEE is obliged to provide, and USAID MUST APPROVE, a LOWER order of preference IF a HIGHER one is specifically applicable.

- I. Transfer custody of NXP to another USAID Kr/Grantee who supports SAME S.O.**
- II. Transfer custody of NXP to another USAID/Kr/Grantee who supports a DIFFERENT S.O.**
- III. Transfer custody/title of NXP to USAID for OE purposes.
(6FAM227)**

ENI IS DIFFERENT - #1

I. PROPERTY PURCHASED UNDER CONTRACTS

+ USAID ACTIVITIES ARE NOT USUALLY FUNDED UNDER BILATERAL AGREEMENTS [definition: Bilateral Project Grant Agreements Signed by USGOV and Counterpart Receiving H.C. GOVT]

+ Property NOT automatically turned over to Host Govts

+ Dollars NOT obligated TO/WITH Host Country Govt

+ Therefore, NOT appropriate to give NXP to H.C. Govt

+ Because, Property is NOT automatically TITLED to H.C. Govt

II. REMEMBER

+ Have 6FAM227 for ready reference;

+ Contracts will be "construed" as including FAR Clause 52.245-5 for property disposition.

+ Property CAN BE USED for other USAID programs if needed;

+ Property can be used for administrative (OE) purposes, if program uses are not feasible.

ENI IS DIFFERENT - #2

I. PROPERTY PURCHASED UNDER GRANTS

- + USAID-funded activities are probably NOT FUNDED under Bilateral Agreements between the Recipient and the H.C. Govt, i.e., property is most likely NOT titled to Host Govt.
- + Dollars are NOT obligated TO/WITH Host Country Govt
- + Property is NOT automatically TITLED to H.C. Govt
- + NXP is generally, therefore, titled to the Grant Recipient

II. Remember

- + Have 6FAM227 for ready reference
- + RECIPIENT may continue to use property WHETHER OR NOT its program continues to be supported by USAID
- + Remember that USAID's Assistance Regulation, specifically, 22 CFR Part 226, provides for the possibility of property to be titled to the H.C. country, BUT does not apply in Hungary).
- + The property can be used for other USAID programs if needed;
- + The property CANNOT be used for administrative (OE) purposes

MISSION "PROJECT"
RECORDS DISPOSITION

I. **PROJECTS** (read as "ACTIVITY") CLOSED FOR ONE YEAR OR MORE

Box up and send to AID/W:

M/AS/IRD Diane Payne
320 21st Street, N.W.
Room 1113
Washington, DC 20523
Attn: CD-ROM Activity
CD-ROM Project
[no change with move to RRB]

II. **ALL OTHER FILES** associated with "Projects"

A. Have OAR/Hungary Files Contractor, Katalin Szitter, review and consolidate all files. She will make the initial determination as to what is "official" and what is not.

B. Working Files should NOT be tossed, just because the Activity Manager thinks they are not official.

C. Close out activities as soon as possible, and turn files over to Katalin Szitter.

D. Err on side of having Katalin Szitter send boxed files to AID/W/M/AS, because duplicate files will be picked up by CD-ROM scanner.

CLOSING AN AID MISSION

Lessons learned

USAID/Lome July 1994
Karl L. Mahler

INTRODUCTION

Closing a Mission that has had a successful program, and employs dedicated and trained staff is one of the most difficult tasks facing management. Although every effort has been made by the USAID Representative, and those charged with the actual closure, to keep FSNs informed and current with USAID/W directives, in the end disruption, loss or reduction of income are realities. FSN staff who believed that employment with the USG was a sinecure are suddenly faced with the unpleasant reality that there may not be another position with the pay and status that they have enjoyed for some years. Indeed in a country such as Togo no job may be available.

The USAID Representative has made it clear during her general employees' staff meetings, and during individual counseling that it is the employee's primary responsibility to seek and find alternative employment possibilities. Although some of the USAID/Lome staff will be placed in other positions either with the Embassy or in adjoining countries, some employees will find that they simply cannot be placed despite the efforts of "outplacement" programs. This* management operational guidance attempts to continue the Mission's ongoing efforts to "put a human face" on actions that will impact the Foreign National staff.

* See attached administrative action plan.

SUMMARY

The closing of USAID/Lome in some ways may be unique, therefore some of the "lessons learned" will be applicable only to Missions in the same category as Lome. Lome was a relatively small Mission until recently with 4 USDH's, 1 PASA, 2 US/PSC's and 21 FSN's. There has been no USDH Executive Officer for at least 8 years. Lome is part of a JAO, that provides all personnel services, GSO, customs clearing, and other administrative functions.

It is recognized that this document is written from the field perspective. Recommendations do not take into account constraints on AID/W offices, the reasons for indecision in Washington that impacted upon the Office of the Aid Representative (OAR), nor other pressing priorities of AID/W, CCWA, REDSO and RIG/DAKAR.

BACKGROUND. To set the stage for "lessons", I believe it is important to understand the conditions that existed when I arrived in Lome and the basis for my perceptions. Since these circumstances influence the various recommendations of what can and should be learned about closing a Mission.

As a recently retired FSO with both AID Executive Officer experience as well as assignments as an Embassy Administrative Officer, I accepted a contract to spend approximately one month in Lome in the early spring of 1994, followed by two to three months in the late summer of 1994. The purpose of my assignment was to write an administrative plan for closing the Mission, and then implement that plan. This was to be accomplished by analyzing the circumstances and closing requirements in Lome as they pertained to personnel, property, expendable and non expendable, leases, possibilities for personnel transfers, retirement and severance payments as they applied in Lome, disposal of security equipment vehicles and computers.

At the time of my arrival Lome had 19 FSN's on board, 1 USDH (the AID Representative) 1 PASA, and two USPSC's. USAID had been operating for 31 years as a small to medium sized Mission. The Administrative Officer was a very effective resident hire USPSC with little or no other administrative experience outside of her 8 years in Lome. The USAID/Representative was a very experienced officer who had taken many of the actions required to keep her staff informed and provided help to assist them in finding on-going jobs.

Shortly after arrival I found that current Mission closeout recommendations to AID/W included retaining 2 program FSN's for the purpose of continuing certain health, AIDS, and family planning activities. The plan included housing the FSN's in the Embassy with a supporting secretary. This plan had been proposed to AID/W in November 1993 just after the Mission was notified they were to be one of the Missions to be closed.

I spent approximately 10 days familiarizing myself with existing conditions and then began writing the administrative closing plan. (See Attached).

Although the Mission had developed thorough general plans for the draw down of the Mission few specific closing activities had been implemented in February 1994 due to the lack of approval of the plan by AID/W. At that time it was envisioned that the USAID would close on September 30, 1994.

Subsequently in discussions with the USAID/Representative, the Regional Contracting Officer, and the Ambassador the actual closing date was moved from September 30, 1994 to July 15, 1994.

LESSONS LEARNED

I. Operating program activities and closeout administration concurrently.

For various reasons including the late decision by AID/W to terminate all programs and not approve the continuation of the two program FSN's, Lome's program activities were continued until June 30, 1994. This required maintaining all support facilities including vehicles, drivers, system manager, telephone switchboard operators etc. In addition the only full time Administrative PSC worked on the usual day to day administrative activities rather than focusing on closing the Mission.

Due to the concurrent program operations the Mission was forced to extend several residence leases as well as the AID Office Building. The problem of removing program personnel and activities from the AID building was exacerbated by local labor laws that require a 90 day termination notice for professional employees. Thus delaying employees from vacating the building, delaying the transfer and/or disposal of property, and increasing labor costs.

RECOMMENDATION Closing Missions should plan their activities so that all Program actions are terminated or transferred prior to beginning the administrative actions to close the Mission. There will be a number of programmatic pressures to continue until the very last minute. Unless these pressures are resisted confusion and lack of organization can occur.

II. Appropriate Staff for Mission closing.

Lome may be unusual in that their only administrative support personnel was a very skilled USPSC resident hire. However without an experienced USDH Executive Officer, (or retired USDH EXO), there are a number of issues that are difficult to complete in an appropriate manner. Knowledge of disposal of a large quantities of property including security equipment, the techniques of managing sales/auctions, advertising for sealed bid sales (vehicles) etc. takes considerable experience or the ability to know how to get the appropriate information. Personnel terminations are unique when a Mission is closed and the requirements to process pay, personnel actions, funding requires experienced personnel.

RECOMMENDATION

In Missions that do not have an Executive Officer and/or are without a Controller, either USDH or retired USDH EXO's should be assigned early in the closing process. Their opinions/recommendations will be helpful in planning the period of time needed for closing program activities as well as required administrative actions.

III. Appropriate staff departures for Mission closing.

Once a decision has been made to close a Mission, especially when the timing of the closing is counted in months rather than days, (as would be the case in closing a mission under war circumstances), USDH staff depart for ongoing assignments as those assignments become available. This applies to FSN staff as well.

In the case of Lome, the USAID Representative's ongoing assignment required her to transfer in early April. Since the only other U.S. staff was a PASA Health officer, the final program actions became the responsibility of the PSC EXO. Although many of the final program actions had taken place, a number of actions remained that were the responsibility of the project FSN's who themselves were job hunting. Programmatic decisions became the responsibility of the EXO who acted as the defacto AID Representative.

Apparently the attrition of staff required for closing is an issue in all closing Missions. The U.S. Officer in Charge who remains to implement the final closing actions can hardly refuse to allow either USDH or FSN personnel to depart as a job opportunity becomes available. Although the focus is often on the "professional" FSN's/USDH's, a Mission that loses its telephone operator 3-4 months before closing is in a very difficult position. A Mission without a systems manager is at a loss in unsophisticated countries where contracting out is not possible. "Temporaries" are seldom available in most 3rd world countries.

RECOMMENDATION

Develop a system whereby USPSC and FSN/PSC's can receive substantial rewards to stay until the Mission is closed. Paying staff an extra amount to stay until "the end" has been denied by FSN/PER because it is not "prevailing practice". If a new and innovative method to keep staff aboard until the last day can be devised that method will need to provide a substantial cash payment to those who remain. Such a resolution is complicated by the fact that many key staff are PSC's. There are certain prohibitions regarding cash awards to PSC's.

A more expensive alternative is to develop a Regional "SWAT" Team to provide staff to Missions that lose key personnel before closing. These teams could be made up of 1 or 2 USDH's (or retired DH's), plus the key FSN personnel. These too could be recruited from recently retired formerly high ranking FSN's. A senior FSN EXO type. A senior controller type, some operational personnel experienced in document reduction and shipping, library disposal etc. The US "Officer in Charge", (some title must be given to the person who is responsible since in most 3rd world countries an imposing title is important in signing documents, negotiating etc.) must be given the authorities needed to perform all the closing activities.

As usual there are bureaucratic restraints that can be overcome. Authority to execute contracts, supervise employees, and negotiate when necessary is a part of closing a Mission. If retired PSC's are to perform those functions a very careful review must be made of existing restrictions on PSC's so that all authorities possible can be given to the officer charged with closing. Obviously if direct hires are available that may be the best short term solution. However AID/W should develop a cadre of persons experienced in closing. We assume that a direct hire is not going to be considered for an assignment as the "Mission Closing Development Officer". Therefore someone who has closed one Mission is a quantum leap ahead of someone who has closed none.

IV. Embassy relations and understanding the regulations

Lome is part of a Joint Administrative Operation (JAO). Therefore USAID/Lome does not have its own GSO operation. Instead it depends on the Embassy GSO for all support activities. The same dependency applies to Personnel, Finance etc. Although in some respects this arrangement is suitable for small Missions, at the time when the USAID most needs support it is given only on an "as available" basis. Closing a Mission places unusual requirements on all elements of the support organization. The need for movers, packers, electricians and laborers is far above that normally required by Agencies participating in a JAO. Since all these closing administrative requirements are time sensitive, there is an

inherent conflict for scarce resources. Many administrative actions must be accomplished immediately. For example coordinating the return of a leased residence to the landlord involves not only moving out all the furniture, but also removing all USG property from the building. This includes air conditioners, stoves, gas bottles, storage facilities etc. These actions require experienced GSO personnel, especially in countries where this type of work cannot be contracted to private entrepreneurs.

If closing the Mission happens to fall at the time when the Embassy is changing personnel, (summer) or receiving new personnel (autumn), there is a conflict between where the resources are assigned often with USAID losing.

Outplacement became a particular problem in Lome. Although Embassy/Lome had several job openings for personnel trained in a particular type of work, the JAO Director refused to transfer employees as provided in 3 FAM 934.3. She insisted that USAID employees be removed from the roles as employees of the USG, so that they could be hired as "new" employees. Although USAID offered to transfer all severance funds to the Embassy, employees were forced to accept their severance payments and were hired as "new" employees. Although this is contrary to personnel regulations USAID was told that if their employees entered the Embassy roles with seniority, in the case of a later RIF they might be retained rather than current Embassy employees. Therefore they were to be hired as new employees. No amount of discussion would move the JAO Director from this position. Her final response was that if she was forced to hire the USAID employees with seniority, she would not hire them at all.

RECOMMENDATION

When USAID is dependent on Embassy support facilities plan final closing around less active periods wherever possible. Under no circumstances plan closing when the Ambassador is departing/arriving. Do not depend on the Embassy for packing materials in the quantity that will be needed for distributing FFA&E. Contract for temporary GSO's whenever possible.

In view of the number of USAID closing world wide, it would behoove AID/W and State/PER to issue a clear statement summarizing employment personnel policies for inexperienced State Administrative Officers as it pertains RIFS, inter-Agency transfers etc.

V. Regional Relationships

REDSO/W and WAAC have been very supportive of USAID/Lome. They have scheduled numerous TDY's of various personnel to assist in

resolving program issues. It is clear however that REDSO is understaffed considering the support needed by closing Missions. A closing Mission requires more support than is normally scheduled by REDSO. Active growing programs need and should rightfully expect REDSO technical assistance. If these needs are to be met, as well as the needs of closing Missions, something will have to give. At the time when REDSO staff are being reduced, the needs of the Missions are the greatest. Especially those small Missions that were organized with the intent that technical services, i.e. Population, Health, Legal needs were to be met by regional support.

RECOMMENDATION

The staff requirements of supporting a closing Mission do not seem to have been addressed. This runs the gamut from program to administration and finance. We suspect that a large Mission closure may not have the same problems as a small Mission. However if closing Missions is a priority in the next 24 months, then sufficient staff must be identified to provide that support needed.

VI. AID/W support

By and large responses from AID/W have been very slow. It took 4 months to approve the Lome closing plan. It took 2 1/2 months to approve a waiver so that the TDY EXO could sign purchase orders under \$25,000. It has taken 4 months to get a world wide cable sent informing all Missions that Lome was closing. Few offices in AID/W have focused on Lome closing. (Perhaps this is true in other Missions as well). Normal yearly reports have been requested, despite the fact that all records have been shipped to either REDSO or AID/W.

Unreal requests arrive from AID/W asking the Mission to perform actions that they do not have staff to complete. It would appear that AID/W offices do not have any directives that deal with closing Missions, and the reality of staff draw-down, shipment of records etc.. as it applies to the final months of a closing mission.

RECOMMENDATION

It is difficult for a field administrative officer to make recommendations to AID/W not knowing AID/W constraints.

If closing Missions is a high priority in AID/W one would think that the policy team would include some have actually closed a Mission. Not only at the Mission Director level but also at the nuts and bolts level, since this where problems occur.



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

AUG | 1995

MEMORANDUM

To : AA/M, Larry Byrne
From : AA/PPC, Colin I. Bradford, Jr. *CB*
Subject: Closeout and Non-presence Policy

Larry, the attached draft policy statement on policy for activities in non-presence countries is for your review and clearance. It attempts to "bundle" together various policy statements on this subject issued over the past year.

I would like to outline the principal changes:

- Specifically, we have incorporated the Administrator's June 1994 policy statement, at least two policy statements on research in non-presence countries, and your April 6, 1995 statement on notifications.
- We have drafted a new section on procedures for requesting exceptions. This section also enjoins the Agency to act expeditiously on requests.
- We have considerably condensed the existing material on research in non-presence countries while, with one exception, keeping the guidance the same. The only change is to now call for explicit regional bureau clearance on research proposals generated by G Bureau activities.
- We have deleted reference to priorities. Previous guidance stated that highest priority (for exceptions) would be accorded to population and AIDS activities; activities for stimulating the private sector the lowest priority.

Once you get back to me, I would propose to send this to Brian for approval, unless you feel it should be circulated to the regional bureaus for clearance beforehand.

PPC/PAR:MARugh:mar:July 27, 1995:x7-7070:U:\MRUGH\DOCS\CLOSEOUT.MEM
mar

USAID Close-out and Non-Presence Country Policy

I. POLICY FRAMEWORK

USAID is committed to streamlining overseas and Washington office operations and to concentrating resources in sustainable development countries. A significant by-product of this streamlining was the November 1993 announcement to close 21 of our overseas posts. More recently, the Agency has announced the closing of an additional six missions. We need to continually revisit our assistance programs and mechanisms to ensure that we are providing the best development services in the most cost-effective manner. This has led to development of Agency policy with respect to programming of human and financial resources in close-out and other non-presence¹ countries.

The primary reason for electing to move out of a country, or to not engage in a development assistance program in a country, is that our resources would not make a significant contribution to the country's sustainable development. The reasons may be many, ranging from the significance of the country's own resources available for sustainable development investments to an inability to work with a host government as a committed development partner. Supporting new or continuing activities should be the exception, not the rule.

Exceptions acknowledge that humanitarian and political disaster and crisis compel us to respond; and prudence argues for phase-out plans which do not jeopardize the integrity of earlier investments. U.S. foreign policy and national interests may be advanced by selected USAID interventions, such as, for example, election assistance. The Agency also addresses a limited number of global issues -- global climate change, bio-diversity, population, HIV/AIDS -- that may require strategic action in some non-presence countries.

What follows is guidance on the financing of USAID activities in non-presence countries. Section II lists "categorical exceptions" to the no-activity precept. For activities which are not "categorical exceptions", Section III lists criteria on which proposals for activities in non-presence countries will be judged. Section IV provides operational guidance for obtaining approvals on activities in non-presence countries.

¹ For the purposes of USAID policy, close-out countries are a subset of the non-presence countries category -- close-out countries are en route, in effect, to non-presence status. Thus, while there may be specific issues related to the development and implementation of the close-out plan, the basic principles for non-presence countries apply equally to close-out countries.

II. Categorical Exceptions

The following types of activities may continue or begin in close-out and non-presence countries, with approvals as noted, provided that the sponsoring Bureau can present satisfactory arrangements for managing and monitoring the activity:

- disaster assistance wherever and whenever;
- programs of the Office of Transition Initiatives (OTI), which may include a non-presence country as one in which that initiative will be applied. (OTI's own activity approval procedures will apply);
- truly regional activities, i.e., cases in which exclusion of a country would make it virtually impossible to achieve the purpose of the project. A list of projects by bureau will be subject to separate concurrence by M and PPC;
- regional bureau projects of highest priority to USAID and the Department of State. A list of projects by regional bureau will require separate concurrence by M and PPC; and
- Ambassador's self-help programs, §116(e) programs and the Peace Corps SPA program.

The following condition applies to close-out programs only:

- Title II non-emergency programs and PVO matching grants (including child survival programs) managed by the Bureau for Humanitarian Relief initiated before a close-out announcement will be permitted to operate to the termination of the current grant (or Title II multi-year operational plan) as long as program accountability can be maintained and the regional bureau concurs. This exception will apply to a fairly limited number of specific programs. For new matching grants or non-emergency Title II programs, the criteria and procedures defined below will apply.

III. Policy Principles

The standard for non-presence countries will be ^{to} curtail all USAID activities (except as noted above) on a prudent basis following a decision to terminate in-country presence, or to maintain a significantly reduced program based on the criteria set forth below. Extensions of existing programs or initiation of new activities will be treated as exceptions. The criteria are relevance, impact, capacity, cost-effectiveness and

accountability, foreign policy considerations and limiting approvals.

A. Relevance: Activity objectives must relate to Agency sustainable development goals (population and health, democracy, environment, economic growth, and humanitarian assistance); Title II programs must also explicitly address food security.

B. Impact: We will expect meaningful impact. Programs that address USAID's priority objectives (including food security) must have the potential for a substantial and measurable impact. Programs that address global problems at the national level should be of such a magnitude or so influential that they can be expected to have a significant and measurable national level impact and make a difference -- with respect to the global problems -- within a reasonable period. Programs that address other global problems, such as the environment or AIDS, should also show significant and measurable transnational impact.

Research programs are a special case. Research proposals in non-presence countries must be linked to USAID objectives and the non-presence country must be unique as a laboratory, i.e., the research can not readily be done in a USAID presence country. The attachment to this policy statement provides additional guidance and instructions for research proposals. *Matthew*

C. Capacity: The implementing organization -- PVO, contractor, or other -- must have a demonstrated implementation capacity. In the absence of USAID personnel, it is important that we have confidence in the implementation capacity of the program sponsor.

D. Cost-effectiveness and accountability: Sponsoring bureaus must detail a cost-effective plan for USAID oversight of the activity. Plans must provide a reasonable assurance for adequate oversight and must indicate that the sponsoring bureau or office will have the resources to carry out that plan at minimal cost to operations in core sustainable development countries.

E. Foreign policy: Foreign policy considerations, including those related to easing the process of close out, are additional factors which will be taken into account.

F. Limiting approvals: Overall, exceptions will be limited, and may require denial of requests for factors such as overall program management vulnerability and resource constraints.

IV. OPERATIONAL GUIDANCE FOR ESTABLISHING EXCEPTIONS

A. Notification Procedures: All bureaus are required to notify AA/PPC and AA/M of any intent to conduct activities in non-presence countries at the earliest possible stage, ideally prior

to detailed planning or forward budgeting of any proposed activities. This notification is meant to help flag any issues and concerns which the sponsoring bureau should address in the formal clearance process.

B. Clearance and Approval Procedures: All Bureaus must use an Action Memorandum to obtain explicit AA/M and AA/PPC clearance for all activities in non-presence countries. "Activities" include all operational levels -- bilateral, regional, sub-regional and global, and all implementation mechanisms -- e.g., technical assistance, research, PVO, grant, contract, food aid, local currency, regardless of purpose. Action memos should reflect clearance by other concerned bureaus, e.g., regional bureaus in the case of G-managed projects.

The Action Memorandum should be done at the preliminary strategy or activity design stage. Clearance will take the form of an action memo addressed to AA/M and AA/PPC. Content shall include a brief description of the activity, and a discussion addressing the factors of Section III.A-D above (relevance, impact, capacity, cost-effectiveness and accountability) and, if appropriate, foreign policy concerns (factor III.E).

Clearance at the preliminary strategy or activity design stage may not always be possible, as in the case of certain regional projects, some G projects, or grants to PVOs. In those cases, AA/M and AA/PPC approval shall be sought as soon as practicable, but no later than authorization or approval of activities in the non-presence country(ies).

C. Appeals: Differences on the action memorandum -- either between AA/M and AA/PPC, or between M, PPC and the sponsoring bureau -- should first be worked out at that level. If resolution is not possible, the issue should be referred to A/AID in the form of an action memorandum.

D. Timing: Requests for exceptions must be acted on expeditiously. Sponsoring bureaus should forward recommendations to AA/M and AA/PPC within ten working days of a request from the field or from outside the Agency. AA/M and AA/PPC should act on the action memorandum within three working days. Appeals should be forwarded in an equally expeditious manner.

*Not
mentioned*

Criteria for Supporting Research in Non-Presence Countries

Before any research activity is approved for USAID support, regardless of where it will be conducted, standard criteria must first be met. These include, but are not limited to:

- Direct relevance to USAID's goals
- Feasibility
- Technical merit
- Potential for impact
- Cost and cost-effectiveness
- Local institutional capacity

In addition to these standard criteria, the following three absolute criteria must be met prior to making a determination that USAID should support research in a non-presence country:

1. The research relates to one or more of USAID's strategic areas and must be such that its benefits will extend outside the host country;
2. USAID presence is not needed for the effective management of the research; and,
3. The research cannot be conducted, or conducted effectively or efficiently, in USAID presence countries.

Items 1 and 2 are self-explanatory, however, item 3 requires some further elaboration. The intention of this criterion is to help ensure that USAID does not support research activities in non-presence countries unless it makes good programmatic sense to do so. Another way of expressing criterion 3 is "there is no comparative advantage to conducting the specific research project in question in a country with USAID presence." A good example of research that cannot be conducted in a country where USAID has presence is support of an unsolicited proposal for "proprietary" research, i.e., an investigator from a non-presence country has a novel idea or a patent and is requesting support from USAID. Further, USAID has a long history of supporting research activities in countries where USAID has never had presence, e.g. in some Western European countries, when it made sense to do so in terms of the Agency's strategic research program.

Determining that research "cannot be conducted effectively or efficiently in countries where USAID has presence" requires careful consideration. The following additional criteria may be helpful in making this determination:

- The country provides a specialized "natural laboratory" in which to answer a given research question.

- The current time window presents a unique opportunity for answering the research question efficiently.
- The country has particular features or populations which make it an important comparison site in a multicenter study (again, with benefits beyond the country).
- The research project in question is longitudinal in nature and its findings and benefits can only be realized if the research is not terminated prematurely.
- The institutions, structures, facilities, researchers, etc., which exist in a country present important and appropriate resources to conduct research efficiently and of a high standard.

Generally, establishing and/or maintaining linkages between U.S. and host country scientists has been considered a desirable part of graduation of advanced developing countries from USAID assistance. However, this alone is not sufficient for making a decision to support research in a non-presence country.

Delegation of Authority

Technical officers, [with the concurrence of the geographic bureau planning office], are delegated authority to make the determination to support research in a non-presence country when there is no ambiguity that the specific activity meets the above-mentioned standard and absolute criteria and when the research activity is a component of an ongoing program. In such cases, the technical staff should keep a record, with the official project file, of the basis for which such determinations have been made. Technical staff should ensure that there are no other Agency prohibitions which would preclude working in that country.

When the decision is not obvious, or if the research project is a new program or new initiative that will be conducted entirely or mostly in a non-presence country, the determination will be made by the Assistant Administrator for the Bureau or his/her delegate, through the Agency Research Council. In these cases, the technical staff will prepare an Action Memorandum for the Deputy Administrator through the Senior Policy Advisor for Research in PPC. The Action Memorandum should include details on why the particular research should be supported in relation to the standard and absolute criteria. The Senior Policy Advisor for Research, on behalf of the DA, is empowered to make the determination that the research in question should be supported. In the event that the Senior Policy Advisor for Research is not sure or does not concur with the exception, she/he will forward the Action Memorandum to the DA with an accompanying memo stating her/his concerns. The DA will either make the determination or will refer it to the Agency Research Council for a decision.



U.S. AGENCY FOR
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ACTION MEMORANDUM FOR THE DEPUTY ADMINISTRATOR

FROM:

AA/G, Sally Shelton *Clay Vandusen (for)*
AA/PPC, Colin Bradford *CB*

SUBJECT: Implementation Guidance for the Support of Research in
Non-Presence Countries

Issue: On October 6, 1994 you approved the new USAID policy on support for research in non-presence countries (see Attachment 1, Annex 1). This policy establishes the criteria and procedures governing the conditions under which the Agency should initiate, or continue, research in non-presence countries. A guidance document is needed to assist USAID staff in implementing this policy.

Discussion: The purpose of the Implementation Guidance document is to summarize and interpret the criteria to be used in making a determination that a specific research activity can be supported by USAID in a non-presence country, to provide information on the delegation of authority in decision making and provide information on reporting requirements. USAID should continue its long history of supporting research activities in countries without USAID mission presence and to support research in countries where USAID's presence is being phased-out or has already been closed-out, when it makes good sense programmatically to do so.

Technical staff and offices will benefit from specific guidance on implementing the new USAID policy on research in non-presence countries. The attached document, Implementation Guidance for the Support of Research in Non-Presence Countries, was prepared by Jeff Spieler, G/PHN/POP/R, and Fran Carr, PPC. It summarizes the procedures to be followed and criteria to be applied in deciding whether to support a research project in a non-presence country. Furthermore, it discusses the issue of the conditions under which technical staff are delegated the authority to make the decision to support such research and when higher level authority is required. Finally, it provides information on reporting requirements and how to obtain additional information.



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

DEC 7

*Office of
the Executive
Secretariat*

NOTE TO: AA/M, Larry Byrne

The attached was returned from
the Administrator with the
following comments:

"I would like you to pay special
attention to the impact on FSN's.
We need to be compassionate,
generous and imaginative in
softening the blow to this group -
possibly offering jobs in other
areas or keeping them employed if
we keep programs alive in the
country."

Aaron S. Williams
Executive Secretary

APPR: LB ()

DRAFT: BB ()

CLEAR: MR ()

UNCLASSIFIED

CLEAR: CDM ()

CLEAR: JG ()

AID/M/MPI:BBURNETT:BS:CLOCABLE

CLEAR: EZ ()

06/10/94 (202) 647-2902

AID/M:LBYRNE

CLEAR: BM ()

AID/M/MPI:MROGAL

AID/M/MPI:CDMCGRAW

AID/AFR/DP:JGOVAN (DRAFT)

AID/LAC/DR:EZALLMAN (DRAFT)

AID/ANE/DR:BMACDONALD (DRAFT)

AID/ANE/DP:FMILLER (DRAFT)

AID/BHR/PPE:JGRANT (DRAFT)

AID/G/PRO:GSTANDROD (DRAFT)

PRIORITY ABIDJAN, BANGKOK PRIORITY, BELIZE PRIORITY, BRIDGETOWN
PRIORITY, GABORONE PRIORITY, KINSHASA PRIORITY, ISLAMABAD PRIORITY,
PRIORITY MANILA, KINGSTON PRIORITY

AIDAC

E.O. 12356: N/A

TAGS:

SUBJECT: MISSION CLOSE OUT REPORTING

1. THE UNPRECEDENTED NUMBER OF MISSION CLOSE OUTS, TWENTY-ONE MISSIONS IN THREE YEARS, REQUIRED ESTABLISHING PROCEDURES TO MANAGE THIS PROCESS IN AN ORDERLY MANNER. SPECIFICALLY, (1) STATE 380556, DATED DECEMBER 20, 1993, AND STATE 003579, DATED JANUARY 6, 1994, PROVIDED GENERAL GUIDANCE RELATED TO PROGRAM AND OPERATIONAL CLOSE OUT PLANS AND OTHER INFORMATION, AND (2) JOHN KOEHRING'S MEMORANDUM OF JANUARY 6, 1994 ENTITLED, MISSION CLOSE OUT PROCEDURES, PROVIDED CHECKLISTS IDENTIFYING THINGS THAT MUST BE TAKEN INTO ACCOUNT IN CLOSING A MISSION.

2. THE PURPOSE OF THIS CABLE IS TO LAY OUT THOSE REPORTING REQUIREMENTS WHICH WILL ENABLE USAID/W TO: (A) MONITOR THE CLOSE OUT PROGRESS, (B) PROVIDE OR ARRANGE ANY ASSISTANCE MISSIONS MAY NEED TO MEET THE SCHEDULED CLOSE OUT DEADLINES, (C) KNOW THE PRECISE CLOSE OUT DATE AND, (D) BE INFORMED REGARDING SPECIFIC PROGRAM AND ADMINISTRATIVE ACTIVITIES EXTENDING BEYOND THE CLOSE OUT DATE.

UNCLASSIFIED

THE REPORTING REQUIREMENTS ARE AS FOLLOWS:

A. MISSION STAFF, INCLUDING SENIOR MANAGEMENT, ENGAGED IN THE MISSION CLOSE OUT SHOULD BE FAMILIAR WITH THE CLOSE OUT GUIDANCE INDICATED IN PARA 1 ABOVE.

B. FOR MISSIONS CLOSING IN FY 1994:

(1) TAKING INTO ACCOUNT THE AID/W APPROVED PROGRAM AND OPERATIONAL CLOSE OUT PLANS, REVIEW THE CHECKLISTS SET FORTH IN THE KOEHRING MEMORANDUM CONCERNING:

- A. PERSONNEL;
- B. FINANCIAL MANAGEMENT;
- C. PROCUREMENT AND SUPPLY;
- D. PERSONAL PROPERTY;
- E. REAL PROPERTY;
- F. RECORDS MANAGEMENT; AND
- G. PARTICIPANT TRAINING.

(2) FOR EACH OF THE SEVEN CATEGORIES INDICATE AREAS WHERE DIFFICULTIES ARE BEING ENCOUNTERED OR AREAS WHERE DIFFICULTIES ARE EXPECTED.

(3) FOR THOSE DIFFICULTIES IDENTIFIED, PLEASE INDICATE IF MISSION RESOURCES ARE ADEQUATE TO ADDRESS THE PROBLEM. PLEASE INCLUDE ANY PROBLEMS ENCOUNTERED BY OR WITH CONTRACTORS AND OR PVOS.

(4) IF USAID/W ASSISTANCE IS REQUIRED, PLEASE SPECIFY.

(5) FOR THOSE CATEGORIES WHERE PROGRESS IS PROCEEDING SATISFACTORILY AND NO DIFFICULTIES ARE ENVISIONED, SIMPLY STATE "SATISFACTORY PROGRESS."

(6) FOR THOSE CATEGORIES ALREADY ADDRESSED AND COMPLETED, INDICATE, "COMPLETED."

(7) A CABLE SUMMARIZING THE RESULTS OF THE MISSION'S REVIEW OF THE CHECKLISTS SHOULD BE FORWARDED TO USAID/W BY JULY 15, 1994.

(8) PRIOR TO DEPARTURE FROM POST, THE PRINCIPAL OFFICER SHOULD CABLE USAID/W SPECIFYING THE CLOSE OUT DATE AND INDICATING THAT ALL CATEGORIES HAVE BEEN "COMPLETED." WHERE ONE OR MORE CATEGORIES REMAIN TO BE COMPLETED, THESE SHOULD BE SPECIFIED AND THE NATURE OF THE DIFFICULTY EXPLAINED ALONG WITH THE PROPOSED COURSE OF ACTION. FOR ANY USAID RELATED ACTIVITY PAST THE CLOSE OUT DATE, PLEASE SPECIFY:

- THE NATURE OF SUCH ACTIVITY;
- THE DURATION OF SUCH ACTIVITY;
- THE NAME ADDRESS, AND TELEPHONE NUMBER OF THE INDIVIDUAL(S) AND INSTITUTIONS(S) RESPONSIBLE FOR CARRYING OUT THE ACTIVITIES.

C. FOR MISSIONS CLOSING IN FY 1995:

(1) FOLLOWING STEPS (1) THROUGH (7) OUTLINED ABOVE, CABLE THE RESULTS OF THE MISSION'S REVIEW OF THE CHECKLISTS ON A QUARTERLY BASIS BEGINNING DECEMBER 30, 1994 AND ENDING JUNE 30, 1995.

(2) PRIOR TO DEPARTURE FROM POST, THE PRINCIPAL OFFICER SHOULD CABLE USAID/W PURSUANT TO STEP (8) ABOVE.

D. FOR MISSIONS CLOSING IN FY 1996:

THE REPORTING REQUIREMENTS WOULD BE AS OUTLINED IN 2.C. ABOVE, EXCEPT THAT REPORTING WOULD COMMENCE ONE YEAR LATER; I.E., DECEMBER 30, 1995.

3. QUESTIONS, COMMENTS, AND SUGGESTIONS REGARDING CLOSE OUT PROCEDURES SHOULD BE DIRECTED TO THE APPROPRIATE BUREAU OR OFFICE COORDINATOR WITH COPIES TO THE AGENCY CLOSE OUT COORDINATOR, AA/M AND THE COGNIZANT GEOGRAPHIC BUREAU. THE COORDINATORS FOR REGIONAL BUREAUS, CENTRAL BUREAUS AND OFFICES ARE:

- AFRICA, JIM GOVAN;
- ANE; ASIA, BARRY MACDONALD; NE, FRANK MILLER;
- LAC, ERIC ZALLMAN;
- BHR, JOHN GRANT;
- GC, JAN MILLER;
- GLOBAL, GARLAND STANDROD
- PPC, PPC/PC

M/MPI (BARRY BURNETT AND MICHAEL ROGAL) IS THE OFFICE PROVIDING STAFF SUPPORT TO THE AGENCY CLOSE OUT COORDINATOR.

4. WE WISH TO STRESS THE IMPORTANCE OF COMMUNICATION AND INFORMATION EXCHANGE BETWEEN FIELD MISSIONS AND USAID/W COORDINATION STAFF TO ENSURE THE SUCCESS OF THIS COMPLEX UNDERTAKING. WE ALSO WANT TO REITERATE OUR COMMITMENT TO BE SUPPORTIVE AND HELPFUL TO FIELD MISSIONS IN BRINGING THIS CLOSE OUT PROCESS TO A SUCCESSFUL COMPLETION.

*Assistant
Administrator*

ACTION MEMORANDUM FOR THE DEPUTY ADMINISTRATOR

FROM: AA/G, Sally Shelton *AND Ben*
AA/PPC, Terrence Brown *TB*

SUBJECT: Research in Non-Presence Countries

Issue: USAID should initiate, or continue, research in non-presence countries when such research would be appropriate within the Agency's global research agenda.

Background: During meetings discussing mission closeouts, Larry Byrne indicated that there was a generic policy determination needed concerning research in non-presence countries. He recommended that the above issue be given to the Agency Research Council for action.

Discussion: USAID has a long history of supporting research activities in countries without USAID mission presence, including several developed countries (e.g. Finland and the United Kingdom), when it made sense to do so in terms of the Agency's strategic research program. Furthermore, USAID-supported research in close-out countries has had a major impact on the Agency's work, e.g., the copper intrauterine device (IUD) was invented in Chile and minilap for female sterilization in Thailand. Generally, establishing linkages between U.S. and host country scientists has been considered a desirable part of graduation of advanced developing countries from USAID assistance. Thus, the Agency's ability to have impact in its priority areas will not be served by the self-imposition of restrictive regulations.

In general, before any research activity is approved, standard criteria must first be met, including:

- Direct relevance to USAID's goals
- Feasibility
- Technical merit
- Potential for impact
- Cost and cost-effectiveness
- Local institutional capacity

**IMPLEMENTATION GUIDANCE FOR
THE SUPPORT OF RESEARCH IN NON-PRESENCE COUNTRIES**

On October 6, 1994 Deputy Administrator Carol Lancaster approved the new USAID policy on support for research in non-presence countries (see Annex 1). This policy establishes the criteria and procedures governing the conditions under which the Agency should initiate, or continue, research in non-presence countries. The purpose of this Guidance is to summarize and interpret the procedures and criteria to be followed, to provide information on the delegation of authority in decision making, and to provide information on reporting requirements.

Criteria for Supporting Research in Non-Presence Countries

In general, before any research activity is approved for USAID support, regardless of where it will be conducted, standard criteria must first be met. These include, but are not limited to:

- Direct relevance to USAID's goals
- Feasibility
- Technical merit
- Potential for impact
- Cost and cost-effectiveness
- Local institutional capacity

In addition to these standard criteria, the following three absolute criteria must be met prior to making a determination that USAID should support research in a non-presence country:

1. The research is of clear importance to one or more of USAID's strategic areas and must be such that its benefits will extend beyond the confines of the host country;
2. USAID presence is not required for the effective management of the research in a non-presence country; and,
3. The research cannot be conducted, or conducted effectively or efficiently, in countries where USAID has presence.

Items 1 and 2 are self-explanatory, however, item 3 requires some further elaboration. The intention of this criterion is to help ensure that USAID does not support research activities in non-presence countries unless it makes good programmatic sense to do so. Another way of expressing criterion 3 is "there is no comparative advantage to conducting the specific research project

in question in a country with USAID presence." A good example of research that cannot be conducted in a country where USAID has presence is support of an unsolicited proposal for "proprietary" research, i.e., an investigator from a non-presence country has a novel idea or a patent and is requesting support from USAID. Further, USAID has a long history of supporting research activities in countries where USAID has never had presence, e.g. in some Western European countries, when it made sense to do so in terms of the Agency's strategic research program.

Determining that research "cannot be conducted effectively or efficiently in countries where USAID has presence" requires careful consideration. The following additional criteria may be helpful in making this determination:

- The country provides a specialized "natural laboratory" in which to answer a given research question.
- The current time window presents a unique opportunity for answering the research question efficiently.
- The country has particular features or it has populations which make it an important comparison site in a multicenter study (again, with benefits beyond the country).
- The research project in question is longitudinal in nature and its findings and benefits can only be realized if the research is not terminated prematurely.
- The institutions, structures, facilities, researchers, etc., which exist in a country present important and appropriate resources to conduct research efficiently and of a high standard.

Generally, establishing and/or maintaining linkages between U.S. and host country scientists has been considered a desirable part of graduation of advanced developing countries from USAID assistance. However, this alone is not sufficient for making a decision to support research in a non-presence country.

Delegation of Authority

Technical staff/offices have been delegated the authority to make the determination to support research in a non-presence country when there is no ambiguity that the specific activity meets the above-mentioned standard and absolute criteria and when the research project or sub-project is a component of an ongoing program. In such cases, the technical staff should keep a record, with the official project file, of the basis for which such determinations have been made (see Reporting Requirements). Technical staff should ensure that there are no other Agency

In the future, in addition to these standard criteria, the following criteria are absolute in making a determination to support research in a non-presence country:

- The research is of clear importance to one or more of USAID's strategic areas and must be such that its benefits will extend beyond the confines of the host country;
- USAID presence is not required for the effective management of the research in a non-presence country.
- The research cannot be conducted, or conducted effectively or efficiently, in countries where USAID has presence.

Once this has been determined, the following criteria also should be considered:

- The country provides a specialized "natural laboratory" in which to answer a given research question.
- The current time window presents a unique opportunity for answering the research question.
- The country has particular features or it has populations which make it an important comparison site in a multicenter study (again, with benefits beyond the country).
- The research project in question is longitudinal in nature and its findings and benefits can only be realized if the research isn't terminated prematurely.
- The institutions, structures, researchers, etc., which exist in a country present important and appropriate resources to conduct research of a high standard.

This determination can be made by USAID technical staff when the research project or sub-project is a component of an ongoing program. Semi-annually, technical offices will provide to the Agency Research Council a list of all projects approved for support in non-presence countries. When the decision is not obvious, or if the research project is a new program or new initiative that will be conducted entirely or mostly in non-presence countries, the determination will be made by the relevant Center Director for the Global Bureau, or by the Assistant Administrator for the other Bureaus, or their delegates, through the Agency Research Council.

1. Policy on Participant Training in Close Out Countries (Exit Countries)

No long-term (academic degree) participants should be sent for U.S. or third-country training except those from the private sector who have been notified of selection and have already terminated their employment. In the case of candidates from the public sector who have terminated employment or have been put on study leave status, missions must seek authorization from their respective USAID/W regional bureau before sending them for training.

Participants who are already enrolled in degree programs are to be continued until completion of the original training objective as stated in the PIO/T. No additional degree objective will be permitted.

For additional guidance on participant training in exit countries, see State 053617 (3/94) and State 098287 (4/94) or contact OIT.

2. Policy on Research in Non-Presence Countries

In general, standard criteria must be met, including: direct relevance to USAID goals; feasibility; technical merit; potential for impact; cost and cost-effectiveness; and local institutional capacity.

The following criteria are absolute in making a determination to support research in a non-presence country:

- The research is of clear importance to one or more of USAID's strategic areas and must be such that its benefits will extend beyond the confines of the host country.

- USAID presence is not required for the effective management of the research in a non-presence country.

- The research cannot be conducted, or conducted effectively or efficiently, in countries where USAID has a presence.

See State 319235 (11/94) for additional guidance on this policy.

D. Diamond

*How to transfer funds
to shut project down
and keep P10/P open.*

DRAFT
January 24, 1994

Mission Closing: Participant Training Issues

GENERAL STATEMENT

This memorandum sets forth the Agency's position on the continuation of human resources development and technical assistance following the formal closing of USAID missions. It outlines issues that must be resolved during the initial planning stage for close outs and includes a checklist of actions, procedures and responsibilities incident to the participant training program.

A. Continuation of Training. Following the formal close out of USAID assistance in a country, it is usually in the United States Government's long-range national interest to maintain association with the country's development (HB 23,13-B). Training/human resources development is a lifetime objective which, irrespective of a mission presence, should be continued. To the extent feasible participants should be supported until their original training objective has been completed, however, the circumstances in each mission will ultimately dictate the duration of the continued training. For example, if the training is for a dual degree (Master's and PhD) the mission may choose to cease support after the first degree is completed. Whatever entitlements and considerations that would have acceded to participants under normal circumstances should also apply during their continued training.

Where mission closings are attributable to political reasons continued training can serve a pivotal role in preparing the public and private sectors for change. For graduating countries, training, particularly when related to entrepreneurship, can provide another avenue to expand markets for U.S. goods and services abroad. Likewise, training retains a U.S. presence in small countries where, otherwise, it would be impractical to maintain a full USAID operation.

One of the key questions to be resolved during the initial stage of planning for the close out is coverage and exclusion. In addition to participants who have already begun U.S. training, will all other "pipeline" training be continued ?

As a general guideline, consideration for "pipeline" training should be given in the following order:

* Participants in process who have been notified of selection, have been replaced on their jobs, are in in-country

language training or have made other lifestyle changes.

* Participants who have been selected and are in language training.

* Participants who have been selected but for whom no further preparations have been made.

B. Management of Training. - What mechanism will be used for financial and administrative management of the continued training? Where will the management entity be housed ?

All participant training must have a management entity responsible for program oversight. The most appropriate mechanism should be determined by circumstances of the respective mission, considering such factors as the number of participants in question, the location of training funds, i.e., in mission project accounts or in mission contracts and whether the training has been forward funded.

Missions may choose the management mode from among several options, including:

* A direct OYB transfer to OIT to access services of the OIT contractor. With a programming and monitoring contract already in place, OIT stands ready to assist in expediting participant management actions. The direct OYB transfer is a practical option which minimizes labor intensiveness at the mission level.

* Buy-in through the geographical bureau which involves a de-obligation and re-obligation of funds from each mission contractor or each project under which training is funded, then a re-obligation of the funds to the bureau. In turn, the bureau may execute a buy-in for services of the OIT contractor or other contractors. In considering this option, missions are reminded that the de-obligation / re-obligation can be a lengthy process and also that de-obligated funds are discretionary.

* Transfer the training management function to a PVO following the Sierra Leone model.

* Transfer participant training management and related accounting (via an OYB transfer or a buy-in) to a regional office or another USAID mission.

In considering and choosing an option, the mission must ensure that the new management entity or contractor is transferred responsibility for the participant's prior year taxes. In some instances management transfer will be exclusively for tax purposes.

Irrespective of the management locus, the geographical bureau in coordination with PP, should establish and maintain an account of funds to cover training-related contingencies and emergencies that may be encountered by participants during the course of their U.S. training such as medical evacuations, tax payments for subsequent

years, unanticipated program extensions, stranded dependents, etc.

C. Follow-on for Returned Participants. - What provisions will be made for follow-on after participants return to the home country? How will it be managed ?

Interest in a participant's development does not end when he/she returns home. More importantly, short and long-term benefits to the U.S. can be derived from some on-going contact with individuals who have been trained in this country. The level of contact and follow-on support will be determined by respective missions and will vary by country. Whenever feasible management should be explored with an in-country office of the United States Information Agency (USIA), Peace Corps or other U.S. government agency prior to the mission close out date. At a minimum, the following activities should be reviewed:

(a) Technical Materials - Assistance in establishing a means for the receipt of professional publications, technical journals and magazines or newsletters written by and for returned participants.

(b) U.S. Cultural Presentations - Providing for the inclusion of returned participants in cultural and other activities sponsored by the U.S. and benefit to the host country.

(c) Confirmation of Returned Status - If requested, advising OIT of participants' return to country.

D. Other Management Policy and Procedural Issues.

All participants should be retained on the J-1 visa for the duration of their training.

Participant records must be maintained and retrievable for future use in responding to waiver requests, congressional inquiries, etc.

Summary Checklist of Responsibilities

FOR USAID Missions

* Obtain status information from contractors and compile a summary report of all participants in training by project and by contractor. Locate the source of funds for each participant. Update PTMS or other data systems, send report to OIT and to the regional bureau copy and if feasible via disk for cross reference with PTIS. If mission is using a data system other than PTMS, send name of system and documentation.

* Include calculation of funds required to cover the costs of

continuing U.S. training. Include a contingency for possible delayed billing, program extensions, emergencies and return travel.

* If the host country has made a commitment for the participant's return travel, advise OIT and the bureau of financial arrangements.

* Advise OIT and the bureau if dependents were authorized to accompany participants and of arrangements for dependents return travel.

* Inform OIT and the bureau of the preferred mode for management of participants during the remainder of their training (See options above).

* Observe the following cutoff dates for new training starts: if long-term training, a minimum of 9 months before the mission closing date and if short-term training of two-four week duration, a minimum of 2 months prior to closing.

* Prepare and share updated directory of returned participants with USIA and other U.S. government agencies in country and with other international donors for integration in their respective development activities. Negotiate follow-on support services with USIA for:

- 1) Confirmation of returned participants

- 2) Assistance in forwarding professional or technical publications and other mail if required in rare and unusual circumstances; and

- 3) Inclusion of returned participants in cultural and other activities sponsored in-country by U.S. government entities.

* Develop a list of key government and private sector counterparts and resource persons who may be contacted, if appropriate, for residual training related activities, follow-on activities and subsequent regional initiatives. Send copies to USIA in-country, OIT, the regional bureau and Desk Officer.

* Identify and advise OIT, regional bureau and Desk Officer of an in-country liaison who would act in a back stopping capacity for the U.S. program manager in crisis situations, i.e., medical evacuation, etc. If responsibility is negotiated with another U.S. government agency, indicate respective division or office.

FOR CONTRACTORS

* Confirm and advise missions of program status, completion date, IAP visa status and current mailing address for each participant in training.

* Update budgets including all program charges and prepare most realistic funding requirements for the duration of training. Include contingency for possible program extensions, emergencies, inflation, etc.

* Update Participant Data Form (PDF) to show change in management responsibility.

FOR GEOGRAPHICAL BUREAUS

* In coordination with PP, establish and manage an account of funds to cover training-related contingencies and emergencies that may be encountered by participants during the course of their U.S. training, such as medical evacuations, tax payments for subsequent years, etc.

* Provide technical assistance with funding options, as appropriate.

* Advise OIT and contractors of staff with designated fiduciary and management responsibilities for training related matters.

* In coordination with OIT, serve as the management entity for those participants whose programs are not contractor managed.

FOR OIT

* Reconcile differences between PTIS participant data and mission PTMS or other data reports.

* Facilitate mission OYBs and buy-ins to OIT contractor.

* Collaborate with regional bureaus as appropriate.

* Maintain repository of participant data.